

HONEYWELL INTERNATIONAL INC
Form 10-Q
April 20, 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 March 31, 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

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

115 Tabor Road

07950

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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 (Do not check if a smaller reporting company) 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 746,929,832 shares of Common Stock outstanding at March 31, 2018.

Honeywell International Inc.**Index**

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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-offs. 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 March 31, 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 March 31, 2018 2017	
	(Dollars in millions, except per share amounts)	
Product sales	\$8,234	\$7,540
Service sales	2,158	1,952
Net sales	10,392	9,492
Costs, expenses and other		
Cost of products sold	5,905	5,381
Cost of services sold	1,288	1,148
	7,193	6,529
Selling, general and administrative expenses	1,475	1,422
Other (income) expense	(268)	(258)
Interest and other financial charges	83	75
	8,483	7,768
Income before taxes	1,909	1,724
Tax expense	458	392
Net income	1,451	1,332
Less: Net income attributable to the noncontrolling interest	13	6
Net income attributable to Honeywell	\$1,438	\$1,326

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Earnings per share of common stock - basic	\$1.92	\$1.74
Earnings per share of common stock - assuming dilution	\$1.89	\$1.71
Cash dividends per share of common stock	\$0.7450	\$0.6650

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 March 31, 2018 2017	
	(Dollars in millions)	
Net income	\$1,451	\$1,332
Other comprehensive income (loss), net of tax		
Foreign exchange translation adjustment	91	248
Prior service credit (cost)	—	(46)
Actuarial (gains) losses recognized	2	2
Prior service (credit) cost recognized	(18)	(16)
Pension and other postretirement benefits adjustments	(16)	(60)
Effective portion of cash flow hedges recognized in other comprehensive income (loss)	(32)	(13)
Less: Reclassification adjustment for gains (losses) included in net income	(18)	23
Changes in fair value of effective cash flow hedges	(14)	(36)
Other comprehensive income (loss), net of tax	61	152
Comprehensive income	1,512	1,484
Less: Comprehensive income attributable to the noncontrolling interest	18	9
Comprehensive income attributable to Honeywell	\$1,494	\$1,475

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

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

	March 31, 2018	December 31, 2017
	(Dollars in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$7,897	\$7,059
Short-term investments	2,383	3,758
Accounts receivable - net	8,778	8,866
Inventories	4,766	4,613
Other current assets	1,763	1,706
Total current assets	25,587	26,002
Investments and long-term receivables	737	667
Property, plant and equipment - net	6,083	5,926
Goodwill	18,520	18,277
Other intangible assets - net	4,462	4,496
Insurance recoveries for asbestos related liabilities	404	411
Deferred income taxes	402	236
Other assets	4,753	3,372
Total assets	\$60,948	\$59,387
LIABILITIES		
Current liabilities:		
Accounts payable	\$6,641	\$6,584
Commercial paper and other short-term borrowings	5,406	3,958
Current maturities of long-term debt	143	1,351
Accrued liabilities	6,565	6,968
Total current liabilities	18,755	18,861
Long-term debt	12,738	12,573
Deferred income taxes	2,782	2,894
Postretirement benefit obligations other than pensions	495	512
Asbestos related liabilities	1,178	1,173
Other liabilities	7,221	5,930
Redeemable noncontrolling interest	5	5
SHAREOWNERS' EQUITY		
Capital - common stock issued	958	958
- additional paid-in capital	6,250	6,212
Common stock held in treasury, at cost	(16,834)	(15,914)
Accumulated other comprehensive loss	(2,174)	(2,235)
Retained earnings	29,395	28,255
Total Honeywell shareowners' equity	17,595	17,276

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Noncontrolling interest	179	163
Total shareowners' equity	17,774	17,439
Total liabilities, redeemable noncontrolling interest and shareowners' equity	\$60,948	\$59,387

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

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

	Three Months Ended March 31, 2018 2017 (Dollars in millions)	
Cash flows from operating activities:		
Net income	\$1,451	\$1,332
Less: Net income attributable to the noncontrolling interest	13	6
Net income attributable to Honeywell	1,438	1,326
Adjustments to reconcile net income attributable to Honeywell to net cash provided by operating activities:		
Depreciation	179	170
Amortization	109	101
Repositioning and other charges	193	129
Net payments for repositioning and other charges	(141)	(137)
Pension and other postretirement income	(254)	(183)
Pension and other postretirement benefit payments	(36)	(24)
Stock compensation expense	52	50
Deferred income taxes	46	(42)
Other	2	14
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:		
Accounts receivable	(61)	23
Inventories	(163)	(286)
Other curr		