

HONEYWELL INTERNATIONAL INC

Form 10-Q

October 19, 2018

United States

Securities and Exchange Commission

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-8974

Honeywell International Inc.

(Exact name of registrant as specified in its charter)

Delaware

22-2640650

Edgar Filing: HONEYWELL INTERNATIONAL INC - Form 10-Q

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

115 Tabor Road
Morris Plains, New Jersey
(Address of principal executive offices) (Zip Code)

(973) 455-2000
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-Accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

There were 740,288,303 shares of Common Stock outstanding at September 30, 2018.

Honeywell International Inc.

Index

<u>Part I.</u>	<u>Financial Information</u>	<u>Page</u> <u>No.</u>
<u>Item 1. Financial Statements:</u>		
	<u>Consolidated Statement of Operations (unaudited) – Three and Nine Months Ended September 30, 2018 and 2017</u>	3
	<u>Consolidated Statement of Comprehensive Income (unaudited) – Three and Nine Months Ended September 30, 2018 and 2017</u>	4
	<u>Consolidated Balance Sheet (unaudited) – September 30, 2018 and December 31, 2017</u>	5
	<u>Consolidated Statement of Cash Flows (unaudited) – Nine Months Ended September 30, 2018 and 2017</u>	6
	<u>Notes to Consolidated Financial Statements (unaudited)</u>	7
	<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	32
	<u>Item 3. Quantitative and Qualitative Disclosures About Market Risks</u>	43
	<u>Item 4. Controls and Procedures</u>	43
<u>Part II.</u>	<u>Other Information</u>	
	<u>Item 1. Legal Proceedings</u>	44
	<u>Item 1A. Risk Factors</u>	44
	<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	44
	<u>Item 5. Other Information</u>	44
	<u>Item 6. Exhibits</u>	46
	<u>Signatures</u>	47
	<u>Cautionary Statement about Forward-Looking Statements</u>	

This report contains “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are those that address activities, events or developments that we or our management intends, expects, projects, believes or anticipates will or may occur in the future. They are based on management’s assumptions and assessments in the light of past experience and trends, current economic and industry conditions, expected future developments and other relevant factors. They are not guarantees of future performance, and actual results, developments and business decisions may differ from those envisaged by our forward-looking statements, including with respect to any changes in or abandonment of the proposed spin-off. Our forward-looking statements are also subject to risks and uncertainties, which can affect our performance in both the near- and long-term. These forward-looking statements should be considered in the light of the information included in this report and our other filings with the Securities and Exchange Commission, including, without limitation, the Risk Factors, as well as the description of trends and other factors in Management’s Discussion and Analysis of Financial Condition and Results of Operations, set forth in our 2017 Annual Report on Form 10-K.

PART I. FINANCIAL INFORMATION

The financial statements and related footnotes as of September 30, 2018 should be read in conjunction with the financial statements for the year ended December 31, 2017 contained in our 2017 Annual Report on Form 10-K.

ITEM 1. FINANCIAL STATEMENTS**Honeywell International Inc.****Consolidated Statement of Operations****(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(Dollars in millions, except per share amounts)			
Product sales	\$8,477	\$8,052	\$25,414	\$23,671
Service sales	2,285	2,069	6,659	6,020
Net sales	10,762	10,121	32,073	29,691
Costs, expenses and other				
Cost of products sold	6,127	5,795	18,234	16,982
Cost of services sold	1,429	1,259	4,127	3,622
	7,556	7,054	22,361	20,604
Selling, general and administrative expenses	1,524	1,524	4,527	4,403
Other (income) expense	(275)	(316)	(859)	(834)
Interest and other financial charges	99	81	277	235
	8,904	8,343	26,306	24,408
Income before taxes	1,858	1,778	5,767	5,283
Tax expense (benefit)	(498)	416	679	1,188
Net income	2,356	1,362	5,088	4,095
Less: Net income attributable to the noncontrolling interest	18	17	44	31
Net income attributable to Honeywell	\$2,338	\$1,345	\$5,044	\$4,064
Earnings per share of common stock - basic	\$3.15	\$1.76	\$6.76	\$5.33
Earnings per share of common stock - assuming dilution	\$3.11	\$1.74	\$6.67	\$5.26
Cash dividends per share of common stock	\$0.7450	\$0.6650	\$2.2350	\$1.9950

The Notes to Consolidated Financial Statements are an integral part of this statement.

