resideo

Q3 2022 RESULTS PRESENTATION

November 1, 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 fourth 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 recently completed acquisitions, including First Alert, including our ability to achieve the targeted amount of annual cost synergies, successfully integrate the acquired operations (including successfully driving category growth in connected offerings), and the expected net present value of tax benefits resulting from the First Alert 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.

resideo

© 2022 Resideo Technologies, Inc. All Rights Reserved.

Resideo Q3 2022 Highlights

- Revenue of $1.6 billion, up 8% y/y, driven by acquisitions and growth at ADI
- Pricing remains strong across both segments, helping to offset ongoing cost inflation
- Progress on key strategic investment priorities including software platforming, intelligent sensor development, and ADI digital enablement
- Semiconductor sourcing continues to impact revenue and Products & Solutions margin



REVENUE
$1.6B for Q3 2022

+8% Y/Y



OPERATING MARGIN
9.6% for Q3 2022

-160 bps Y/Y



EARNINGS
Diluted EPS of $0.42

-9% Y/Y

resideo

© 2022 Resideo Technologies, Inc. All Rights Reserved.

Products & Solutions Q3 2022 Highlights

- Revenue of $707 million, up 12% y/y, including $112 million from First Alert and ~$30M negative impact from FX
- Air product sales growth (+14% y/y) offset by Energy (-9%) and traditional Security (-21%)
- Strong price realization partially offsetting lower volumes and input cost inflation
- First Alert integration progressing well with customer wins in HVAC and new construction



REVENUE EXPANSION
$707M for Q3 2022

+12% Y/Y



STRONG PRICE ACTION REALIZATION

>$60M in Q3



EXPENSE CONTROL
OPEX flat excl. First Alert

© 2022 Resideo Technologies, Inc. All Rights Reserved.

ADI Global Distribution Q3 2022 Highlights

- Revenue of $911M, up 5% y/y, with continued strength in North America and commercial focused categories; acquisitions added $23M y/y; $22M negative impact from FX
- Continued strong y/y growth in e-commerce and private brands revenue
- Gross margin and operating profit expansion while investing in systems and digital tools
- Acquisition of Electronic Custom Distributors on July 6, adding to audio visual capabilities



E-COMMERCE SALES GROWTH
$166M for Q3 2022

+22% Y/Y



GROSS MARGIN EXPANSION
19.3% for Q3 2022

+70 bps Y/Y

AVARRO™ Capture UltraTech® POWER PRODUCTS

PRIVATE BRANDS SALES GROWTH

+23% Y/Y

resideo

© 2022 Resideo Technologies, Inc. All Rights Reserved.

Sustainability

Resideo's ESG Efforts are Shaped by:

E

INNOVATE

16 Energy Star®
certified thermostats

REDUCE

1.6 Million Metric Tons
of carbon dioxide equivalent saved by Resideo smart thermostats, comparable to the energy used by nearly 200,000 homes for one year

9.3 Tons of Mercury
saved from the landfill by recycling our thermostats

S

COMMIT

44.9%
of our global employees are women

6 Global ERGs
(Employee Resource Groups) with more than 700 team members representing our diverse employee base

IMPACT

$500,000 Donation
in-kind and cash commitment to Habitat for Humanity

Mission 500
names ADI a Corporate Social Responsibility and Humanitarian Award winner

