

Initiated 2026-10-28 · Price \$18.32 (as of 2026-10-28 close, stockanalysis) · Mkt cap \$2.78bn (151.85mm shares; \$2.82bn on 154.0mm diluted) · Industrials / residential building products (comfort, security, water) · Model: verified

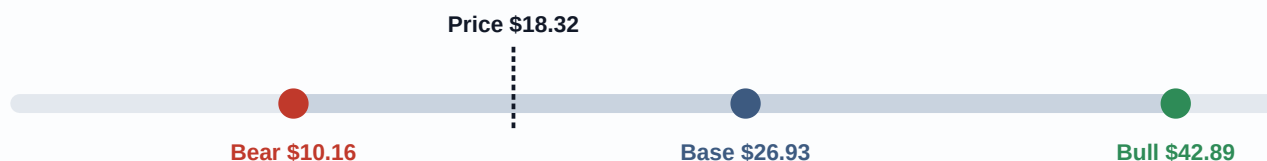
Rating: Buy — Conviction: High

Since the 2026-08-03 spin-off of ADI, REZI has been a ~\$2.9bn-revenue maker of residential controls with a ~21% adjusted EBITDA margin. It trades at ~8.9x EBITDA, roughly 3x levered, after a ~20% drop on a soft first standalone guide. The price already discounts most of a housing-driven margin give-back. A Base case that simply holds the guided margin and grows at the bottom of management's range is worth materially more, even on the exit-multiple method alone. Buy.

Conviction tests (3a-v-c): T1 pass (Base +25.5% at +1pp, +75.3% at -1pp; Buy at both) · T2 pass (Gordon \$30.76 (+67.9%), exit \$23.10 (+26.1%); Buy on either) · T3 pass (revenue, EBITDA, NWC and debt from SEC filings and company IR; the one estimate, post-spin cash, moves Base by 4.8%) · T4 pass (no pending deal, litigation or regulatory event outside the cases; the 2026-11-10 Q3 print is inside them)

The rule gives High. The softest inputs are the beta, which comes from pre-spin price history that includes ADI, and a single standalone NWC data point.

MODEL VALUE RANGE VS PRICE



Business overview

Resideo, the former Honeywell Home, makes thermostats and comfort controls, security panels and sensors, smoke and CO detectors, and water valves and leak products. It sells mainly through more than 100,000 professional installers and distributors, plus OEMs and retail, to an installed base of over 150 million locations (investor day). On a pro forma basis, FY2025 revenue was \$2.86bn and standalone adjusted EBITDA \$581mm (20.3%). The Products & Solutions gross margin hit a record 43.6% in Q2 2026. Three variables drive earnings: (1) residential repair/remodel and replacement volume, which is most of demand; (2) price against metals, electronics and freight costs; (3) interest on ~\$2.3bn of post-spin debt plus the dividend on the \$350mm preferred.

Competition

In connected thermostats, Resideo competes with Google Nest, ecobee (Generac) and Emerson. In valves and water, the competitor is Watts. In security, it meets Johnson Controls panels and the Alarm.com platform. The datapoint that matters is growth: in Q2 2026, Watts' Americas business grew 11.6% organically, helped by pricing and data-center demand (search summary of the Q2 release, four months old). Resideo's P&S revenue grew 4.4% (Q2 release), and its guide implies H2 slightly negative. Competitive pressure would show first in thermostats, as price pressure from tech-platform brands at retail. The closest listed comparable, A. O. Smith, trades at 11.1x TTM EV/EBITDA and 15.9x forward earnings.

Bull case

- Margin expansion toward the 23–25% target.** The standalone margin went from 15.8% (FY2023) to 20.3% (FY2025) and is guided to 21.0% for FY2026. The 2030 framework calls for a further ~400bp, from mix and gross margin (target 43–45%). Plays out if price actions hold through the H2 2026 input-cost squeeze. *Model: ebitda_margin*
- Growth at the 4–5% target.** H1 2026 P&S revenue grew 6.5%, volume-led and across substantially all channels. Plays out if mortgage rates ease and remodel spending turns up in 2027. *Model: rev_growth, terminal_growth*
- Deleveraging re-rates the stock.** Net leverage was ~3.3x at the spin, and management targets <2x within ~24 months, with buybacks after that. A BB credit at 8.9x sits well below peers at 11–20x. Plays out if FCF conversion stays above 85% and the ~\$200mm Q3 term-loan payoffdown is confirmed. *Model: exit_ev_ebitda, wacc*

