2018 Q4 and FY Financial Results

Investor & Analyst Presentation

March 7, 2019

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, uncertainties, and other factors, which may cause the actual results or performance of the company to be materially different from any future results or performance expressed or implied by such forward-looking statements. Such risks and uncertainties include, but are not limited to those described in the Information Statement on Form 10, as amended, on file with the Securities and Exchange Commission (“SEC”) under the headings “Risk Factors” and “Cautionary Statement Concerning Forward-Looking Statements,” and our Form 10-Q for the quarter ended September 30, 2018 and our Form 10-K that will be filed for the year ended December 31, 2018 with the SEC. You are cautioned not to place undue reliance on these forward-looking statements, such as our guidance regarding 2019, 2022 and 2023, and our planned $50m in cost reductions, which speak only as of the date of this presentation. 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.

Non-GAAP Financial Measures

This presentation includes EBITDA, Adjusted EBITDA, Adjusted EBITDA excluding Honeywell reimbursement agreement payments, Adjusted EBITDA including Honeywell reimbursement agreement payments, Adjusted EBITDA less CapEx, Pro Forma Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, Segment Profit, constant currency sales growth, and other financial measures not compliant with generally accepted accounting principles in the United States (GAAP). The non-GAAP financial measures provided herein are adjusted for certain items as presented in the Appendix and may not be directly comparable to similar measures used by other companies in our industry, as other companies may define such measures differently. Management believes that, when considered together with reported amounts, these measures are useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends. These metrics should be considered in addition to, and not as replacements for, the most comparable GAAP measure. Refer to the Appendix attached to this presentation for reconciliations of non-GAAP financial measures to the most directly comparable GAAP measures. We believe EBITDA, Adjusted EBITDA, Adjusted EBITDA including Honeywell reimbursement agreement payments, Adjusted EBITDA Margin, Adjusted Net Income, Segment Profit, and organic sales growth are important indicators of operating performance which more closely measure our operating profit. For reconciliations of these measures to the most directly comparable GAAP financial measures to the extent that they are available without unreasonable effort, please refer to the Appendix of the presentation.

A reconciliation of EBITDA, Adjusted EBITDA, Adjusted EBITDA less CapEx, Pro Forma Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted Net Income to the closest GAAP financial measure is not available without unreasonable efforts on a forward-looking basis due to the impact and timing on future operating results arising from items excluded from these measures, particularly standalone costs, Honeywell reimbursement agreement expense, non-operating (income) expense, stock compensation expense and repositioning charges.

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Mike Nefkens

CEO

What We Will Cover Today

2018 Q4 and Full-Year Performance

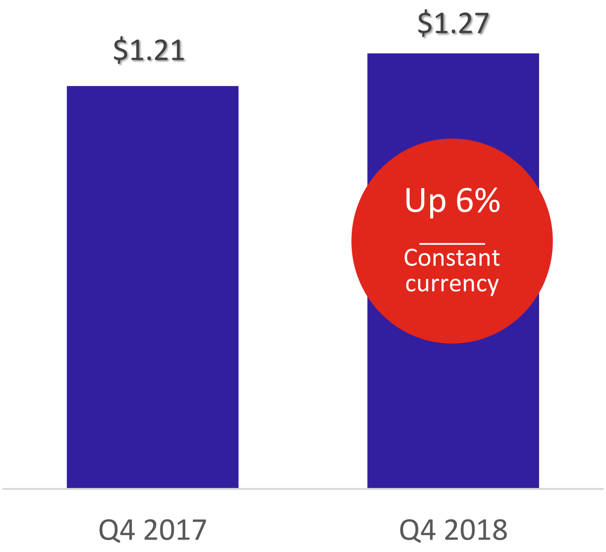
Attractive, Growing End-Markets

2019 "Foundational Year" Key Initiatives

Vision 2023

Solid Fourth Quarter 2018 Results

Revenue ($B)

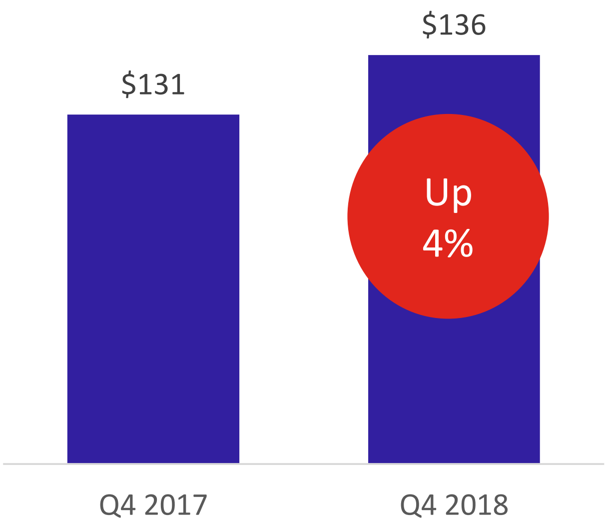


- Reported Revenue Up 5%

+ Products Up 5% (cc)(1)

+ Distribution Up 7% (cc)(1)

PF Adj. EBITDA ($M)



- 4% YoY Increase

+ Sales Volume

- Portfolio Mix (ADI and Connected Product Growth)

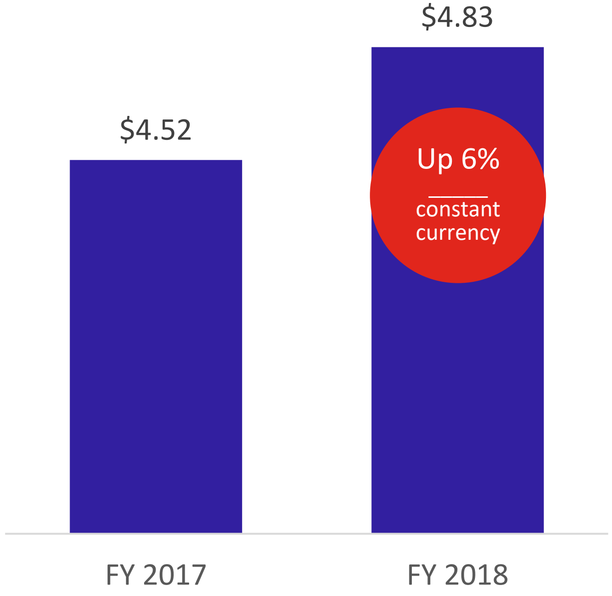
Net Debt ($M)

- Q4 Operating Cash Generation of $87 million
- Debt of $1.201 billion, less cash of $265 million at year-end

(1): Constant-currency basis is same as HON Organic Growth.
Note: Please see appendix for GAAP to non-GAAP reconciliations.

