

Daniel Newman: Darius Adamczyk, CEO... Got a bubble in my throat. Let me start again. Get that out of the way early. Darius Adamczyk. CEO at Honeywell. Welcome to the Six Five Summit. We are so pleased to have you kick off our day three of this summit. How are you doing today?

Darius Adamczyk: Doing great. It's a pleasure to be here

Patrick Moorhead: So Darius, let's just jump right in here. If you've watched Daniel and I talk about Honeywell and write about Honeywell, you've seen that we've been very vocal about Honeywell becoming a tech company, and it seems the market is starting to see the shift here, but it is a journey to reinvent such a large diverse company like Honeywell. Can you talk a little bit about the transformation, talk about how it's going and what you see in the future of terms of what I would call a pivot.

Darius Adamczyk: Sure. And again, thank you for the invites, it's a pleasure to be here. And I'll kind of divide this up into two stages. Maybe the first one is kind of what I call the misperception stage of what Honeywell is or what Honeywell was because I would argue that we've always been a technology company that's really served the industrial world and had so many inventions along the way of our very rich hundred year history.

But what we've done in my 10 years, I would argue, we really accelerated our journey into an advanced technologies. And whether it's the announcement we made today around quantum computing, some of our [inaudible] technologies, some of the advanced materials that we're bringing to the market, our Forge connected enterprise offering, all of these actions are accelerating Honeywell's presence in the technology segment. And we've also done some portfolio transformation and really kept some of the businesses that really differentiate by technology are well aligned to the mega trends while separating the others, which frankly don't fit the Honeywell profiles. So we've been at it now for more than five years and our customers are seeing it. And frankly, our investors are seeing it as well.

Daniel Newman: Yeah, it's a really big migration. And as you said, the market is starting to see it. I will say one of the challenges though is getting that sort of tech first, innovation first mindset where people say it's okay that a company has very successful legacy businesses and are on the front edge, cutting edge of tech. It feels like, Darius, people get it with things like automotive. We're watching this transformation of old industry combustion engines moving to EV and electrification. But for some reason, because you guys have this legacy, medical business, you were providing masks during COVID. And we'll talk more about that later or because you've been in these industrial spaces and working in aerospace and somehow that means you can't be a software company.

And not to press that answer a little bit, but I'm going to take advantage of the time we have together here, how do you change the mindset? Because like you said, I think you're starting, but what's been the key to actually making those people out there changing their mindset, starting to see this that way?

Darius Adamczyk: Well, I think Daniel you're exactly right. Let's be honest about it, there is a little bit of a perception overhang as I call it around some of the more kind of traditional businesses that we're in. And now let's be honest, that's kind of pays the bills and it allows us to maintain deep relationships with our customer that we have vast installed basis. But it's also the thing that really positions us well for the future of technology, because we have tremendous credibility of our customer base. They trust us, they understand us. Let's be clear, in the industrial customer space, you have to establish credibility. You have to understand your customers in the longterm. Now, as you overlay that kind of a presence, that kind of domain expertise, that kind of install base, whether it's building technologies, whether it's aerospace, whether it's warehouse automation, industrial automation, all these large install bases.

Now we can start layering in some of our more future oriented technology, such as Honeywell Forge, such as quantum announcement we made today. Some of our sustainability technologies, renewable technologies, eco fining, carbon capture. Now I can go on and on and part of the problem, I believe Daniel my hypothesis is that Honeywell, we're not just incubating one breakthrough technology. We are incubating many. And I'm quite convinced that I'm going to be in front of the press hopefully a quarter from now talking about the next breakthrough technology we're incubating. Today is kind of the day of quantum, but I'm quite convinced we have many other technologies we're going to bring to the marketplace. And maybe it's sort of this lack of concentration why we don't get some of the credit that the automotive industry does, but frankly we have much more optionality in many other avenues to bring the latest and greatest tech to the marketplace.