Bear case

- The H2 slowdown becomes a housing downturn.** The FY2026 guide implies H2 revenue falls ~1% after H1's +6.5%, citing weaker OEM security demand. A remodel and new-build recession takes FY2027 revenue down ~4%. Plays out if mortgage rates stay near current levels and housing turnover keeps falling. *Model: rev_growth, terminal_growth*
- Input costs and the end of tariff refunds.** Management flagged rising input costs for H2 2026, and Q2 gross margin included tariff refunds that won't recur. The margin drops back below FY2024's 19.8%, to ~18.5–19%. Plays out if metals, electronics and freight costs keep rising faster than price. *Model: ebitda_margin*
- A levered spin-co with execution risk.** Net debt is ~\$2.0bn (3.3x), and \$350mm of CD&R preferred, convertible at \$18.844, ranks ahead of common. The new CEO is also acting as principal financial officer. A higher discount rate and a trough multiple can persist. Plays out if deleveraging stalls or the first standalone quarters miss. *Model: wacc, exit_ev_ebitda*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA, model basis (diluted mkt cap – cash (est.) + debt + preferred; standalone adj. EBITDA, no leases)	8.85x FY2025 \$581mm (8.36x FY2026 guide midpoint \$615mm)	n/a (unverified): standalone history only since 2026-08-03	not computed on this basis	spin 8-K, 10-Q, investor day; price 2026-10-28
EV/EBITDA TTM (stockanalysis)	7.31x (pre-spin consolidated, not meaningful)	n/a	AOS 11.14x · ALLE 15.56x · WTS 19.82x · ALRM 19.36x	stockanalysis, 2026-10-28 close
P/E forward (stockanalysis consensus)	11.55x	n/a	AOS 15.86x · ALLE 18.19x · WTS 25.72x · ALRM 22.16x	stockanalysis, 2026-10-28 close
FCF (company basis: standalone adj. EBITDA – adj. capex)	\$519mm FY2025 (89% conversion); levered after-tax FCF ~\$200mm FY2026 ≈ 7% of mkt cap (est.)	conversion >85% FY2023–25	AOS 7.77% · ALLE 4.85% · WTS 3.00% · ALRM 5.94% FCF yield	investor day; stockanalysis

Model-implied value range (from `model-summary.json` ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$10.16 · Base \$26.93 · Bull \$42.89 per share, i.e. implied returns of –44.6% / +47.0% / +134.1% vs \$18.32. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits a little closer to Bear than to Base: the market is pricing a large part of the bear case's margin reset. The exit method uses 8.5x, a ~4% de-rating from today's 8.85x, and gives \$23.10. The Gordon method gives \$30.76. Its terminal value implies ~10.4x Y5 EBITDA, an ~18% re-rating, so the 33% gap between the methods is that re-rating, not noise. The rating rests on the exit method.

Balance sheet: net leverage 3.39x FY2025 EBITDA on the model basis (\$1,972mm net debt, est. cash), 3.2x on the FY2026 guide; ~3.3x per the company at the spin. EBITDA/interest coverage 4.8x on the FY2026 guide (\$615mm / \$129mm). Liquidity: ~\$350mm cash (est.)

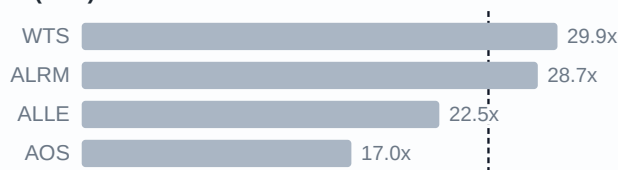
plus a \$500mm undrawn revolver due 2031. Nearest material maturity: \$300mm of 4.000% notes in 2029; the February 2028 term loan was repaid at the spin. Ratings: S&P BB, Moody's Ba2 (investor day).

Model note: Built and verified (LibreOffice matched all 3,207 formula cells). Unverified input: `market.cash` (\$350mm = the company's ~\$150mm cash at close plus the ~\$200mm earmarked for the planned Q3 term-loan repayment; \$150mm alone gives a Base of \$25.63). Assumptions without basis: none. No consistency CHECKS. EBITDA is the company's standalone adjusted EBITDA, which adds back SBC (~\$32mm FY2026). Historical revenue is pro forma (ADI removed). NWC has one standalone data point (\$51mm at 2026-04-04, depressed by separation accruals). Debt is at 2026-08-03, so Y1 FCF partly overlaps H1 2026 cash. Base WACC 8.8% is the CAPM/market-weight arithmetic (β 1.50 pre-spin, rf 4.99%, 42% debt at 6.0%, 6% preferred at 7.0%), with no adjustment. Bear adds a stated 1pp premium. There is no standalone EPS guidance to compare against; model Base Y1 EPS is \$1.97.

