



## Financial Release

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### Honeywell Outlines Global Growth Strategy And Introduces 2018 Targets At Its Annual Investor Conference

- **Strong Organic Growth Expected In Each of Honeywell's Four Business Units**
- **Highlights New Innovation Process 'Honeywell User Experience' And CMMI Level 5 Capabilities**
- **Margin Expansion Expected To Continue, Targeting Double-Digit Earnings Growth Next 5 Years**
  - **Reinforces Global M&A Strategy, Seeking To Deploy \$10 Billion Plus Next 5 Years**
- **Reaffirms First-Quarter And Full-Year 2014 Outlook, Delivering On Previous Targets**

MORRIS TOWNSHIP, N.J., March 5, 2014 /PRNewswire/ -- Honeywell (NYSE: HON) will hold its annual investor conference in New York City today to outline its new five-year targets (2014-2018) and discuss its continued outperformance and growth strategy. The Company expects 2018 sales to increase organically \$7-\$12 billion to \$46-\$51 billion and segment margins to increase 220-370 bps over 2013 levels to 18.5-20.0%. The Company also expects to deliver on its previous five-year targets ending this year.

"Honeywell continues to outperform," said Honeywell Chairman and CEO Dave Cote. "The new five-year targets leverage our great portfolio of businesses, our disciplined process initiatives, and our innovation culture that learns, continues to evolve, and performs. With over 99% of the Company's sales coming from Great Positions in Good Industries - markets where we win with differentiated technology – we're well positioned for growth by deploying our Honeywell playbook and expanding our global footprint. This is an enviable position to be in."

The Company will also introduce the Honeywell User Experience (HUE), a new approach to the design and development of new products and services. HUE starts with the customer experience and deploys rapid prototyping and other design principles which enable faster cycle time and lead to increased customer value and loyalty. The Company will showcase examples of the exciting new HUE-enabled products that it is delivering to the marketplace.

"HUE is another tool for the Company to drive higher organic growth, leverage Honeywell's process enablers and build on the 'One Honeywell' culture. HUE makes Honeywell's products and services easier to use, more intuitive, more efficient, and more productive. As we continue to embed more software into our products and services and use software to improve our product development process, we also continue to expand our capabilities. With over 50% of Honeywell's engineers focused on software today, we're focused on the global achievement of CMMI (Capability Maturity Model Integration) Level 5 accreditation, which greatly improves the quality, efficiency, and repeatability of software development."

Over the next five years, Honeywell expects to continue to expand margins, grow earnings at a double-digit pace, and to nearly double free cash flow, which will provide additional firepower to fund global growth opportunities and support strong shareholder returns. The Company is seeking to deploy \$10 billion plus to strategic acquisitions, expecting to add approximately \$5-\$8 billion of sales over the next 5 years, with the goal of taking total company sales over \$50 billion by 2018.

"We will continue to be a strong cash generator and have a balanced cash deployment approach that includes strategic M&A, opportunistic share buybacks, and competitive dividends," continued Cote. "We will also invest in high-return Capex projects such as new production capacity for our Performance Materials and Technologies business to support customer demand, including orders we've already won. These investments, along with smart M&A, represent sources of upside as we deploy cash to drive growth in sales and earnings over the long term."

"We're very proud of what we've been able to accomplish and even more excited about where all the seed planting is going to take us," concluded Cote. "Our expansion in key high growth regions and ability to localize

our capabilities is another great example of how we'll drive accelerated growth over the next 5 years. The maturity of our key process enablers - the Honeywell Operating System (HOS), Velocity Product Development™ (VPD™), Functional Transformation (FT), and now the Honeywell User Experience (HUE) - makes the 'machinery' work better every day, enabling growth and margin expansion well into the future.

"And, while we've done a great job driving operational performance and achieving a total shareholder return of 219% over the past 5 years, approximately 1.7x the S&P 500, we believe the best is still yet to come for Honeywell."

The Company reaffirms its first quarter 2014 EPS guidance of \$1.23-1.27 and full-year 2014 guidance below.

#### Full-Year Guidance

|                                      | 2014<br><u>Current Guidance</u> | Change<br><u>vs. 2013</u> |
|--------------------------------------|---------------------------------|---------------------------|
| Sales                                | \$40.3 - \$40.7B                | 3% - 4%                   |
| Segment Margin                       | 16.6% - 16.9%                   | 30 - 60 bps <sup>3</sup>  |
| Operating Income Margin <sup>1</sup> | 15.2% - 15.5%                   | 100 - 130 bps             |
| Earnings Per Share <sup>1</sup>      | \$5.35 - \$5.55                 | 8% - 12%                  |
| Free Cash Flow <sup>2</sup>          | \$3.8 - \$4.0B                  | ~Flat - 5%                |

1. Proforma, V% / bps Exclude Pension Mark-to-Market Adjustment

2. Free Cash Flow (Cash Flow from Operations Less Capital Expenditures) Prior to Any NARCO Trust Establishment Payments, Cash Pension Contributions, and Cash Taxes Relating to the Sale of Available for Sale Investments

3. Segment Margin ex-M&A up 50 - 80 bps

Related presentation materials and webcast information for the Honeywell annual investor conference are available at [www.honeywell.com/investor](http://www.honeywell.com/investor) prior to the investor meeting. A replay of the webcast will be available following the presentation at the same link listed above for 30 days.

