

resideo

Q2 2022 RESULTS PRESENTATION

August 4, 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 third 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 Q2 2022 Highlights

- Revenue of \$1.7 billion, up 14% y/y; record performance at Products & Solutions and ADI
- Pricing actions and strategic initiatives benefiting revenue and gross margin
- Strong operating margin expansion, reaching 11.0%, up 280 basis points y/y
- Business transformation, strong customer relationships and positive structural trends across our markets support resilience through varying macro scenarios



RECORD REVENUE

\$1.7B for Q2 2022

+14% Y/Y



EXPANDING OPERATING MARGIN

11.0% for Q2 2022

+280 bps Y/Y



STRONG EARNINGS GROWTH

Diluted EPS of \$0.63

+62% Y/Y

Products & Solutions Q2 2022 Highlights

- Revenue of \$764 million, up 28% y/y, with organic growth of 9%
- Strong price realization and increased volumes compared to Q2 2021
- Growth driven by Air (+27% y/y) and Energy product categories (+10% y/y) with strength in distribution and retail channels
- Strong results from First Alert with sales of \$113 million, integration progressing well



REVENUE EXPANSION

\$764M for Q2 2022

+28% Y/Y



STRONG PRICE ACTION REALIZATION

>\$60M in Q2



EXPENSE CONTROL OPEX % of Sales 17.1%

-60 bps Y/Y

ADI Global Distribution Q2 2022 Highlights

- Revenue of \$922M, up 5% y/y, with strength in North America
- Continued growth in key initiatives of e-commerce and private brands
- Gross margin and operating margin expansion while investing in systems and digital tools
- Acquisition of Electronic Custom Distributors on July 6, adding to audio visual capabilities



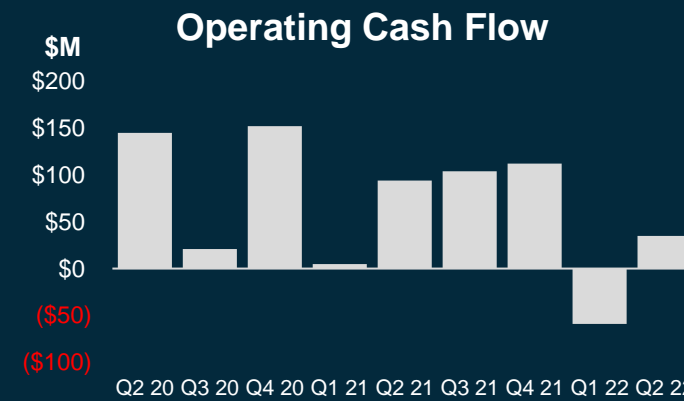
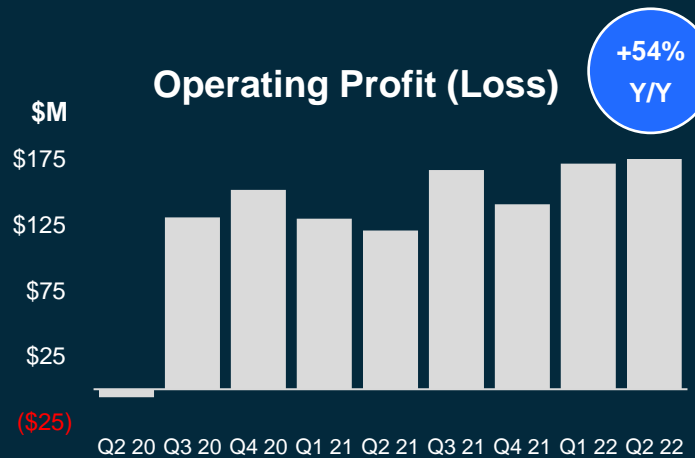
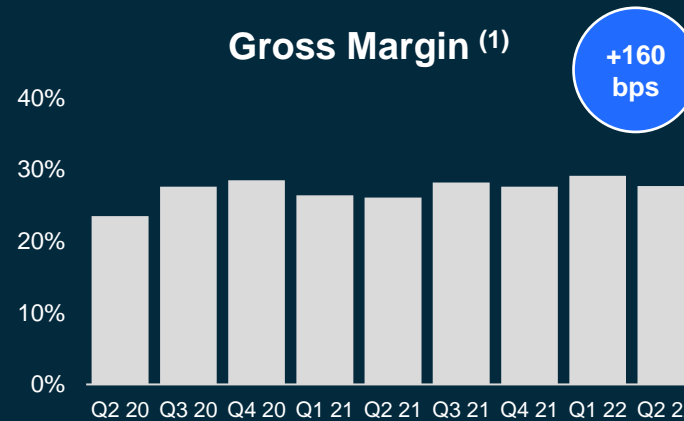
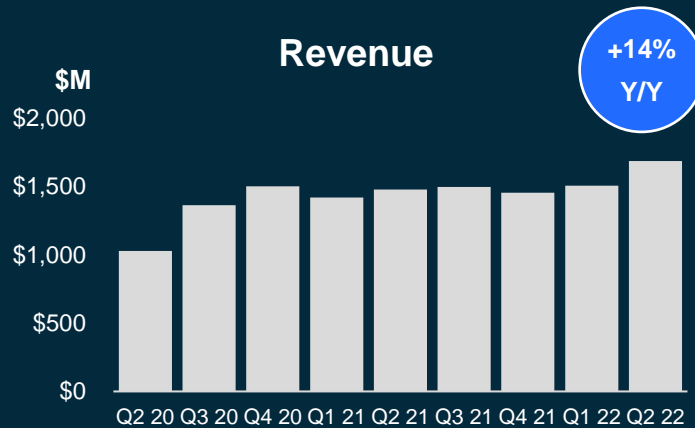
Q2 2022 Financial Performance Summary