Daniel Newman: Absolutely. And maybe we'll hear the word [inaudible] and cloud and more frequently in some of your upcoming earnings calls. I listen to those by the way. And those kinds of words maybe start to make that connection. So I want to keep moving here because I want to talk about one of those words, 5g. We hear a lot from chip and device makers about 5g, but it has a huge set of implications for manufacturing and industry, Ford auto. How is Honeywell seeing 5g as a growth catalyst in helping to transform your offerings? You mentioned Forge and how do you see it accelerating this transformation we just talked about and basically this identity shift that you're in the middle of?

Darius Adamczyk: Yeah. And when we think about Forge in our connectivity software we kind of think about four primary sort of segments of technology that one needs. One called sensors. In some cases we call those products because products is really just another name for sensor. Two is connectivity. The third one is storage. And the fourth one being analytics. Those are the four core things that one needs to really be successful in terms of Forge. Why we're excited about 5g is that it really helps enable that connectivity piece because it gives us another effective, efficient, lower cost ability to connect our hardware to analytics, to storage, et cetera.

And that's why we're excited about it. And for us, we're starting to build that into our connectivity methodologies and into our products and making it ubiquitous in what we do. And we're particularly excited about this because we're never going to be purely a software company and we're never going to be purely a hardware company. We're a hybrid and that's the way we're going to grow. Obviously our software piece is growing at a much faster pace, but we need that connectivity to really enable us to communicate back with those sensors or products or whatever you want to refer to them back. And 5g allows us to do that.

Patrick Moorhead: So speaking of tech companies... So first off, I kind of laugh when people talk about Honeywell not being a tech company when you look at space and the decades that you've been part of space, and also from all the research I've done is the missing link between IOT in connecting the IT with the OT is somebody in OT who understands technology. And I feel like you've demonstrated that with Forge and the magic is really going to start to come together inside of Brownfield factories to really unlock that value.

Now, one area which is literally on the cutting edge of technology is quantum. And I so appreciate you doing a deal last week for us, for our event pulling together, I'm joking, of course, the recent announcement of Cambridge quantum connecting with Honeywell quantum. And so many people are excited about this and it brought a tremendous amount of excitement to the table. So some might say on one hand that Honeywell should have made this move early on. Others say it's just a massive validation of the quantum business, bringing it more attention. So can you talk a little bit about this move, the timing and, and maybe what you see for quantum in the next few years?

Darius Adamczyk: Well, Pat, it wasn't easy to bring it all together today so we tried to pull that off but it wasn't that easy, but it is really a transformative day, both for Honeywell to lead the future of the quantum industry because we've always been very, very bullish about the capability of our hardware. By the way, that's not my belief, but I literally quiz a lot of the customers that we currently have who've been operating in some of the competitive systems and they reinforced the fact that we're ahead of others by some cases, many, many years. But we always needed that hardware alone is insufficient. We really need to partner with somebody who, or develop your own software or operating system, a user interface and a developer kit that was needed. And we could have done that ourselves.

We could have invested and done that. Would have taken us a while, but frankly, we wanted to accelerate that journey and why we're so thrilled to partner and create this new JV with CQC is that they're also the leader in software. When I say software, not just end-user applications that they're pretty far along in developing, such as pharma research, such as cryptography. So it's application specific software, but also operating system, which is by the way, hardware agnostic and configurable for the various quantum hardware that's out there.

Because as we all know, there isn't one approach to quantum psy, there's the trapped ion, which we used or semiconductor and there are other approaches. But also they're developed something called tket, which is a developer oriented kit really be able to program on quantum computers. So it's a really breakthrough technology, one that's readily available and just about all the users are using out there to develop on quantum. And by the way, we want to make sure that CQC remains agnostic. And we anticipate it's going to do business with all the hardware quantum players. [inaudible] kind of keep a Chinese wall between our hardware and theirs, because we want them to continue to flourish with Honeywell hardware as well as other players in the industry.