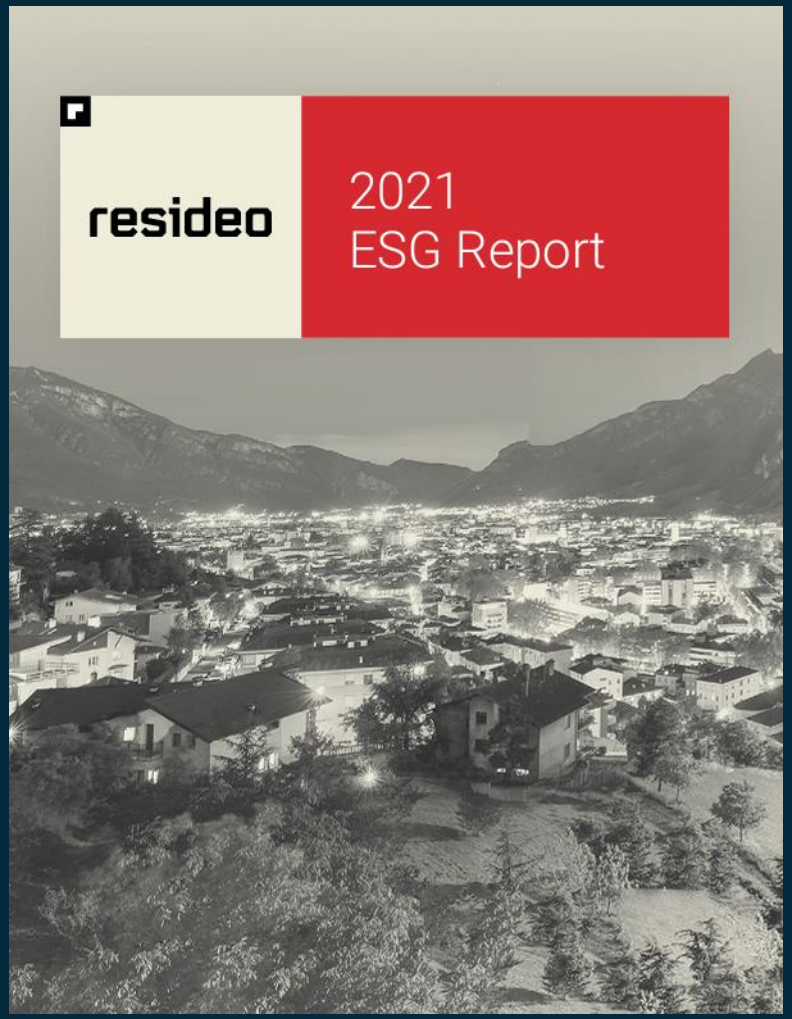
G

TRUST

Awarded EcoVadis Silver Medal

40%
of our Board is diverse

80%
of our Board is independent



More information about Resideo's sustainability journey can be found at www.resideo.com/sustainability

© 2022 Resideo Technologies, Inc. All Rights Reserved.