(\$ in millions, except per share)	Q2 2022	Q2 2021	% change Y/Y
Net Revenue	1,686	1,477	+14%
P&S Revenue ⁽¹⁾	764	598	+28%
ADI Revenue	922	879	+5%
Gross Margin ⁽²⁾	27.7%	26.1%	+160 bps
P&S Gross Margin ⁽²⁾	37.3%	39.3%	-200 bps
ADI Gross Margin ⁽²⁾	20.0%	17.4%	+260 bps
Operating Expense	281	265	+6%
Operating Profit	186	121	+54%
P&S Operating Profit	154	129	+19%
ADI Operating Profit	86	66	+30%
Corporate Costs	(54)	(74)	-27%
Net Income	94	58	+62%
EPS – Diluted	0.63	0.39	+62%

(1) Net segment revenue excluding intersegment revenue

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

Resideo Key Financial Trends

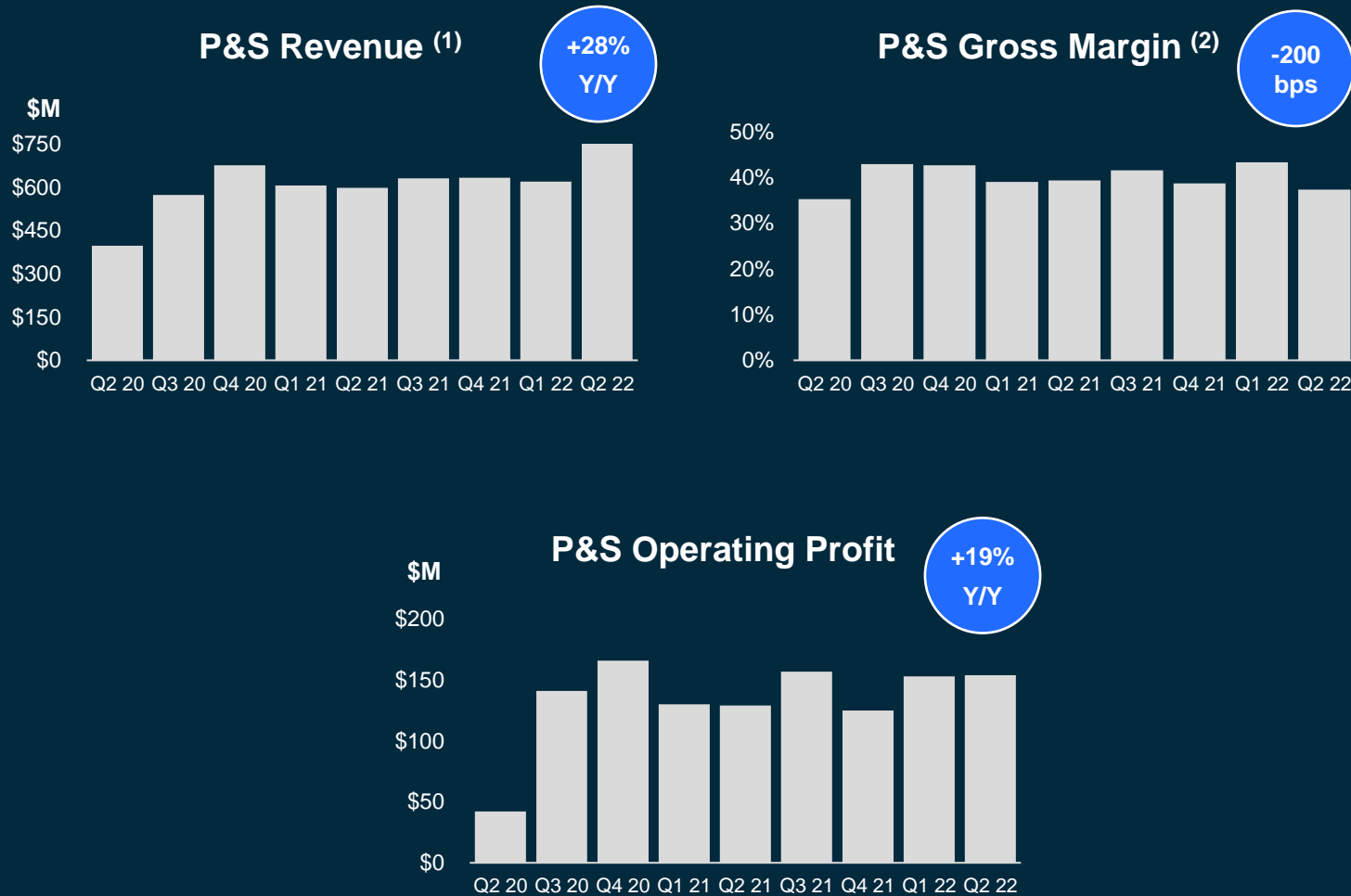


(1) Gross margin reflects change in presentation of intangible asset amortization

Q2 2022 HIGHLIGHTS

- Demand remained solid across businesses with volumes constrained by supply
- Price actions, strong realization, and ADI strategic pricing initiatives driving gross margin expansion
- Total OPEX up 6% y/y on inclusion of First Alert and investments in core business, partially offset by lower corporate costs
- Operating cash flow reflects investment in working capital to support business growth and current supply chain and inflationary dynamics