Full Year 2018 At or Above High End of Range

Revenue ($B)

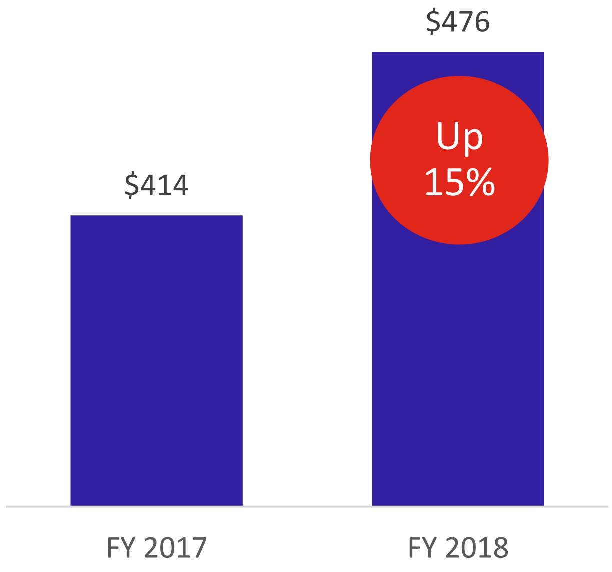


- Reported Revenue Up 7%

+ Products Up 5% (cc)[1]

+ Distribution Up 6% (cc)[1]

PF Adj. EBITDA ($M)

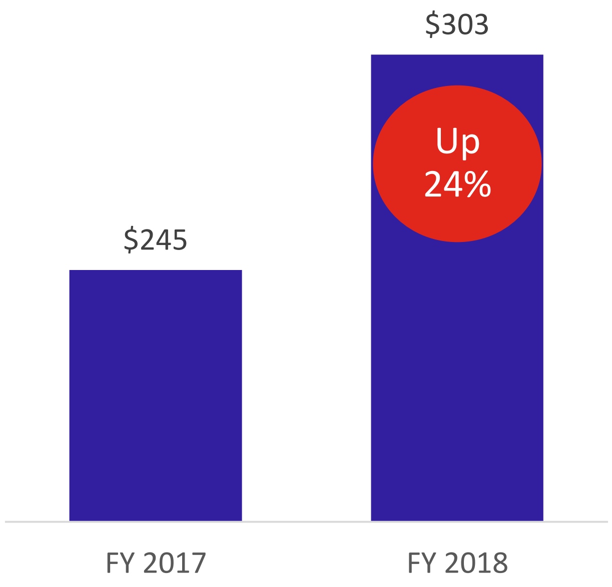


- 15% YoY Increase

+ Sales Volume

- Portfolio Mix (ADI and Connected Product Growth)

Adj. Net Income ($M)[2]



- 24% YoY Increase

+ Impact from Tax Change

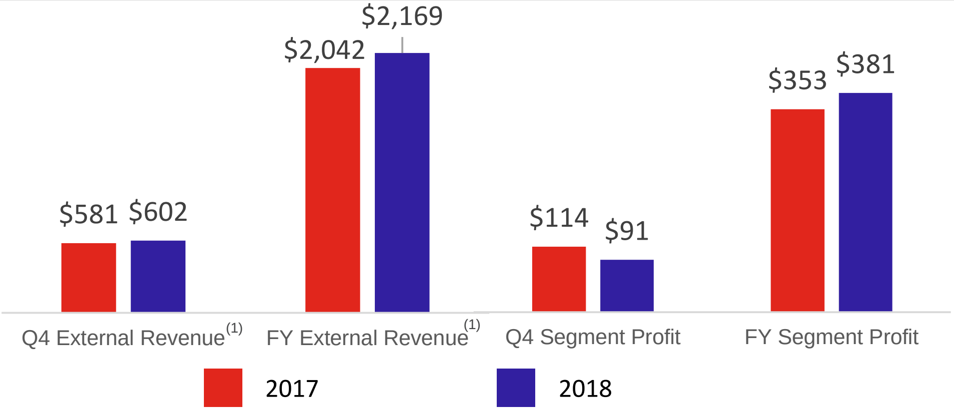
- Portfolio Mix (ADI and Connected Product Growth)

(1): Constant-currency is same as HON organic growth.
(2): Adjusted Net Income including Honeywell reimbursement agreement payments.
Note: Please see appendix for GAAP to non-GAAP reconciliations.

Business is Balanced – With Two Growing Segments

Q4 / FY Performance ($M)

PRODUCTS & SOLUTIONS

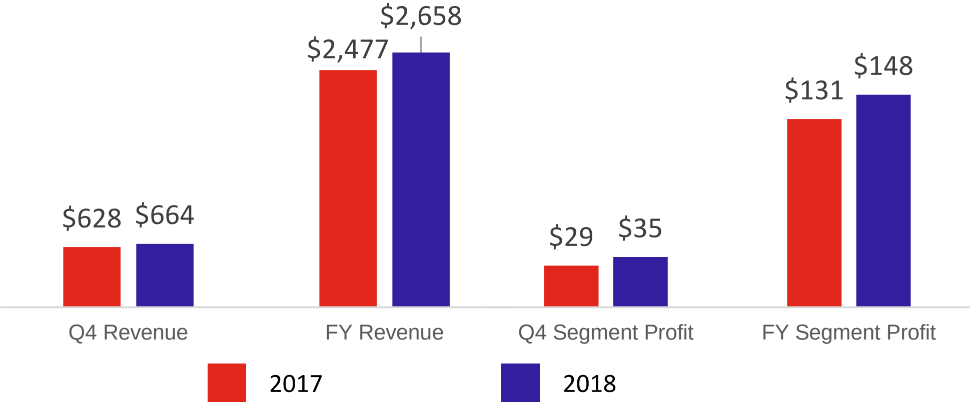


Key Highlights

- Strong Q4 revenue growth of 4%, 5% cc[(2)]
- Solid FY performance, up 6%, 5% cc[(2)]
- Segment profit growth +8%
- Launched key products including next generation security platform and universal heat pump defrost controls

Q4 / FY Performance ($M)

GLOBAL DISTRIBUTION



Key Highlights

- Continued strong revenue growth in Q4 of 6%, 7% cc[(2)] - segment margin growth +21%
- Solid FY performance, up 7%, 6% cc[(2)]
- Segment profit growth +13%
- Key partnerships with smart home suppliers
- Recognized by TRENDnet for exceptional sales performance

(1): External revenue is net segment revenue after the elimination of intersegment revenue. For additional information, see our appendix.
(2): Constant-currency is same as HON Organic Growth.
Note: Please see appendix for GAAP to non-GAAP reconciliations.