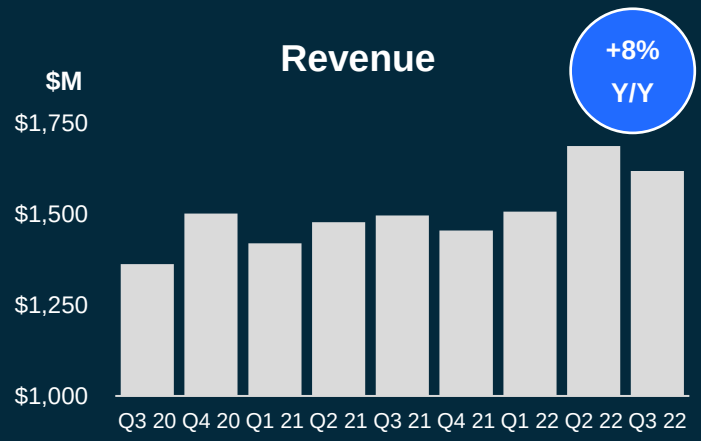
Q3 2022 Financial Performance Summary

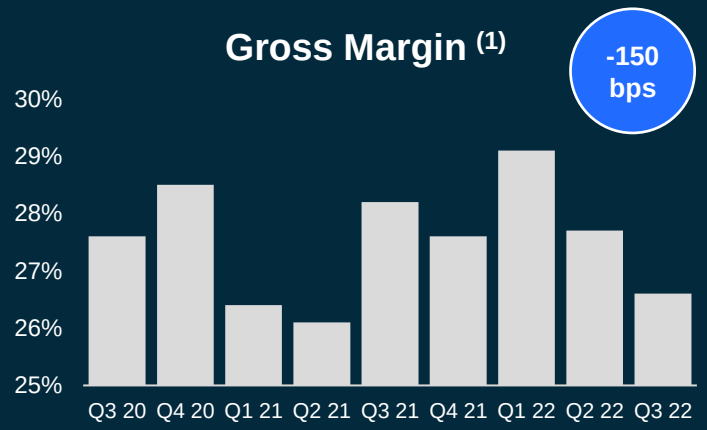
($ in millions, except per share)	Q3 2022	Q3 2021	% change Y/Y
Net Revenue	**1,618**	**1,496**	**+8%**
P&S Revenue (1)	707	631	+12%
ADI Revenue	911	865	+5%
Gross Margin (2)	**26.6%**	**28.1%**	**-150 bps**
P&S Gross Margin (2)	36.2%	41.5%	-530 bps
ADI Gross Margin (2)	19.3%	18.6%	+70 bps
Operating Expense	**275**	**254**	**+8%**
Operating Profit	**155**	**167**	**-7%**
P&S Operating Profit	124	157	-21%
ADI Operating Profit	78	73	+7%
Corporate Operating Profit	(47)	(63)	+25%
Net Income	**63**	**68**	**-7%**
EPS – Diluted	**0.42**	**0.46**	**-9%**

(1) Net segment revenue excluding intersegment revenue
(2) Gross margin reflects change in presentation of intangible asset amortization

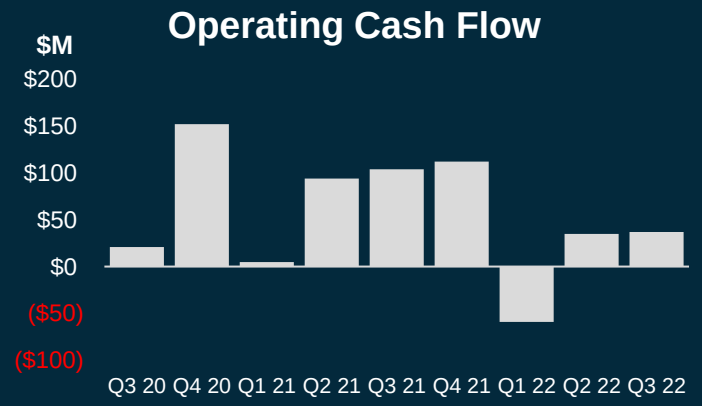
© 2022 Resideo Technologies, Inc. All Rights Reserved.

Resideo Key Financial Trends









(1) Gross margin reflects change in presentation of intangible asset amortization

Q3 2022 HIGHLIGHTS

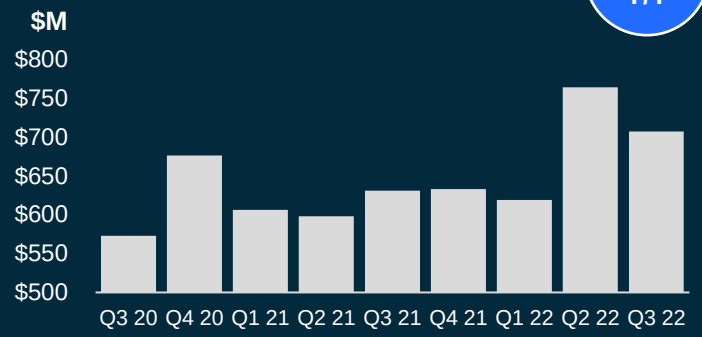
- Mixed end market trends with commercial categories driving ADI growth and Air product strength at Products & Solutions offset by slower Security sales
- Acquisitions added $135M to revenue y/y and FX was a ~$50M headwind
- Total OPEX up 8% y/y on inclusion of $26M of First Alert expenses and investments in core business, offset by lower corporate costs
- Operating cash flow reflects higher working capital

© 2022 Resideo Technologies, Inc. All Rights Reserved.