Products & Solutions Financial Trends

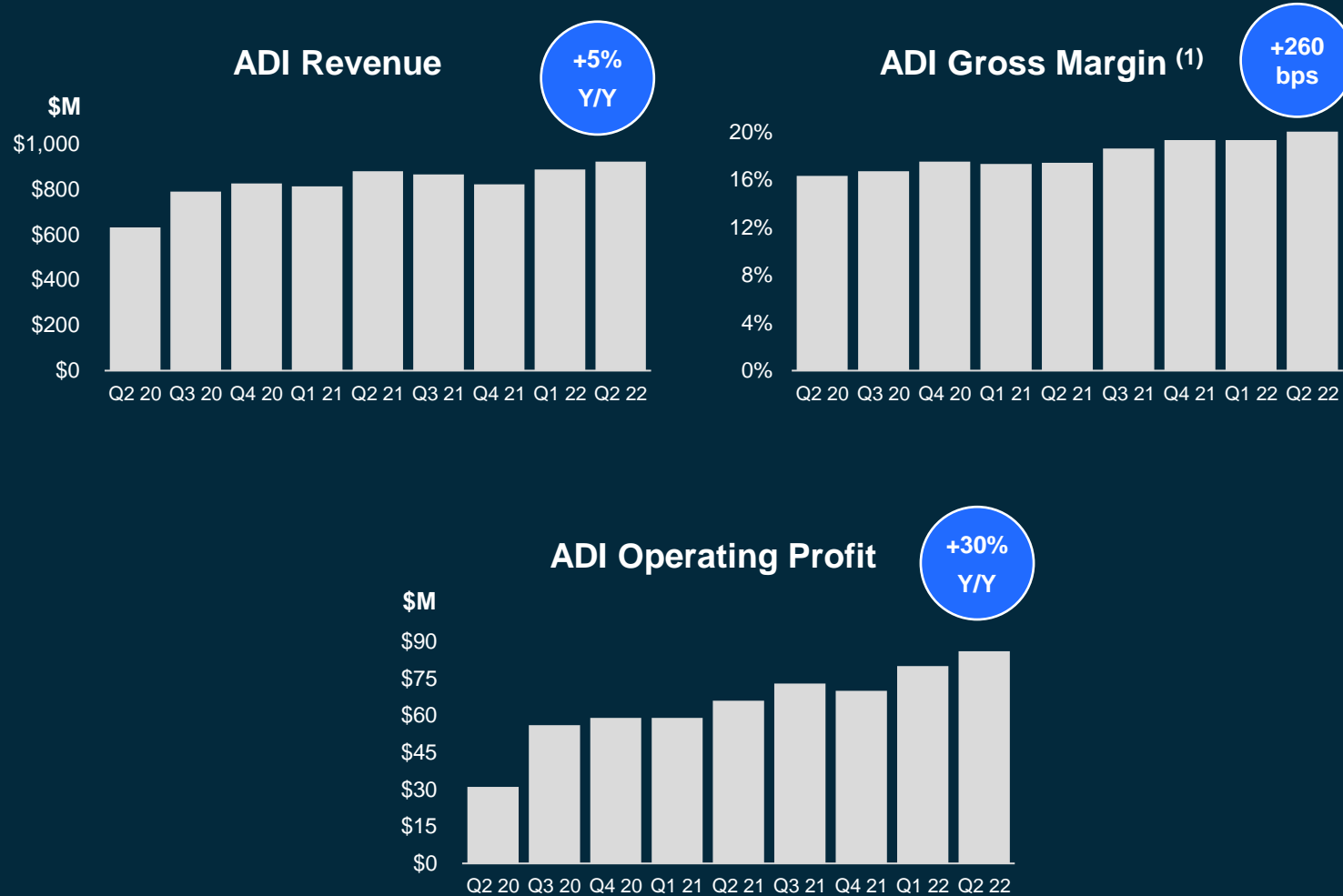


Q2 2022 HIGHLIGHTS

- Revenue growth 28% y/y driven by First Alert acquisition and strong realization on price actions with volumes up slightly
- Growth in Air and Energy products, partially offset by softer Security
- Gross margin benefited from >\$60M of price as materials inflation and freight costs remain elevated; gross margin flat excl. First Alert impacts
- Operating expense grew 24% y/y reflecting First Alert acquisition; expenses up 3% excl. First Alert

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

ADI Global Distribution Financial Trends



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

Q2 2022 HIGHLIGHTS

- Revenue up 5% y/y with price and recent acquisitions primary drivers
- Fire, Access Control and Wire remained strong; supply chain impacting Video Surveillance
- Private brands sales grew >35% y/y, e-commerce sales +29% y/y
- Gross margin continues to benefit from improved product line margin driven by pricing initiatives and optimizing vendor price increases
- Investment in pricing and digital sales enablement tools
- Operating profit of \$86M with operating margin reaching 9.3%

Balance Sheet and Cash Flow Summary

<i>(\$ in millions)</i>	Q2 2022	Q2 2021	FY 2021 ⁽¹⁾
Cash and cash equivalents and restricted cash	255	579	779
Total debt	1,422	1,194	1,230
Accounts receivable, net	1,073	895	876
Inventories	971	684	740
Accounts payable	987	915	883
Cash provided (used) by operating activities	35	94	315
Cash capital expenditures	5	16	63

(1) Balance sheet data as of December 31, 2021; cash flow statement information for full year 2021