Attractive, Growing End-Markets

2019-2023 CAGR, %

Current Target Market: **+3%**
Residential IoT Market: **+15%**

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$5B

2019

Current Target Market
$37bn

Residential IoT Market
$53bn

2023

Current Target Market
$42bn

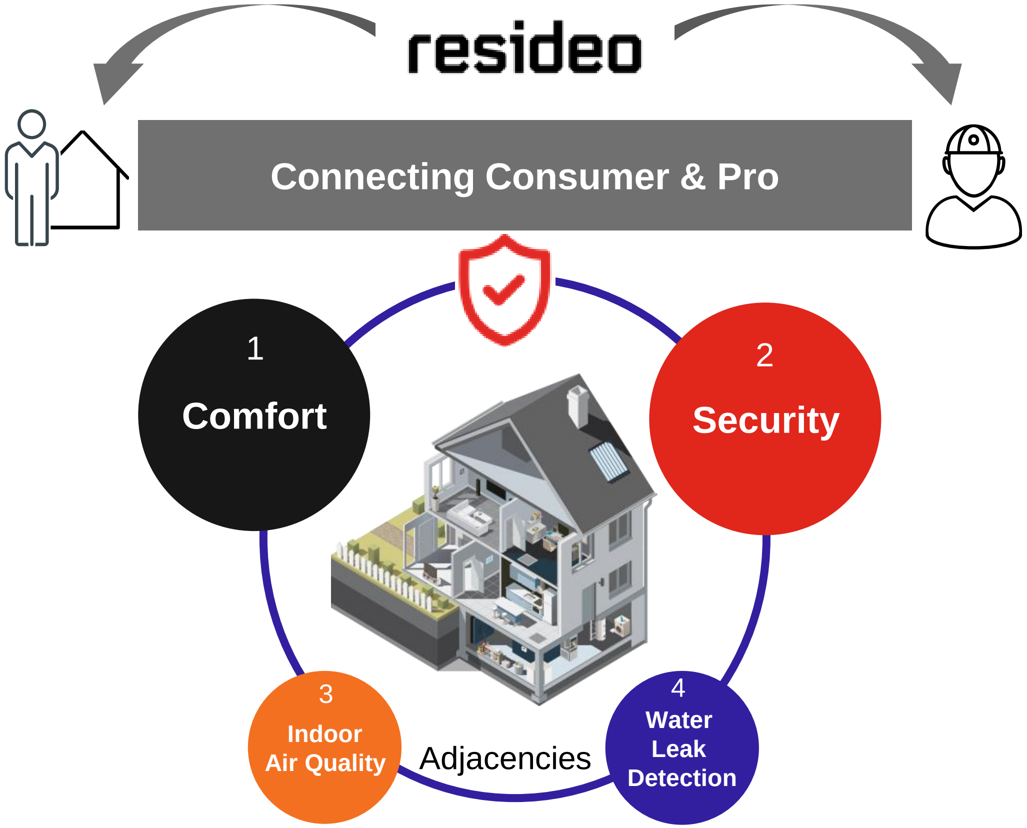
Residential IoT Market
$94bn

- **Investment in and modernization of the home** supports Resideo long-term model
- Leverage **150M home install base** and **110+k Do-It-For-Me professional contractors**

Sources: IHS, Navigant, BSRIA | *Current Target Market Size includes both Products (2019: $16bn | 2023: $19bn+) and Distribution (2019: $21bn | 2023: $23bn+) business segments

Resideo Poised to Continue to Win in Our End-Markets

Resideo Vision 2023



✓	**Whole Home Solutions**
✓	Leverage **Comfort** and **Security** into adjacencies of **IAQ** and **Water Leak Detection**
✓	**Double down** on Pro / Do-it-for-me channel
✓	**Connect** Consumers with Pros
✓	Innovative, **connected solutions**
✓	Increase growth in **recurring revenue**
✓	Hardware to **software solutions** company

Connect Consumers With the Do-It-For-Me Channel to Provide a Safer, More Secure and Healthier Home

2019 Foundational Investments to Accelerate Long-Term Growth and Margin Expansion

Hire World-Class Talent

- President of Products & Solutions; Chief Innovation Officer
- VP of Mobile Apps
- VP of Integrated Supply Chain

Launch New Products and Invest in Growth

- Invest $90M gross growth capital
- Next generation security and comfort platform and software
- Investment in adjacencies - IAQ and water leak detection
- Launch easy-to-use contractor portal

Optimize Operating Model Post-Spin

- Right-size cost base and operating footprint post spin – starting in the Americas and plan to move the program outside the Americas by the end of 2019
- Additional $50M in cost redeployment for 2019; full benefit in 2020

Identify Small, Complementary Tuck-In Acquisitions

- Products that can leverage distribution and complete connected portfolio
- Enhance software and data capabilities; additional recurring revenue models