Products & Solutions Financial Trends

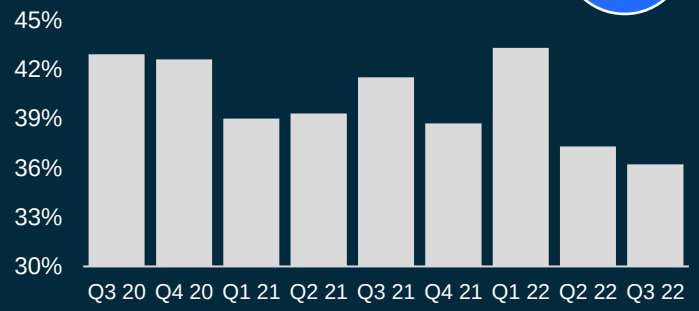
P&S Revenue (1)

+12% Y/Y



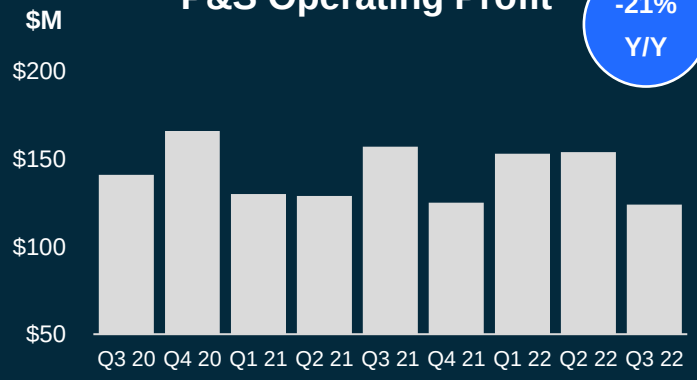
P&S Gross Margin (2)

-530 bps



P&S Operating Profit

-21% Y/Y



(1) Net segment revenue excluding intersegment revenue
(2) Gross margin reflects change in presentation of intangible asset amortization

Q3 2022 HIGHLIGHTS

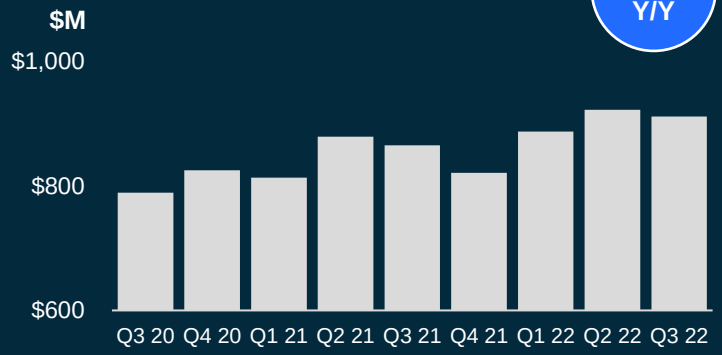
- Revenue grew 12% y/y driven by First Alert acquisition and strong realization on price actions, offset by FX headwinds and volume declines
- Growth in Air products, offset by slower activity in traditional Security, Energy, and Water
- Gross margin impacted by lower margin First Alert revenue, continued inflationary pressure, and volume declines, partially offset by pricing actions
- Operating expense essentially flat y/y excluding $26M from First Alert acquisition; higher R&D offset by lower SG&A

© 2022 Resideo Technologies, Inc. All Rights Reserved.