Honeywell International Inc.**Consolidated Statement of Comprehensive Income****(Unaudited)**

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2018	
	2017	2018	2017	2018
	(Dollars in millions)			
Net income	\$2,356	\$1,362	\$5,088	\$4,095
Other comprehensive income (loss), net of tax				
Foreign exchange translation adjustment	49	56	61	112
Prior service credit (cost)	35	-	35	(46)
Actuarial (gains) losses recognized	(3)	2	2	7
Prior service (credit) cost recognized	(18)	(17)	(55)	(49)
Pension and other postretirement benefits adjustments	14	(15)	(18)	(88)
Effective portion of cash flow hedges recognized in other comprehensive income (loss)	24	(36)	27	(98)
Less: Reclassification adjustment for gains (losses) included in net income	(9)	9	(40)	52
Changes in fair value of effective cash flow hedges	33	(45)	67	(150)
Other comprehensive income (loss), net of tax	96	(4)	110	(126)
Comprehensive income	2,452	1,358	5,198	3,969
Less: Comprehensive income attributable to the noncontrolling interest	8	18	31	36
Comprehensive income attributable to Honeywell	\$2,444	\$1,340	\$5,167	\$3,933

The Notes to Consolidated Financial Statements are an integral part of this statement.

Honeywell International Inc.**Consolidated Balance Sheet****(Unaudited)**

	September 30, 2018	December 31, 2017
	(Dollars in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,803	\$7,059
Short-term investments	1,850	3,758
Accounts receivable - net	8,568	8,866
Inventories	5,061	4,613
Other current assets	1,346	1,706
Total current assets	26,628	26,002
Investments and long-term receivables	754	667
Property, plant and equipment - net	5,966	5,926
Goodwill	18,186	18,277
Other intangible assets - net	4,202	4,496
Insurance recoveries for asbestos related liabilities	465	479
Deferred income taxes	376	251
Other assets	5,350	3,372
Total assets	\$61,927	\$59,470
LIABILITIES		
Current liabilities:		
Accounts payable	\$7,050	\$6,584
Commercial paper and other short-term borrowings	3,977	3,958
Current maturities of long-term debt	215	1,351
Accrued liabilities	6,658	6,968
Total current liabilities	17,900	18,861
Long-term debt	14,059	12,573
Deferred income taxes	1,905	2,664
Postretirement benefit obligations other than pensions	440	512
Asbestos related liabilities	2,252	2,260
Other liabilities	6,948	5,930
Redeemable noncontrolling interest	7	5
SHAREOWNERS' EQUITY		
Capital - common stock issued	958	958
- additional paid-in capital	6,398	6,212
Common stock held in treasury, at cost	(18,102)	(15,914)
Accumulated other comprehensive loss	(2,125)	(2,235)
Retained earnings	31,110	27,481
Total Honeywell shareowners' equity	18,239	16,502
Noncontrolling interest	177	163
Total shareowners' equity	18,416	16,665
Total liabilities, redeemable noncontrolling interest and shareowners' equity	\$61,927	\$59,470

The Notes to Consolidated Financial Statements are an integral part of this statement.

5

Honeywell International Inc.**Consolidated Statement of Cash Flows****(Unaudited)**

	Nine Months Ended September 30,	
	2018	2017
	(Dollars in millions)	
Cash flows from operating activities:		
Net income	\$5,088	\$4,095
Less: Net income attributable to the noncontrolling interest	44	31
Net income attributable to Honeywell	5,044	4,064
Adjustments to reconcile net income attributable to Honeywell to net cash provided by operating activities:		
Depreciation	558	534
Amortization	304	298
Repositioning and other charges	756	586
Net payments for repositioning and other charges	(519)	(394)
Pension and other postretirement income	(769)	(562)
Pension and other postretirement benefit payments	(67)	(71)
Stock compensation expense	131	133
Deferred income taxes	(482)	(77)
Other	(163)	(38)
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:		
Accounts receivable	131	(408)
Inventories	(459)	(400)
Other current assets	356	13
Accounts payable	466	404
Accrued liabilities	(412)	(288)
Net cash provided by operating activities	4,875	3,794
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(522)	(613)
Proceeds from disposals of property, plant and equipment	4	46
Increase in investments	(2,882)	(4,149)
Decrease in investments	4,634	2,793
Cash paid for acquisitions, net of cash acquired	(51)	(72)
Other	250	(196)
Net cash provided by (used for) investing activities	1,433	(2,191)
Cash flows from financing activities:		
Proceeds from issuance of commercial paper and other short-term borrowings	19,300	8,808
Payments of commercial paper and other short-term borrowings	(19,153)	(8,608)
Proceeds from issuance of common stock	242	463
Proceeds from issuance of long-term debt	26	39
Payments of long-term debt		