2022 Outlook

(\$ in millions)	Q3 2022	2022 UPDATED	2022 PREVIOUS
Revenue	\$1,670 to \$1,720	\$6,450 to \$6,650	\$6,450 to \$6,650
Gross margin	27.0% to 28.0%	27.5% to 28.5%	27.5% to 28.5%
GAAP Operating profit	\$165 to \$175	\$690 to \$720	\$680 to \$720
Additional items	Avg. diluted shares ~149M First Alert revenue ~\$115 First Alert op. profit ⁽²⁾ ~\$5	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	Corporate costs ~\$240 Stock-based comp ~\$50 D&A ~\$105 Capital expenditures ~\$115 Interest expense ~\$55 Avg. diluted shares ~150M Effective tax rate mid-20s ⁽¹⁾ First Alert revenue ~\$325 First Alert op. profit ⁽²⁾ ~\$25

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

(2) Included within First Alert operating profit outlook are integration costs of approximately \$6M for Q3 2022 and \$10M for full year 2022, intangible amortization of \$3M for Q3 2022 and \$10M for the full year 2022, and inventory step-up costs of \$6M recorded in Q2 2022.

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.

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APPENDIX

Summary Financial Results (Unaudited) ⁽¹⁾

(In millions)	Q2 2022				YTD 2022			
	Products & Solutions	ADI Global Distribution	Corporate	Total Company	Products & Solutions	ADI Global Distribution	Corporate	Total Company
Net revenue ⁽²⁾	\$ 764	\$ 922	\$ -	\$ 1,686	\$ 1,383	\$ 1,809	\$ -	\$ 3,192
Cost of goods sold	479	738	2	1,219	829	1,455	3	2,287
Gross profit (loss)	285	184	(2)	467	554	354	(3)	905
Research and development expenses	27	-	1	28	51	-	1	52
Selling, general and administrative expenses	98	96	50	244	186	185	(108)	479
Intangible asset amortization ⁽³⁾	6	2	1	9	10	3	3	16
Income (loss) from operations	\$ 154	\$ 86	\$ (54)	\$ 186	\$ 307	\$ 166	\$ (115)	\$ 358

	Q2 2021				YTD 2021			
	Products & Solutions	ADI Global Distribution	Corporate	Total Company	Products & Solutions	ADI Global Distribution	Corporate	Total Company
Net revenue ⁽²⁾	\$ 598	\$ 879	\$ -	\$ 1,477	\$ 1,204	\$ 1,692	\$ -	\$ 2,896
Cost of goods sold	363	726	2	1,091	732	1,399	4	2,135
Gross profit (loss)	235	153	(2)	386	472	293	(4)	761
Research and development expenses	22	-	-	22	42	-	1	43
Selling, general and administrative expenses	80	86	70	236	160	166	125	451
Intangible asset amortization ⁽³⁾	4	1	2	7	11	2	3	16
Income (loss) from operations	\$ 129	\$ 66	\$ (74)	\$ 121	\$ 259	\$ 125	\$ (133)	\$ 251

	Q2 2022 % change compared with Q2 2021				YTD 2022 % change compared with prior period			
	Products & Solutions	ADI Global Distribution	Corporate	Total Company	Products & Solutions	ADI Global Distribution	Corporate	Total Company
Net revenue ⁽²⁾	28%	5%	N/A	14%	15%	7%	N/A	10%
Cost of goods sold	32%	2%	0%	12%	13%	4%	(25)%	7%
Gross profit (loss)	21%	20%	0%	21%	17%	21%	(25)%	19%
Research and development expenses	23%	N/A	N/A	27%	21%	N/A	0%	21%
Selling, general and administrative expenses	23%	12%	(29)%	3%	16%	11%	(14)%	6%
Intangible asset amortization ⁽³⁾	50%	100%	(50)%	29%	(9)%	50%	0%	0%
Income (loss) from operations	19%	30%	(27)%	54%	19%	33%	(14)%	43%

(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) Represents Product & Solutions revenue, excluding intersegment revenue of \$88 million and \$183 million for the three and six months ended July 2, 2022 respectively, and \$97 million and \$191 million for the three and six months ended July 3, 2021, respectively. ADI Global Distribution does not have any intersegment revenue".

(3) 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.