2019 Investment to Achieve Resideo Long-Term Goals

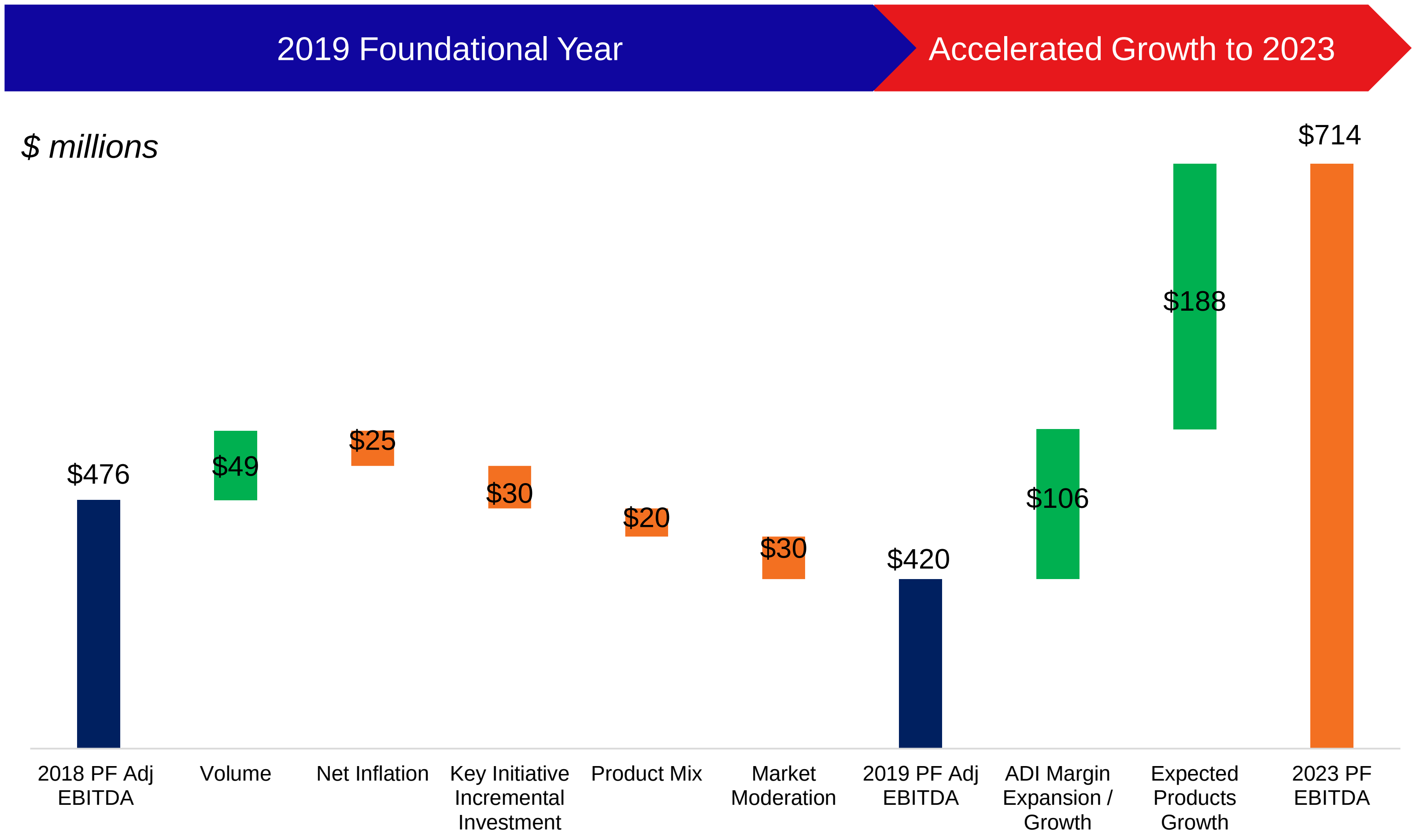
Vision 2023 Positions Resideo for Long-Term Value Creation

	2019	2023
Revenue Growth	2% – 5%	7% – 10%
Annual Recurring Revenue	~$100 million +	>2X growth
Capital Allocation Focus	Growth / Deleverage	Balanced
Product Development	Organic + tuck-in acquisitions	Organic + tuck-in acquisitions
Pro Forma Adj. EBITDA	$410 - $430 million	$700 million +

Note: 2019 guidance and 2023 targets are forward-looking goals and results may differ significantly. See accompanying disclosures regarding forward-looking language.

Targeting Pro Forma Adj. EBITDA $700m+ via Vision 2023

Making the necessary investments now to lean into ambitious growth goals



Disciplined approach to Company growth strategy:

- Leverage install base of 150 million homes and 110,000 pro channel contractors
- Next Gen product releases
- Play to existing strengths in markets and leverage wide competitive moat
- Small, complementary tuck-in acquisitions that fit within core strategy

Update of 2019 Full Year Guidance to Reflect Key Initiatives

	PRE-SPIN	UPDATED
Revenue Growth	4%+	**2-5% in 2019 / 7-10% in 2023**
Adj. EBITDA Profile	~13% excl. HON Reimbursement Payments / ~10% incl. HON Reimbursement Payments	**~11% excl. Reimbursement Payments / ~8% incl. Reimbursement Payments** **EBITDA Profile: 40% 1H’19 - 60% 2H’19**
Capital Expenditures / Research & Development	Capital Expenditures at ~1% of Revenue / Research and Development Expenses of ~$125M	Capital Expenditures at ~1%+ of Revenue / **Research and Development Expenses of ~$135M+**
Tax Rate	~27% Marginal Tax Rate, ~31 – 32% Cash Tax Rate	~27% Marginal Tax Rate, ~31 – 32% Cash Tax Rate
Capital Return	Planning to consider modest dividends subject to Board approval	**Prioritizing growth and deleveraging over capital return in 2019**
Balance Sheet Priorities	Funding Growth with Existing Liquidity; Targeting Long-Term Gross Leverage ~2x	Funding Growth with Existing Liquidity; Targeting Long-Term Gross Leverage ~2x

Resideo: Positioned to Drive Growth and Margin Expansion as a Standalone Company

Leadership in rapidly growing, attractive end-markets

Creating **safer, more secure and healthier homes**

Vision 2023 to drive **long-term shareholder value**

Strong **financial position** with healthy balance sheet

Well-Positioned to Gain Market Share and Drive Profitable Growth

Appendix

Honeywell Reimbursement Agreement Overview and Impact

Agreement for 25 years with maximum cash payment capped at $140M in respect of any year (exclusive of any late payment fees up to 5% per annum) plus any deferred amounts

Financial relationship with Honeywell; not a contingent liability for Resideo

Honeywell retains liability and is responsible for management and remediation

Cash payments subordinated to all material indebtedness and subject to compliance with financial covenants

Expenses recognized under the agreement not tax deductible by Resideo

SUMMARY OF FINANCIAL RESULTS

	4Q 2017	4Q 2018	Change	FY 2017	FY 2018	Change
Net Revenue	1,209	1,266	5%	4,519	4,827	7%
Constant Currency			6%		6%	
Net Income (loss)	(449)	16	104%	(394)	405	203%
Adjusted Net Income	98	38	-61%	245	303	24%
EBITDA	38	69	82%	230	183	-20%
Adjusted EBITDA (including Honeywell reimbursement agreement payments)	139	138	-1%	443	499	13%
Adjusted EBITDA (excluding Honeywell reimbursement agreement payments)	174	173	-1%	583	639	10%
Adjusted EBITDA including Honeywell reimbursement agreement payments less Capex	126	120	-5%	392	418	7%
Pro Forma Adjusted EBITDA (including Honeywell reimbursement agreement payments)	131	136	4%	414	476	15%
Net Debt	-	936	-	-	936	-

SUMMARY OF FINANCIAL RESULTS – SEGMENT

	4Q 2017	4Q 2018	% Change	FY 2017	FY 2018	% Change
Products and Solutions						
Revenue [1]	581	602	4%	2,042	2,169	6%
Constant Currency			5%		5%	
Segment Profit	114	91	-20%	353	381	8%
Global Distribution						
Revenue	628	664	6%	2,477	2,658	7%
Constant Currency			7%		6%	
Segment Profit	29	35	21%	131	148	13%

1) Represents Product and Solution's revenue, net of intersegment revenue of $79 million, $69 million, $337 million, and $305 million for the periods ended 4Q 2017, 4Q 2018, YTD 2017, and YTD 2018, respectively. Global Distribution does not have any intersegment revenue.