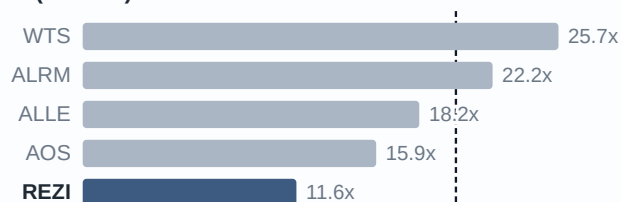
RELATIVE VALUE VS PEERS

Metric	REZI	AOS	ALLE	WTS	ALRM	Peer median	vs median
P/E (TTM)	n/a	17.0x	22.5x	29.9x	28.7x	25.6x	
P/E (forward)	11.6x	15.9x	18.2x	25.7x	22.2x	20.2x	-43%
PEG	n/a	n/a	1.9x	3.4x	n/a	2.6x	
EV/EBITDA (TTM)	n/a	11.1x	15.6x	19.8x	19.4x	17.5x	
EV/Sales (TTM)	n/a	2.3x	3.9x	4.3x	3.1x	3.5x	
FCF yield (TTM)	n/a	7.8%	4.8%	3.0%	5.9%	5.4%	

P/E (TTM)



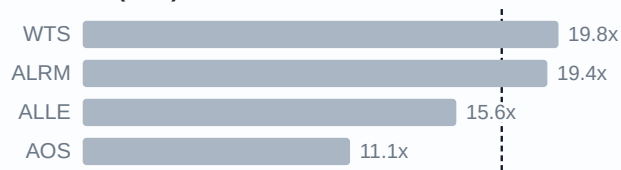
P/E (forward)



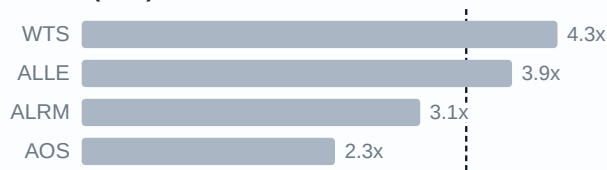
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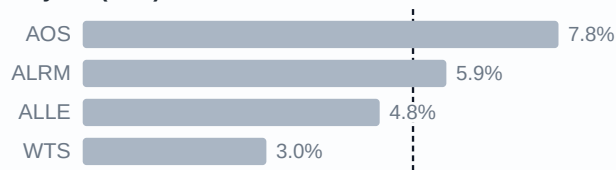
EV/EBITDA (TTM)



EV/Sales (TTM)



FCF yield (TTM)



As of 2026-10-28. One source and one definition for every company: stockanalysis TTM and consensus-forward figures, lease-inclusive EV as the source defines it. Not the model's own EV basis. All quotes at the 2026-10-28 close Dashed line = peer median. Source: stockanalysis.com /stocks/<ticker>/statistics/, fetched 2026-10-28.

Notes. REZI TTM figures (P/E 7.35x) still include ADI, which was spun off on 2026-08-03, and the 2025 Honeywell indemnification charges, so they are not meaningful for the post-spin company. REZI's stockanalysis EV/EBITDA (7.31x) pairs pre-spin TTM EBITDA (including ADI) with a pre-spin debt figure (\$3.91bn), so it is not meaningful. On the model basis it is 8.85x FY2025 standalone EBITDA (see the report). REZI's stockanalysis EV/Sales (0.80x) uses pre-spin consolidated sales including ADI. Not meaningful.

REZI's stockanalysis TTM FCF yield (-50.54%) reflects the 2025 \$1.59bn Honeywell indemnification termination payment and pre-spin cash flows. Not meaningful. No PEG supplied by the source for REZI, AOS or ALRM.