Honeywell ([www.honeywell.com](http://www.honeywell.com)) is a Fortune 100 diversified technology and manufacturing leader, serving customers worldwide with aerospace products and services; control technologies for buildings, homes, and industry; turbochargers; and performance materials. Based in Morris Township, N.J., Honeywell's shares are traded on the New York, London, and Chicago Stock Exchanges. For more news and information on Honeywell, please visit [www.honeywellnow.com](http://www.honeywellnow.com).

This release contains certain statements that may be deemed "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical fact, that address activities, events or developments that we or our management intends, expects, projects, believes or anticipates will or may occur in the future are forward-looking statements. Such statements are based upon certain assumptions and assessments made by our management in light of their experience and their perception of historical trends, current economic and industry conditions, expected future developments and other factors they believe to be appropriate. The forward-looking statements included in this release are also subject to a number of material risks and uncertainties, including but not limited to economic, competitive, governmental,

and technological factors affecting our operations, markets, products, services and prices. Such forward-looking statements are not guarantees of future performance, and actual results, developments and business decisions may differ from those envisaged by such forward-looking statements. We identify the principal risks and uncertainties that affect our performance in our Form 10-K and other filings with the Securities and Exchange Commission.

## Honeywell International Inc.

Reconciliation of Segment Profit to Operating Income Excluding Pension Mark-to-Market Adjustment and Calculation of Segment Profit and Operating Income Margins Excluding Pension Mark-to-Market Adjustment (Unaudited)

(Dollars in millions)

|   | Twelve Months Ended<br>December 31, |        |
|---|-------------------------------------|--------|
|   | 2013                                |        |
| Segment Profit  | \$                                  | 6,351  |
| Stock compensation expense (A)  |                                     | (170)  |
| Repositioning and other (A, B)  |                                     | (699)  |
| Pension ongoing expense (A)   |                                     | 90     |
| Pension mark-to-market adjustment (A)                                 |                                     | (51)   |
| Other postretirement expense (A)                                      |                                     | (20)   |
| Operating Income  | \$                                  | 5,501  |
| Pension mark-to-market adjustment (A)                                 | \$                                  | (51)   |
| Operating Income excluding pension mark-to-market adjustment          | \$                                  | 5,552  |
| Segment Profit  | \$                                  | 6,351  |
| ÷ Sales   | \$                                  | 39,055 |
| Segment Profit Margin %   |                                     | 16.3%  |
| Operating Income  | \$                                  | 5,501  |
| ÷ Sales   | \$                                  | 39,055 |
| Operating Income Margin %   |                                     | 14.1%  |
| Operating Income excluding pension mark-to-market adjustment          | \$                                  | 5,552  |
| ÷ Sales   | \$                                  | 39,055 |
| Operating Income Margin excluding pension mark-to-market adjustment % |                                     | 14.2%  |

(A) Included in cost of products and services sold and selling, general and administrative expenses.

(B) Includes repositioning, asbestos, environmental expenses and equity income adjustment.

We believe these measures are useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends.

## Honeywell International Inc.

Reconciliation of Earnings Per Share to Earnings Per Share, Excluding Pension Mark-to-Market Adjustment (Unaudited)

|  | Twelve Months Ended<br>December 31,<br>2013 |
|--|---|
| EPS  | \$ 4.92                                     |
| Pension mark-to-market adjustment                | 0.05  |
| EPS, excluding pension mark-to-market adjustment | \$ 4.97                                     |

We believe EPS, excluding pension mark-to-market adjustment is a measure that is useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends.

EPS utilizes weighted average shares outstanding - assuming dilution of 797.3 million. Mark-to-market uses a blended tax rate of 25.5%.

Honeywell International Inc.  
Reconciliation of Cash Provided by Operating Activities to Free Cash Flow (Unaudited)  
(Dollars in millions)

|   | Twelve Months Ended<br>December 31,<br>2013 |
|---|---|
| Cash provided by operating activities                             | \$ 4,335                                    |
| Expenditures for property, plant and equipment                    | (947)                                       |
|   | \$ 3,388                                    |
| Cash pension contributions  | 156   |
| NARCO Trust establishment payments                                | 164   |
| Cash taxes relating to the sale of available for sale investments | 100   |
| Free cash flow  | \$ 3,808                                    |

We define free cash flow as cash provided by operating activities, less cash expenditures for property, plant and equipment, cash pension contributions, NARCO Trust establishment payments and cash taxes relating to the sale of available for sale investments.

We believe that this metric is useful to investors and management as a measure of cash generated by business operations that will be used to repay scheduled debt maturities and can be used to invest in future growth through new business development activities or acquisitions, and to pay dividends, repurchase stock, or repay debt obligations prior to their maturities. This metric can also be used to evaluate our ability to generate cash flow from business operations and the impact that this cash flow has on our liquidity.

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