CONSOLIDATED AND COMBINED STATEMENT OF OPERATIONS (UNAUDITED)

	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Twelve Months Ended December 31, 2018	Twelve Months Ended December 31, 2017
	(Dollars in millions except per share data)			
Net revenue	$ 1,266	$ 1,209	$ 4,827	$ 4,519
Cost of goods sold	936	848	3,461	3,203
Gross Profit	330	361	1,366	1,316
Selling, general and administrative expenses	225	224	873	871
Other expense, net	49	115	369	279
Interest expense	18	-	20	-
	292	339	1,262	1,150
Income before taxes	38	22	104	166
Tax expense (benefit)	22	471	(301)	560
Net income (loss)	$ 16	$ (449)	$ 405	$ (394)
Weighted Average Number of Common Shares				
Basic (in thousands)	122,499	122,499	122,499	122,499
Diluted (in thousands)	122,999	122,499	122,624	122,499
Per Share Amounts				
Basic net income (loss) per share	$ 0.13	$ (3.67)	$ 3.31	$ (3.22)
Diluted net income (loss) per share	$ 0.13	$ (3.67)	$ 3.30	$ (3.22)

CONSOLIDATED AND COMBINED BALANCE SHEET (UNAUDITED)

		December 31, 2018		December 31, 2017
	(Dollars in millions)			
ASSETS				
Current assets:				
Cash and cash equivalents	$	265	$	56
Due from related parties, current		-		23
Accounts receivables – net		821		779
Inventories		628		465
Other current assets		95		69
Total current assets		1,809		1,392
Property, plant and equipment – net		300		265
Goodwill		2,634		2,648
Other intangible assets - net		133		140
Deferred income taxes		84		5
Other assets		12		23
Total assets	$	4,972	$	4,473
LIABILITIES				
Current liabilities:				
Accounts payable	$	964	$	678
Due to related parties, current		-		60
Current maturities of long-term debt		22		-
Accrued liabilities		503		409
Total current liabilities		1,489		1,147
Long-term debt		1,179		-
Deferred income taxes		25		377
Pension obligations		88		-
Obligations payable to Honeywell		629		-
Other liabilities		29		346
EQUITY				
Common stock, $0.001 par value, 700,000,000 shares authorized, 122,498,794 and 122,966,558 shares issued and outstanding, respectively		-		-
Additional paid-in capital		1,720		-
Retained earnings		2		-
Invested equity		-		2,703
Accumulated other comprehensive (loss)		(189)		(100)
Total equity		1,533		2,603
Total liabilities and equity	$	4,972	$	4,473

CONSOLIDATED AND COMBINED STATEMENT OF CASH FLOWS (UNAUDITED)

	Twelve Months Ended December 31,	
	2018	2017
	(Dollars in millions)	
Cash flows from operating activities:		
Net income (loss)	$ 405	$ (394)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	45	57
Amortization	21	10
Repositioning charges	5	23
Net payments for repositioning charges	(9)	(17)
Stock compensation expense	20	16
Pension expense	11	16
Deferred income taxes	(323)	297
Other	11	3
Changes in assets and liabilities:		
Accounts, notes and other receivables	(62)	(31)
Inventories	(172)	(17)
Other current assets	(27)	(17)
Other assets	(4)	-
Accounts payable	231	11
Accrued liabilities	65	(5)
Pension obligations	5	-
Obligations payable to Honeywell	24	-
Other Liabilities	216	85
Net cash provided by operating activities	462	37
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(64)	(49)
Expenditures for software	(17)	(2)
Payments related to amounts due from related parties	-	(13)
Proceeds received related to amounts due from related parties	7	13
Net cash used for investing activities	(74)	(51)
Cash flows from financing activities:		
Proceeds from long-term debt	1,225	-
Payment of debt issuance costs	(24)	-
Payment of revolving credit facility fees	(5)	-
Distribution to Honeywell in connection with Spin-Off	(1,415)	-
Net increase invested equity	39	19
Non-operating obligations from Honeywell, net	26	-
Proceeds received related to amounts due to related parties	-	1
Payments related to amounts due to related parties	-	(4)
Net cashflow (used by) from cash pooling	(13)	5
Net cash (used for) provided by financing activities	(167)	21
Effect of foreign exchange rate changes on cash and cash equivalents	(12)	2
Net increase in cash and cash equivalents	209	9
Cash and cash equivalents at beginning of period	56	47
Cash and cash equivalents at end of period	$ 265	$ 56
Supplemental Cash Flow Information:		
Income taxes paid (net of refunds)	28	261
Capital expenditures in accounts payable	23	14

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RECONCILIATION OF NET INCOME TO ADJUSTED NET INCOME (UNAUDITED)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
	(Dollars in millions)			
Net income (loss) (GAAP)	**$ 16**	**$ (449)**	**$ 405**	**$ (394)**
Environmental expense (1)	18	117	340	282
Honeywell reimbursement agreement expense (2)	49	-	49	-
Estimated stand-alone costs (3)	5	11	9	24
Stock compensation expense (4)	5	4	20	16
Repositioning charges	-	2	5	23
Non-Operating expense (5)	3	-	4	1
Other (6)	23	-	23	-
Income tax adjustments (7)	(46)	448	(412)	433
Adjusted Net Income (Non-GAAP)	**73**	**133**	**443**	**385**
Assumed cash payments related to Honeywell Reimbursement Agreement (8)	35	35	140	140
Adjusted Net Income including Honeywell reimbursement agreement payments (Non-GAAP)	**$ 38**	**$ 98**	**$ 303**	**$ 245**

(1) Represents historical environmental expenses as reported under 100% carryover basis.

(2) Represents expenses related to the Honeywell Reimbursement Agreement.

(3)Represents the difference between our estimate of Selling, general and administrative costs as a stand-alone company and

(4) Stock compensation expense adjustment includes only non-cash expenses.

(5) Non-operating (income) expense adjustment excludes net interest (income).

(6) Represents cost directly related to the Spin-Off.

(7) Represents the tax effect of pre-tax items excluded from Adjusted Net Income and the removal of discrete tax items, including the income tax impacts of the Tax Act. The tax effect of pre-tax items excluded from Adjusted Net Income is computed using the statutory rate related to the jurisdiction that was impacted by the adjustment after taking into account the impact of permanent differences and valuation allowances.