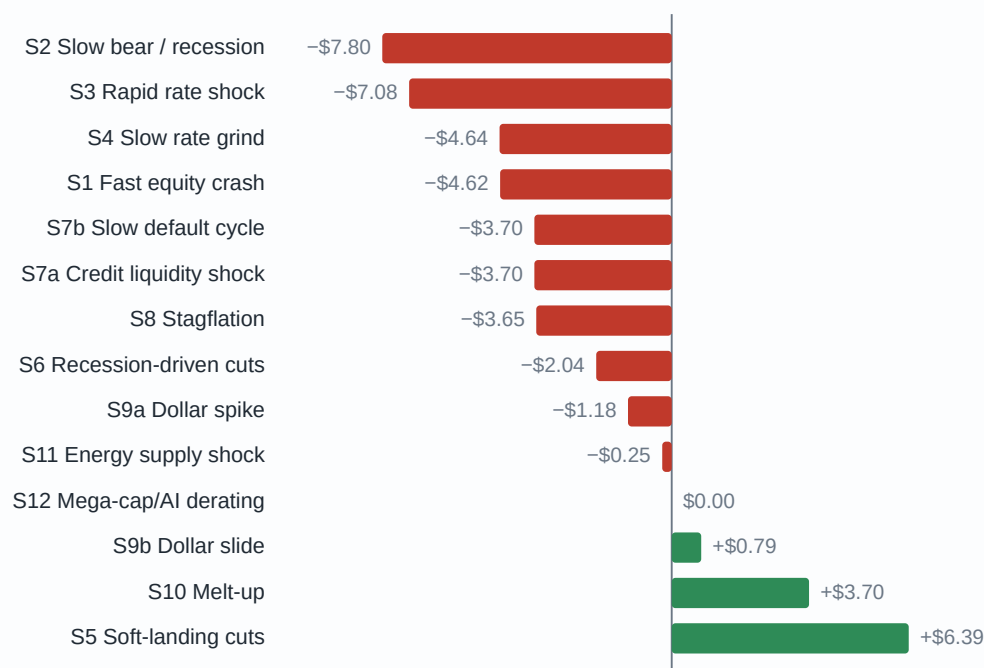
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	A levered beta-1.5 small cap de-rates; no operating channel	Med	–\$4.62
S2 Slow bear / recession	–	Remodel and new-build volume falls, margin –2pp, trough multiple. About half of Base – Bear (\$16.77) on purpose: a two-year dip, with replacement demand cushioning it, not a permanent margin reset	High	–\$7.80
S3 Rapid rate shock	–	Higher discount rate on a 42%-debt structure; floating term loans reprice; housing turnover slows	High	–\$7.08
S4 Slow rate grind	–	Same channels, slower	Med	–\$4.64
S5 Soft-landing cuts	+	Mortgage rates ease, turnover and remodel spending recover, levered equity re-rates	High	+\$6.39
S6 Recession-driven cuts	–	Volume loss outweighs the lower discount rate	Low	–\$2.04
S7a Credit liquidity shock	–	Spread gap hits a BB, 3.3x-levered spin-co	Med	–\$3.70
S7b Slow default cycle	–	Refinancing cost rises; installer and distributor stress trims volume	Med	–\$3.70
S8 Stagflation	–	Metals, electronics and freight inflation outruns price; nominal revenue up	Med	–\$3.65
S9a Dollar spike	–	Non-US sales translated lower	Low	–\$1.18
S9b Dollar slide	+	Translation tailwind	Low	+\$0.79
S10 Melt-up	+	Cheap, high-beta spin-co re-rates	Med	+\$3.70
S11 Energy supply shock	–	Freight and resin costs rise before price catches up	Low	–\$0.25
S12 Mega-cap/AI derating	0	No material effect, not modeled	—	\$0.00

Currently active/on watch per the playbook: S3 partially active (10Y 4.99% on 10-27, just under the 5% price leg; pace legs short); S8, S10, S11 on watch (Brent ~\$114).

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: Q3 (2026-11-10) and Q4 show P&S revenue back to growth with a standalone margin of at least 21%, and net leverage falls toward 2.5x by mid-2027. **Downgrades if:** the FY2027 guide implies revenue down more than 3% or a margin below 19.5%, or deleveraging stalls with net leverage still above 3x at end-2027.

Watch items

- **W1:** Q3 standalone revenue within \$705–730mm and adj. EBITDA within \$145–155mm — Q3 release — 2026-11-10 — *Model: ebitda_margin*
- **W2:** ~\$200mm term-loan repayment confirmed; net leverage $\leq 3.2x$ at year-end 2026 — Q3 10-Q / Q4 release — November 2026 – February 2027 — *Model: none (cash est.)*
- **W3:** FY2027 guide: revenue growth $\geq 3\%$ and margin $\geq 21\%$ — Q4 release — ~February 2027 — *Model: rev_growth, ebitda_margin*
- **W4:** Permanent CFO appointed — 8-K — open — *Model: none*

Sources

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- Resideo 8-K ex. 99.1 (filed 2026-08-07): unaudited pro forma financial information — <https://www.sec.gov/Archives/edgar/data/1740332/000121390026086692/ea030045101ex99-1.htm> — accessed 2026-10-28
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- Resideo 10-Q, quarter ended 2026-07-04 — <https://www.sec.gov/Archives/edgar/data/1740332/000174033226000025/rezi-20260704.htm> — accessed 2026-10-28
- EDGAR submissions index, Resideo CIK 0001740332 — <https://data.sec.gov/submissions/CIK0001740332.json> — accessed 2026-10-28
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- stockanalysis.com statistics: REZI, AOS, ALLE, WTS, ALRM — <https://stockanalysis.com/stocks/rezi/statistics/> — accessed 2026-10-28
- Repository macro log logs/macro-2026-10.md (10Y 4.99%, Brent ~\$114, 2026-10-27) — accessed 2026-10-28

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.