Consolidated Interim Statements of Operations (Unaudited)

	Three Months Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
	(In millions except share in thousands and per share data)			
Net revenue	\$ 1,686	\$ 1,477	\$ 3,192	\$ 2,896
Cost of goods sold ⁽²⁾	1,219	1,091	2,287	2,135
Gross profit	467	386	905	761
Research and development expenses ⁽¹⁾	28	22	52	43
Selling, general and administrative expenses ⁽¹⁾⁽²⁾	244	236	479	451
Intangible asset amortization ⁽²⁾	9	7	16	16
Income from operations	186	121	358	251
Other expense, net	41	28	81	72
Interest expense, net	14	12	25	25
Income before taxes	131	81	252	154
Provision for income taxes	37	23	71	47
Net income	\$ 94	\$ 58	\$ 181	\$ 107
Earnings per common share				
Basic	\$ 0.65	\$ 0.40	\$ 1.25	\$ 0.74
Diluted	\$ 0.63	\$ 0.39	\$ 1.22	\$ 0.72
Weighted average number of common shares outstanding				
Basic	145,457	143,939	145,286	143,657
Diluted	148,829	148,328	148,836	148,050

(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.

(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.

Consolidated Interim Balance Sheets (Unaudited)

	July 2, 2022	December 31, 2021
	(In millions, except shares in thousands, and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 251	\$ 775
Accounts receivable, net (less allowances of \$11 million and \$9 million, respectively)	1,073	876
Inventories, net	971	740
Other current assets	186	150
Total current assets	<u>2,481</u>	<u>2,541</u>
Property, plant and equipment, net	363	287
Goodwill	2,695	2,661
Other intangible assets, net	463	120
Other assets	314	244
Total assets	<u>\$ 6,316</u>	<u>\$ 5,853</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Current liabilities:		
Accounts payable	\$ 987	\$ 883
Current maturities of debt	12	10
Accrued liabilities	580	601
Total current liabilities	<u>1,579</u>	<u>1,494</u>
Long-term debt, net of current maturities	1,410	1,220
Obligations payable under Indemnification Agreements	601	585
Other liabilities	332	302
Total liabilities	<u>3,922</u>	<u>3,601</u>
Stockholders' equity		
Common stock, \$0.001 par value, 700,000 shares authorized, 147,528 and 145,684 shares issued and outstanding as of July 2, 2022, 146,248 and 144,808 shares issued and outstanding as of December 31, 2021, respectively	-	-
Additional paid-in capital	2,147	2,121
Retained earnings	498	317
Accumulated other comprehensive loss, net	(220)	(165)
Treasury stock, at cost	(31)	(21)
Total stockholders' equity	<u>2,394</u>	<u>2,252</u>
Total liabilities and stockholders' equity	<u>\$ 6,316</u>	<u>\$ 5,853</u>

Consolidated Interim Statements of Cash Flows (Unaudited)

	Three Months Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
	(In millions)			
Cash flows from operating activities:				
Net income	\$ 94	\$ 58	\$ 181	\$ 107
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	25	22	45	45
Share-based compensation expense	11	10	22	19
Other, net	(7)	(8)	(5)	9
Changes in operating assets and liabilities, net of effect of acquisitions:				
Accounts receivable, net	(84)	(16)	(145)	(33)
Inventories, net	(61)	2	(127)	(8)
Other current assets	(9)	(40)	(21)	(24)
Accounts payable	37	-	54	(15)
Accrued liabilities	19	57	(47)	(1)
Other, net	10	9	19	-
Net cash provided by (used in) operating activities	35	94	(24)	99
Cash flows from investing activities:				
Capital expenditures	(5)	(16)	(24)	(35)
Acquisitions, net of cash acquired	-	(5)	(633)	(10)
Other, net	-	3	(13)	3
Net cash used in investing activities	(5)	(18)	(670)	(42)
Cash flows from financing activities:				
Proceeds from issuance of A&R Term B Facility	-	-	200	950
Payment of debt facility issuance and modification costs	-	-	(4)	(21)
Repayment of long-term debt	(3)	(2)	(6)	(923)
Other, net	(3)	(4)	(7)	1
Net cash (used in) provided by financing activities	(6)	(6)	183	7
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(13)	1	(13)	(2)
Net increase (decrease) in cash, cash equivalents and restricted cash	11	71	(524)	62
Cash, cash equivalents and restricted cash at beginning of period	244	508	779	517
Cash, cash equivalents and restricted cash at end of period	\$ 255	\$ 579	\$ 255	\$ 579