(8) We are responsible to indemnify Honeywell in amounts equal to 90% of payments, which include amounts billed, with respect to certain environmental claims, remediation and, to the extent arising after the Spin-Off, hazardous exposure or toxic tort claims, in each case including consequential damages in respect of specified properties contaminated through historical business operations, including the legal and other costs of defending and resolving such liabilities, less 90% of Honeywell's net insurance receipts relating to such liabilities, and less 90% of the net proceeds received by Honeywell in connection with (i) affirmative claims relating to such liabilities, (ii) contributions by other parties relating to such liabilities and (iii) certain property sales; such payments will be subject to a cap of $140 million in respect of liabilities arising in any given year (exclusive of any late payment fees up to 5% per annum).

RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
	(Dollars in millions)			
Net income (loss) (GAAP)	**$ 16**	**$ (449)**	**$ 405**	**$ (394)**
Net interest (income) expense	14	(1)	13	(3)
Tax expense (benefit)	22	471	(301)	560
Depreciation	5	15	45	57
Amortization	12	2	21	10
EBITDA (Non-GAAP)	**69**	**38**	**183**	**230**
Enviromental expense (1)	18	117	340	282
Honeywell reimbursement agreement expense (2)	49	-	49	-
Estimated stand-alone costs (3)	6	13	15	31
Stock compensation expense (4)	5	4	20	16
Non-Operating (income) expense (5)	3	-	4	1
Repositioning charges	-	2	5	23
Other (6)	23	-	23	-
Adjusted EBITDA (Non-GAAP)	**173**	**174**	**639**	**583**
Assumed cash payments related to Honeywell Reimbursement Agreement (7)	35	35	140	140
Adjusted EBITDA including Honeywell reimbursement agreement payments (Non-	**$ 138**	**$ 139**	**$ 499**	**$ 443**

(1) Represents historical environmental expenses as reported under 100% carryover basis.
(2) Represents expenses related to the Honeywell Reimbursement Agreement.
(3) Represents the difference between our estimate of Selling, general and administrative costs as a stand-alone company and historical allocated costs, which excludes corporate depreciation charges.
(4) Stock compensation expense adjustment includes only non-cash expenses.
(5) Non-operating (income) expense adjustment excludes net interest (income).
(6) Represents cost directly related to the Spin-Off.
(7)Pursuant to the Honeywell Reimbursement Agreement, we are responsible to indemnify Honeywell in amounts equal to 90% of payments, which include amounts billed, with respect to certain environmental claims, remediation and, to the extent arising after the Spin-Off, hazardous exposure or toxic tort claims, in each case including consequential damages in respect of specified properties contaminated through historical business operations, including the legal and other costs of defending and resolving such liabilities, less 90% of Honeywell's net insurance receipts relating to such liabilities, and less 90% of the net proceeds received by Honeywell in connection with (i) affirmative claims relating to such liabilities, (ii) contributions by other parties relating to such liabilities and (iii) certain property sales; such payments will be subject to a cap of $140 million in respect of liabilities arising in any given year (exclusive of any late payment fees up to 5% per annum).

RECONCILIATION OF SEGMENT PROFIT TO COMBINED INCOME FROM CONTINUING OPERATIONS BEFORE TAXES

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
	(Dollars in millions)			
Products and Solutions segment profit	91	114	381	353
Global Distribution segment profit	35	29	148	131
Total segment profit	**$ 126**	**$ 143**	**$ 529**	**$ 484**
Pension expense	(3)	(4)	(13)	(16)
Repositioning	-	(2)	(5)	(23)
Other expense, net	(47)	(115)	(369)	(279)
Interest expense	(20)	-	(20)	-
Environmental expense	(18)	-	(18)	-
Income before taxes	**$ 38**	**$ 22**	**$ 104**	**$ 166**

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RECONCILIATION OF CONSTANT CURRENCY REVENUE % CHANGE

	December 31, 2018 Three Months Ended	December 31, 2018 Twelve Months Ended
	(Dollars in millions)	
Products and Solutions revenue growth		
Net Products and Solutions revenue growth (GAAP)	$ 21	$ 127
% Change	4%	6%
Exclude: Foreign currency translation	-1%	1%
Constant currency growth (Non-GAAP)	5%	5%
Global Distribution revenue growth		
Net Global Distribution revenue growth (GAAP)	$ 36	$ 181
% Change	6%	7%
Exclude: Foreign currency translation	-1%	1%
Constant currency growth (Non-GAAP)	7%	6%
Total revenue growth		
Total revenue growth (GAAP)	$ 57	$ 308
% Change	5%	7%
Exclude: Foreign currency translation	-1%	1%
Constant currency growth (Non-GAAP)	6%	6%

ADJUSTED EBITDA INCLUDING REIMBURSEMENT PAYMENTS LESS CAPEX

	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Twelve Months Ended December 31, 2018	Twelve Months Ended December 31, 2017
	(Dollars in millions except per share data)			
Cash flows from (used in) operating activities (GAAP)	**$ 87**	**$ (143)**	**$ 462**	**$ 37**
Tax expense (benefit)	22	471	(301)	560
Net interest (income) expense	14	(1)	13	(3)
Deferred income tax	48	(297)	323	(297)
Change in operating assets and liabilities	(92)	13	(276)	(26)
Other non-cash expense (1)	(10)	(5)	(38)	(41)
EBITDA (Non-GAAP)	**69**	**38**	**183**	**230**
Enviromental expense (2)	18	117	340	282
Honeywell reimbursement agreement expense (3)	49	-	49	-
Estimated stand-alone costs (4)	6	13	15	31
Stock compensation expense (5)	5	4	20	16
Non-Operating expense (6)	3	-	4	1
Repositioning charges	-	2	5	23
Other (7)	23	-	23	-
Adjusted EBITDA (Non-GAAP)	**173**	**174**	**639**	**583**
Assumed cash payments related to Honeywell Reimbursement Agreement (8)	35	35	140	140
Adjusted EBITDA including Honeywell reimbursement agreement payments (Non-GAAP)	**138**	**139**	**499**	**443**
Less Capex	18	13	81	51
Adjusted EBITDA including Honeywell reimbursement agreement payments less Capex (Non-GAAP)	**$ 120**	**$ 126**	**$ 418**	**$ 392**