ADI Global Distribution Financial Trends

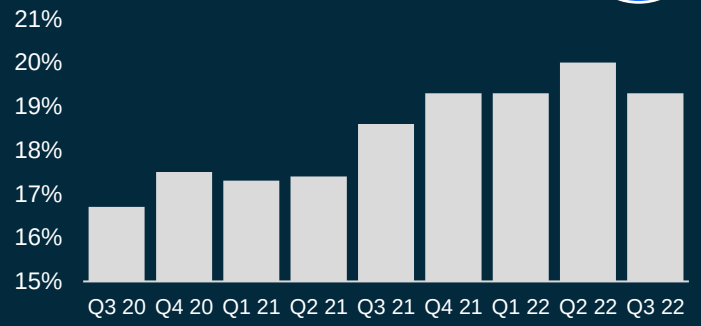
ADI Revenue

+5% Y/Y



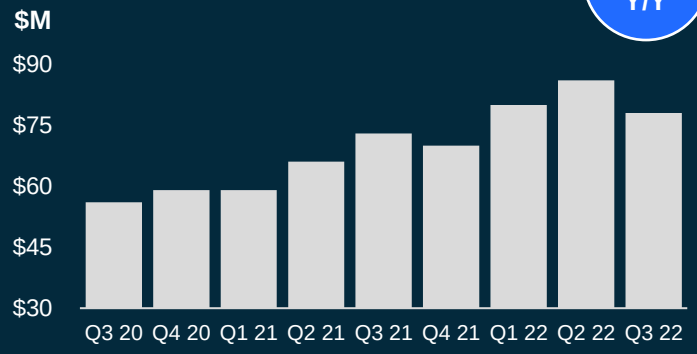
ADI Gross Margin (1)

+70 bps



ADI Operating Profit

+7% Y/Y



(1) Gross margin reflects change in presentation of intangible asset amortization

Q3 2022 HIGHLIGHTS

- Revenue up 5% y/y driven by growth in North America with acquisitions contributing $23M and FX headwinds of $22M
- Growth in commercial categories driven by Fire, Video Surveillance, and Access Control
- Private brands sales grew 23% y/y, e-commerce sales up 22% y/y
- Gross margin continues to benefit from improved product line margin and strong pricing environment
- Ongoing investment in pricing and digital sales enablement tools, user experience, and IT infrastructure

resideo

© 2022 Resideo Technologies, Inc. All Rights Reserved.

Balance Sheet and Cash Flow Summary (Unaudited)

($ in millions)	Q3 2022	Q3 2021	FY 2021 (1)
Cash and cash equivalents and restricted cash	255	686	779
Total debt	1,419	1,232	1,230
Accounts receivable, net (2)	1,043	932	876
Inventories, net (2)	957	710	740
Accounts payable (2)	936	905	883
Cash provided (used) by operating activities	37	104	315
Cash capital expenditures	10	13	63

(1) Balance sheet data as of December 31, 2021; cash flow statement information for full year 2021
(2) Included in Q3 2022 balance sheet items are amounts related to First Alert, including net accounts receivable of $98M, net inventories of $109M, and accounts payable of $55M

© 2022 Resideo Technologies, Inc. All Rights Reserved.

2022 Outlook

($ in millions)	Q4 2022	2022 UPDATED	2022 PREVIOUS
Revenue	$1,550 to $1,600	$6,360 to $6,410	$6,450 to $6,650
Gross margin	26.5% to 27.5%	27.0% to 28.0%	27.5% to 28.5%
GAAP Operating profit	$130 to $140	$645 to $655	$690 to $720
Additional items	Avg. diluted shares ~150M First Alert revenue ~$115 First Alert op. profit (2) ~$4	Corporate costs ~$225 Stock-based comp ~$50 D&A ~$97 Capital expenditures ~$70 Interest expense ~$57 Avg. diluted shares ~149M Effective tax rate mid-20s (1) First Alert revenue ~$340 First Alert op. profit (2) ~$15	Corporate costs ~$240 Stock-based comp ~$50 D&A ~$115 Capital expenditures ~$115 Interest expense ~$55 Avg. diluted shares ~149M Effective tax rate mid-20s (1) First Alert revenue ~$340 First Alert op. profit (2) ~$17

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

(2) Included within First Alert operating profit outlook are integration costs of approximately $6M for Q4 2022 and $10M for full year 2022, intangible amortization of $3M for Q4 2022 and $10M for the full year 2022, and inventory step-up costs of $6M recorded in Q2 2022.

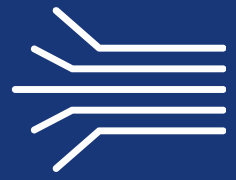
© 2022 Resideo Technologies, Inc. All Rights Reserved.

Resideo Values



Start with the customer

We understand our customers' needs and pride ourselves on delivering exceptional experiences.



Act as one team

We work together toward common goals, engaging from a place of humility and respect.



Pioneer the future

We embrace change, boldly step into the unknown, and relentlessly foster innovation to fuel our growth.



Make a difference

We care about the long-lasting positive impact we make on each other, our customers, our communities, and the planet.