Patrick Moorhead: Yeah, I'm super excited. The expression I like is wonder twins unite here. And not only am I looking forward to a very tightly coupled solution that can come between that, but obviously CQC and its platform independence so we can add value to most of the entire quantum market like it is out there today. And I happen to like the timing. I think timings is fantastic. We're very rapidly moving from a theory to a reality. And this will all start off as algorithmic and then move to more and more of the compute stack, just like we saw with GPU's and the evolution of GPU's.

I mean, what 10 years ago, GPU's were just being used for games. And now look at what GPU's are doing, they're essentially driving the entire machine learning economy out here. And that's a type of progression that I'm looking forward to between the two companies and congratulations you being at the helm at yet another company. So looking forward to it.

Darius Adamczyk: Well, thank you. And we're just as thrilled because we know what the potential is. The growth here is exponential. That's what's in our business plan is exponential growth, but the fact is the value creation is real and it's real today because customers are very smart. They don't pay for things that don't bring them any value and the CQC today, as well as Honeywell quantum systems are generating revenues today literally as we speak. And we're oversubscribed because we still spend a lot of time and we could maximize our commercial outcomes to the positive.

And I would say we probably spent a third of our time around generating commercial outcomes because we want customers start using quantum computers, start solving problems, but we spent two thirds of our time and energy in advancing both the software for the case of CQC, as well as the hardware for Honeywell, because we want to make these computers more and more powerful. And we're already very, very close to the day where the quantum computer is going to be more powerful than the best and most powerful tradition. That's a handful of years away. That's not a decade away. We are literally single digit years away from that.

Daniel Newman: And Darius, I think that's what the market's really waiting to hear. And then of course, Pat and I always talk about, say, do. Some of our customers use that a lot, but of course we're going to be monitoring very closely what's being said.

And for everyone out there, if you've heard us using interchangeable timelines, because Darius is saying today, Pat was saying last week, we all know events are sometimes prerecorded. These sessions are recorded just ahead of the actual event where we were super excited to have Darius here, but just so you know, this happened to be the day that the announcement was made.

So we're so excited that we actually got to talk to him on this day and Pat, good job, trying to place us into the future so effectively. I'm thrilled to see how it really develops. I'm a guy that loves that line between the investment in the industry, technology and finance and I'm waiting to see the monetization and I think everyone's kind of saying it's got to get to a hundred million, then do a billion, then bigger and bigger.

So speaking of something getting bigger and bigger, ESG has become more in the mind of society than ever. I think being at home, having a global pandemic to deal with, more attention to equality, equity and diversity, inclusion over the last year. And of course we've been following very closely things that your firm, that Honeywell has been doing. You made some big commitments early on supplying PPE and support later on the vaccination and even building and customizing some technology to help in your hometown, the corporate offices of Charlotte. And then offering that technology to scale into other markets where it could. But that's only really one part that we're tracking. You guys have a lot of ambitions, sustainability ambitions, diversity, and inclusion ambitions. We'd love to hear a little bit more about where you are at with that, what's important, and what are your ambitions and goals for Honeywell in the future?

Darius Adamczyk:

Thank you for that, Daniel. As you know, we were very active during this crisis that the world has faced and is still facing in some geographies. And frankly, we shifted kind of the more remedial kinds of efforts away from the US which is quickly coming out of the pandemic. But let's be honest, we have over 10,000 employees in India and we're focusing our efforts there to provide relief, to provide PPE, really provide vaccinations for them. Actually, most of our employees are already vaccinated now in India, I'm proud to say, and their immediate families, because some of the efforts that we've made there, so we've been very, very active.

But the other thing that's really important, we were also innovative through this pandemic. So whether it's providing an alternative to glass files, to alternative healthcare packaging, to sensors for ventilators, which could be scaled up capability and capacity, but also for the world of energy.