(1) Includes non-cash stock compensation, pension, bad debt and repositioning expenses.
(2) Represents historical environmental expenses as reported under 100% carryover basis.
(3) Represents expenses related to the Honeywell Reimbursement Agreement
(4) Represents the difference between our estimate of Selling, general and administrative costs as a stand-alone company and historical allocated costs, which excludes corporate depreciation charges.
(5) Stock compensation expense adjustment includes only non-cash expenses.
(6) Non-operating (income) expense adjustment excludes net interest (income).
(7) Represents cost directly related to the Spin-Off.
(8) Pursuant to the Honeywell Reimbursement Agreement, we are be responsible to indemnify Honeywell in amounts equal to 90% of payments, which include amounts billed, with respect to certain environmental claims, remediation and, to the extent arising after the Spin-Off, hazardous exposure or toxic tort claims, in each case including consequential damages in respect of specified properties contaminated through historical business operations, including the legal and other costs of defending and resolving such liabilities, less 90% of Honeywell's net insurance receipts relating to such liabilities, and less 90% of the net proceeds received by Honeywell in connection with (i) affirmative claims relating to such liabilities, (ii) contributions by other parties relating to such liabilities and (iii) certain property sales; such payments will be subject to a cap of $140 million in respect of liabilities arising in any given year (exclusive of any late payment fees up to 5% per annum).

RECONCILIATION OF PRO FORMA NET INCOME TO PRO FORMA ADJUSTED EBITDA (UNAUDITED)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
	(Dollars in millions except per share data)			
Net income (loss) (Pro Forma)	**$ 11**	**$ (192)**	**$ 120**	**$ (163)**
Net interest expense	20	18	68	66
Tax expense (benefit)	19	201	(59)	263
Depreciation	5	15	45	57
Amortization	12	2	21	10
EBITDA (Non-GAAP Pro Forma)	**67**	**44**	**195**	**233**
Environmental expense (1)	18	105	308	254
Honeywell reimbursement agreement expense (2)	49	-	49	-
Estimated stand-alone costs (3)	6	13	15	31
Stock compensation expense (4)	5	4	20	16
Non-Operating (income) expense (5)	3	(1)	1	(3)
Repositioning charges	-	2	5	23
Other (6)	23	-	23	-
Adjusted EBITDA (Non-GAAP Pro Forma)	**171**	**166**	**616**	**554**
Assumed cash payments related to Honeywell Reimbursement Agreement (7)	35	35	140	140
Adjusted EBITDA including Honeywell reimbursement agreement payments (Non-GAAP Pro Forma)	**$ 136**	**$ 131**	**$ 476**	**$ 414**

(1) Represents environmental expenses under the Honeywell Reimbursement Agreement on a 90% basis and environmental expense for our owned sites
(2) Represents expenses related to the Honeywell Reimbursement Agreement
(3) Represents the difference between our estimate of Selling, general and administrative costs as a stand-alone company and historical allocated costs, which excludes corporate depreciation charges.
(4) Stock compensation expense adjustment includes only non-cash expenses.
(5) Non-operating (income) expense adjustment excludes net interest (income).
(6) Represents cost directly related to the Spin-Off.
(7) Pursuant to the Honeywell Reimbursement Agreement, are responsible to indemnify Honeywell in amounts equal to 90% of payments, which include amounts billed, with respect to certain environmental claims, remediation and, to the extent arising after the Spin-Off, hazardous exposure or toxic tort claims, in each case including consequential damages in respect of specified properties contaminated through historical business operations, including the legal and other costs of defending and resolving such liabilities, less 90% of Honeywell's net insurance receipts relating to such liabilities, and less 90% of the net proceeds received by Honeywell in connection with (i) affirmative claims relating to such liabilities, (ii) contributions by other parties relating to such liabilities and (iii) certain property sales; such payments will be subject to a cap of $140 million in respect of liabilities arising in any given year (exclusive of any late payment fees up to 5% per annum).

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UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018

	Historical As Reported	Pro Forma Adjustments(1)	Notes	As Adjusted
Net revenue	$ 4,827	$ -		$ 4,827
Cost of goods sold	3,461	-		3,461
Gross Profit	1,366	-		1,366
Selling, general and administrative expenses	873	23	a	896
Other expense, net	369	(35)	b, c	334
Interest expense	20	55	d, e	75
Income before taxes	104	(43)		61
Tax (benefit)	(301)	242	f	(59)
Net income	$ 405	$ (285)		$ 120

(1) The change in our cost structure related to our company becoming an independent, publicly traded company is not reflected above.

(a) Reflects the impact of the Trademark License Agreement with Honeywell in respect of certain Products and Solutions segment revenue.

(b) Reflects the impact of the Honeywell Reimbursement Agreement pursuant to which we will have an obligation to make cash payments to Honeywell in amounts equal to 90% of Honeywell's certain environmental-related liabilities, net of recoveries, in each case related to legacy elements of the Business, including the legal costs of defending and resolving such liabilities. The amount payable by the Company in respect of such liabilities arising in any given calendar year will be subject to a cap of $140 million (exclusive of any late payment fees up to 5% per annum).

Accordingly, Other expense, net will decrease $32 million for twelve months ended December 31, 2018, which is the difference between historical expense as reported under 100% carryover basis for such environmental expenses and the indemnified expense pursuant to the Indemnification and Reimbursement Agreement. The adjustment assumes that cash payments made by Honeywell related to indemnified environmental liabilities during a given year will not exceed $156 million in which case the cap on payments ($156 million x 90% = $140 million) to be made by Resideo to Honeywell

(c) Reflects the impact of the settlement of cash pooling and short-term notes receivables and payables.

(d) Adjustments reflect interest expense and commitment fees related to indebtedness in an aggregate principal amount of $1,225 million in connection with the consummation of the Spin-Off and that was used primarily to repay an obligation incurred as part of the separation from Honeywell. The adjustment reflects that the indebtedness comprise loan facilities in an aggregate principal amount of $825 million and senior unsecured notes in an aggregate principal amount of $400 million and a revolving credit facility in an aggregate undrawn amount of $350 million. Total interest expense will increase by $52 million for the twelve months ended December 31, 2018.

(e) Reflects an estimate of interest costs and expected return on plan assets for the defined benefit pension plans.

(f) For twelve months ended December 31, 2018, income tax expense increased by $242 million.This includes adjustments to the provisional tax amounts related to the deemed repatriation transition tax and taxes on undistributed earnings of an increase of $262 million. The remaining decrease of $20 million is the result of the income tax effects on adjustments included in pro forma notes a), c), d), and e).