© 2022 Resideo Technologies, Inc. All Rights Reserved.

resideo

APPENDIX

Summary Financial Results (Unaudited) (1)

(In millions)	Q3 2022 Products & Solutions	Q3 2022 ADI Global Distribution	Q3 2022 Corporate	Q3 2022 Total Company	YTD 2022 Products & Solutions	YTD 2022 ADI Global Distribution	YTD 2022 Corporate	YTD 2022 Total Company
Net revenue	$ 707	$ 911	$ -	$ 1,618	$ 2,090	$ 2,720	$ -	$ 4,810
Cost of goods sold	451	735	2	1,188	1,280	2,190	5	3,475
Gross profit (loss)	256	176	(2)	430	810	530	(5)	1,335
Research and development expenses	29	-	-	29	80	-	1	81
Selling, general and administrative expenses	96	96	44	236	283	281	152	716
Intangible asset amortization (2)	7	2	1	10	16	5	4	25
Income (loss) from operations	$ 124	$ 78	$ (47)	$ 155	$ 431	$ 244	$ (162)	$ 513

	Q3 2021 Products & Solutions	Q3 2021 ADI Global Distribution	Q3 2021 Corporate	Q3 2021 Total Company	YTD 2021 Products & Solutions	YTD 2021 ADI Global Distribution	YTD 2021 Corporate	YTD 2021 Total Company
Net revenue	$ 631	$ 865	$ -	$ 1,496	$ 1,835	$ 2,557	$ -	$ 4,392
Cost of goods sold	369	704	2	1,075	1,101	2,103	6	3,210
Gross profit (loss)	262	161	(2)	421	734	454	(6)	1,182
Research and development expenses	20	-	-	20	62	-	1	63
Selling, general and administrative expenses	81	87	59	227	241	253	184	678
Intangible asset amortization (2)	4	1	2	7	15	3	5	23
Income (loss) from operations	$ 157	$ 73	$ (63)	$ 167	$ 416	$ 198	$ (196)	$ 418

	Q3 2022 % change compared with prior period Products & Solutions	Q3 2022 % change compared with prior period ADI Global Distribution	Q3 2022 % change compared with prior period Corporate	Q3 2022 % change compared with prior period Total Company	YTD 2022 % change compared with prior period Products & Solutions	YTD 2022 % change compared with prior period ADI Global Distribution	YTD 2022 % change compared with prior period Corporate	YTD 2022 % change compared with prior period Total Company
Net revenue	12%	5%	N/A	8%	14%	6%	N/A	10%
Cost of goods sold	22%	4%	0%	11%	16%	4%	(17)%	8%
Gross profit (loss)	(2)%	9%	0%	2%	10%	17%	(17)%	13%
Research and development expenses	45%	N/A	N/A	45%	29%	N/A	0%	29%
Selling, general and administrative expenses	19%	10%	(25)%	4%	17%	11%	(17)%	6%
Intangible asset amortization (2)	75%	100%	(50)%	43%	7%	67%	(20)%	9%
Income (loss) from operations	(21)%	7%	(25)%	(7)%	4%	23%	(17)%	23%

(1) Dollars reported in millions herein are computed based on the amounts in thousands. As a result, the sum of the components, and related calculations, reported in millions may not equal the total amounts due to rounding.

(2) The prior year information was reclassified to present Intangible asset amortization as a separate line item. Intangible asset amortization was formerly included within Cost of goods sold and Selling, general and administrative expenses.

© 2022 Resideo Technologies, Inc. All Rights Reserved.
resideo

Consolidated Interim Statements of Operations (Unaudited)

	Three Months Ended		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
	(In millions except shares in thousands and per share data)			
Net revenue	$ 1,618	$ 1,496	$ 4,810	$ 4,392
Cost of goods sold [2]	1,188	1,075	3,475	3,210
Gross profit	430	421	1,335	1,182
Research and development expenses [1]	29	20	81	63
Selling, general and administrative expenses [1][2]	236	227	716	678
Intangible asset amortization [2]	10	7	25	23
Income from operations	155	167	513	418
Other expense, net	44	58	125	130
Interest expense, net	15	12	40	37
Income before taxes	96	97	348	251
Provision for income taxes	33	29	104	76
Net income	$ 63	$ 68	$ 244	$ 175
Earnings per share				
Basic	$ 0.43	$ 0.47	$ 1.68	$ 1.22
Diluted	$ 0.42	$ 0.46	$ 1.64	$ 1.18
Weighted average number of shares outstanding				
Basic	145,755	144,284	145,442	143,865
Diluted	149,158	148,559	148,972	148,260

(1) The prior year unaudited Consolidated Statements of Operations were 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.