We know that the world of energy is going to evolve and energy is going to have to be much more sustainable and renewable. And we think we have a great role to play in that conversion, particularly in our performance in materials and technologies business, which frankly serves the energy sector, primarily the oil and gas sector, that's been the core of what we do. And we think we can be extraordinarily helpful in transitioning from a hydrocarbon intensive source of energy, to a renewable source of energy. And just to give you a couple of specific

examples, the kinds of technologies that we invented the whole concept of green fuels. So whether it's green diesel, green gasoline, we were actually one of the inventors of those technologies more than two decades ago. And to be blunt, we couldn't get anybody's attention to actually implement these technologies until recently.

So we're thrilled to see the world going much more green. When he talks about carbon capture, we made a recent announcement of a project at Wabash Valley. We're going to go on the biggest North American carbon capture projects where we've been thrilled to be selected as that technology partners. Whether it's plastics recycling, we have a number of technologies in that space that we're going to be bringing to the world that aren't necessarily in the development stage. They're already bringing them to the market today.

So a lot of technologies to help the world be much more sustainable. And in terms of inclusion, diversity, respect, integrity, and ethics, those are our core fundamentals. Those are our key principles as to who we are as Honeywell and frankly we have these two kinds of elements. Behaviors, which we sort of hope people exhibit, and principles, which we live and breathe every day. And frankly, you can't work in Honeywell if you don't subscribe to these principles of diversity, inclusion, respect, integrity, and ethics. Those are our core principles and ones we live in. Whether we look at the makeup of our board or look at makeup of management team, we're striving to be highly diverse and inclusive in our culture.

Patrick Moorhead: And Darius, in regards to the E of ESG, I've seen so many people relying on improved sensors and improved systems to get a better idea of what's going on, let's say with their building or with their factory. And I believe that technologies and platforms like Forge will take us above and beyond of where we are today, because it's one thing to have a sensor. It's another thing to put the intelligence behind it and correlate that data across multiple data planes to actually see what's truly going on and only use the amount of energy you really need or identify assets that are working inefficiently that might be better off being placed than burning 10 years of energy. So it's an area that I think we're just scratching the surface on here. And I think Forge plays a huge role in that.

Darius Adamczyk: Well, I think Pat you're exactly right. And maybe one other thing to add to that is that essentially as a controls company, because that's really the heart of who we are. That's probably the one commonality in technology that goes across all the segments we participate, whether it's building control, warehouse controls, industrial controls, aviation controls. When you control something, you're a controls company. You obviously have to be connected to just about everything in that system, in that ecosphere.

So we have a unique advantage that we understand these domains and we're already connected to them, which kind of gives us that leg up over already having that kind of data processing collection expertise. And now we're going to be using that data differently to provide incremental value to customers. So

whether it's energy savings, efficiency, proficiency, industrial worker safety, those are all these kinds of values stories and personas that we're going to bring to our customers in our current domains.

Daniel Newman: Absolutely. And we're kind of coming to the end here of our time, Darius. I want to say thank you. Those examples are tremendous. And by the way, Pat, you mentioned the whole really understanding OT, well just recent partnership announcements with SAP for that building management technology last year. Big announcements and partnership with Microsoft, by the way, all here at the Six Five Summit. Pat, I guess we just got to say anyone that says Honeywell's not a tech company probably needs to check what Honeywell is doing.

And it was so great to have you here on this day, on the day of your big Honeywell quantum and CQC announcement of the new joint venture. We're thrilled and excited that you are able to get that done and excited to see what comes of it. So with that, Darius Adamczyk thank you so much for being part of the 2021 Six Five Summit. We hope to have you back next year.

Darius Adamczyk: I look forward to it. Thank you, Daniel and Pat. And I hope to be back next year. Thank you.

Daniel Newman: So for everyone out there that concludes the keynote session for our day one. What a way to start the day. We've got a whole bunch more for you today. Remember, all of our sessions are available on demand. They're available this week. There'll be available into the future. We appreciate you tuning in to our events. We'll see you very soon. Bye now.