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS FOR THE QUARTER ENDED DECEMBER 31, 2018

	Historical As Reported	Pro Forma Adjustments(1)	Notes	As Adjusted
Net revenue	$ 1,266	$ -		$ 1,266
Cost of goods sold	936	-		936
Gross Profit	330	-		330
Selling, general and administrative expenses	225	2	a	227
Other expense, net	49	-		49
Interest expense	18	6	b	24
Income before taxes	38	(8)		30
Tax expense	22	(3)	c	19
Net income	$ 16	$ (5)		$ 11

(1) The change in our cost structure related to our company becoming an independent, publicly traded company is not reflected above.

(a) Reflects the impact of the Trademark License Agreement with Honeywell in respect of certain Products and Solutions segment revenue.

(b) Adjustments reflect interest expense and commitment fees related to indebtedness in an aggregate principal amount of $1,225 million in connection with the consummation of the Spin-Off and that was used primarily to repay an obligation incurred as part of the separation from Honeywell. The adjustment reflects that the indebtedness comprise loan facilities in an aggregate principal amount of $825 million and senior unsecured notes in an aggregate principal amount of $400 million and a revolving credit facility in an aggregate undrawn amount of $350 million. Total interest expense will increase by $6 million for the three months ended December 31, 2018.

(c) For three months ended December 31, 2018, income tax expense decreased by $3 million as a result of the income tax effects on adjustments included in pro forma notes a) and b).

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017

	Historical As Reported	Pro Forma Adjustments(1)	Notes	As Adjusted
Net revenue	$ 4,519	$ -		$ 4,519
Cost of goods sold	3,203	-		3,203
Gross Profit	1,316	-		1,316
Selling, general and administrative expenses	871	29	a	900
Other expense, net	279	(32)	b, c	247
Interest expense	-	69	d	69
Income before taxes	166	(66)		100
Tax expense	560	(297)	e	263
Net loss	$ (394)	$ 231		$ (163)

(1) The change in our cost structure related to our company becoming an independent, publicly traded company is not reflected above.

(a) Reflects the impact of the Trademark License Agreement with Honeywell in respect of certain Products and Solutions segment revenue.

(b) Reflects the impact of the Honeywell Reimbursement Agreement pursuant to which we have an obligation to make cash payments to Honeywell in amounts equal to 90% of Honeywell's certain environmental-related liabilities, net of recoveries, in each case related to legacy elements of the Business, including the legal costs of defending and resolving such liabilities. The amount payable by the Company in respect of such liabilities arising in any given calendar year will be subject to a cap of $140 million (exclusive of any late payment fees up to 5% per annum).

Accordingly, Other expense, net will decrease $28 million for twelve months ended December 31, 2017, which is the difference between historical expense as reported under 100% carryover basis for such environmental expenses and the indemnified expense pursuant to the Indemnification and Reimbursement Agreement. The adjustment assumes that cash payments made by Honeywell related to indemnified environmental liabilities during a given year will not exceed $156 million in which case the cap on payments ($156 million x 90% = $140 million) to be made by Resideo to Honeywell would not be exceeded.

(c) Reflects an estimate of interest costs and expected return on plan assets for the defined benefit pension plans.

(d) Adjustments reflect interest expense and commitment fees related to indebtedness in an aggregate principal amount of $1,225 million in connection with the consummation of the Spin-Off and that was used primarily to repay an obligation incurred as part of the separation from Honeywell. The adjustment reflects that the indebtedness comprise loan facilities in an aggregate principal amount of $825 million and senior unsecured notes in an aggregate principal amount of $400 million and a revolving credit facility in an aggregate undrawn amount of $350 million.

(e) For twelve months ended December 31, 2017, income tax expense decreased by $297 million.This includes adjustments to the provisional tax amounts related to the deemed repatriation transition tax and taxes on undistributed earnings of a decrease of $262 million. The remaining decrease of $35 million is the result of the income tax effects on adjustments included in pro forma notes a), c), and d).

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS FOR THE QUARTER ENDED DECEMBER 31, 2017

	Historical As Reported	Pro Forma Adjustments (1)	Notes	As Adjusted
Net revenue	$ 1,209	$ -		$ 1,209
Cost of goods sold	848	-		848
Gross Profit	361	-		361
Selling, general and administrative expenses	224	8	a	232
Other expense, net	115	(13)	b, c	102
Interest expense	-	18	d	18
Income before taxes	22	(13)		9
Tax expense (benefit)	471	(270)	e	201
Net loss	$ (449)	$ 257		$ (192)

(1) The change in our cost structure related to our company becoming an independent, publicly traded company is not reflected above.

(a) Reflects the impact of the Trademark License Agreement w ith Honeyw ell in respect of certain Products and Solutions segment revenue.

(b) Reflects the impact of the Honeyw ell Reimbursement Agreement pursuant to w hich w e have an obligation to make cash payments to Honeyw ell in amounts equal to 90% of Honeyw ell's certain environmental-related liabilities, net of recoveries, in each case related to legacy elements of the Business, including the legal costs of defending and resolving such liabilities. The amount payable by the Company in respect of such liabilities arising in any given calendar year w ill be subject to a cap of $140 million (exclusive of any late payment fees up to 5% per annum).

Accordingly, Other expense, net w ill decrease $12 million for three months ended December 31, 2017, w hich is the difference betw een historical expense as reported under 100% carryover basis for such environmental expenses and the indemnified expense pursuant to the Indemnification and Reimbursement Agreement. The adjustment assumes that cash payments made by Honeyw ell related to indemnified environmental liabilities during a given year w ill not exceed $156 million in w hich case the cap on payments ($156 million x 90% = $140 million) to be made by Resideo to Honeyw ell w ould not be exceeded.

(c) Reflects an estimate of interest costs and expected return on plan assets for the defined benefit pension plans.

(d) Adjustments reflect interest expense and commitment fees related to indebtedness in an aggregate principal amount of $1,225 million in connection w ith the consummation of the Spin-Off and that w as used primarily to repay an obligation incurred as part of the separation from Honeyw ell. The adjustment reflects that the indebtedness comprise loan facilities in an aggregate principal amount of $825 million and senior unsecured notes in an aggregate principal amount of $400 million and a revolving credit facility in an aggregate undraw n amount of $350 million.

(e) For three months ended December 31, 2017, income tax expense decreased by $270 million.This includes adjustments to the provisional tax amounts related to the deemed repatriation transition tax and taxes on undistributed earnings of a decrease of $262 million. The remaining decrease of $8 million is the result of the income tax effects on adjustments included in pro forma notes a), c), and d).

NET DEBT FOR THE QUARTER ENDED DECEMBER 31, 2018

	December 31, 2018 (Dollars in millions)
Current maturities of long-term debt	$ 22
Long-term debt	1,179
Total Debt	1,201
Less: Cash and cash equivalents	265
Net Debt	$ 936

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