(2) The prior year unaudited Consolidated Statements of Operations were reclassified to present Intangible asset amortization as a separate line item. Amortization of other intangible assets were formerly included within Cost of goods sold and Selling, general and administrative expenses.

© 2022 Resideo Technologies, Inc. All Rights Reserved.
resideo

Consolidated Interim Balance Sheets (Unaudited)

	October 1, 2022	December 31, 2021
	(In millions, except shares in thousands, and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 252	$ 775
Accounts receivable, net	1,043	876
Inventories, net	957	740
Other current assets	198	150
Total current assets	2,450	2,541
Property, plant and equipment, net	351	287
Goodwill	2,678	2,661
Other intangible assets, net	460	120
Other assets	323	244
Total assets	$ 6,262	$ 5,853
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 936	$ 883
Current maturities of long-term debt	12	10
Accrued liabilities	594	601
Total current liabilities	1,542	1,494
Long-term debt, net of current maturities	1,407	1,220
Obligations payable under Indemnification Agreements	575	585
Other liabilities	338	302
Total liabilities	3,862	3,601
Stockholders' equity:		
Common shares, $0.001 par value, 700,000 shares authorized, 147,703 and 145,838 shares issued and outstanding as of October 1, 2022, 146,248 and 144,808 shares issued and outstanding as of December 31, 2021, respectively	-	-
Additional paid-in capital	2,162	2,121
Retained earnings	561	317
Accumulated other comprehensive loss, net	(292)	(165)
Treasury shares	(31)	(21)
Total stockholders' equity	2,400	2,252
Total liabilities and stockholders' equity	$ 6,262	$ 5,853

© 2022 Resideo Technologies, Inc. All Rights Reserved.
resideo

Consolidated Interim Statements of Cash Flows (Unaudited)

	Three Months Ended		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
	(In millions)			
Cash flows from operating activities:				
Net income	$ 63	$ 68	$ 244	$ 175
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	24	22	69	67
Loss on extinguishment of debt	-	41	-	41
Share-based compensation expense	14	10	36	29
Other, net	13	(5)	8	4
Changes in operating assets and liabilities, net of effect of acquisitions:				
Accounts receivable, net	3	(45)	(142)	(78)
Inventories, net	(2)	(32)	(129)	(40)
Other current assets	(17)	18	(38)	(6)
Accounts payable	(49)	(4)	5	(19)
Accrued liabilities	22	27	(25)	26
Other, net	(34)	4	(15)	4
Net cash provided by operating activities	37	104	13	203
Cash flows from investing activities:				
Capital expenditures	(10)	(13)	(34)	(48)
Acquisitions, net of cash acquired	(27)	(1)	(660)	(11)
Other, net	-	-	(13)	3
Net cash used in investing activities	(37)	(14)	(707)	(56)
Cash flows from financing activities:				
Proceeds from issuance of A&R Term B Facility	-	300	200	1,250
Payments of debt facility issuance and modification costs	-	(18)	(4)	(39)
Repayments of long-term debt	(3)	(262)	(9)	(1,185)
Other, net	2	1	(5)	2
Net cash (used in) provided by financing activities	(1)	21	182	28
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	1	(4)	(12)	(6)
Net increase (decrease) in cash, cash equivalents and restricted cash	-	107	(524)	169
Cash, cash equivalents and restricted cash at beginning of period	255	579	779	517
Cash, cash equivalents and restricted cash at end of period	$ 255	$ 686	$ 255	$ 686

© 2022 Resideo Technologies, Inc. All Rights Reserved.
resideo