

HONEYWELL INTERNATIONAL INC
Form 10-Q
July 21, 2017
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 June 30, 2017

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

(State or other jurisdiction of

22-2640650

(I.R.S. Employer

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incorporation or organization) Identification No.)

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

07950

(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 760,569,169 shares of Common Stock outstanding at June 30, 2017.

Honeywell International Inc.**Index**

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Cautionary Statement about Forward-Looking Statements

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. 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 2016 Annual Report on Form 10-K.

PART I. FINANCIAL INFORMATION

The financial statements and related footnotes as of June 30, 2017 should be read in conjunction with the financial statements for the year ended December 31, 2016 contained in our 2016 Annual Report on Form 10-K.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(Dollars in millions, except per share amounts)			
Product sales	\$8,079	\$8,035	\$15,619	\$15,654
Service sales	1,999	1,956	3,951	3,859
Net sales	10,078	9,991	19,570	19,513
Costs, expenses and other				
Cost of products sold	5,660	5,602	10,897	10,951
Cost of services sold	1,190	1,219	2,309	2,417
	6,850	6,821	13,206	13,368
Selling, general and administrative expenses	1,381	1,329	2,730	2,609
Other (income) expense	(10)	1	(22)	(17)
Interest and other financial charges	79	85	154	170
	8,300	8,236	16,068	16,130
Income before taxes	1,778	1,755	3,502	3,383
Tax expense	378	428	770	830
Net income	1,400	1,327	2,732	2,553
Less: Net income attributable to the noncontrolling interest	8	8	14	18
Net income attributable to Honeywell	\$1,392	\$1,319	\$2,718	\$2,535
Earnings per share of common stock - basic	\$1.82	\$1.73	\$3.56	\$3.31
Earnings per share of common stock - assuming dilution	\$1.80	\$1.70	\$3.51	\$3.26
Cash dividends per share of common stock	\$0.6650	\$0.5950	\$1.3300	\$1.1900

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

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

	Three Months Ended June 30, 2017		Six Months Ended June 30, 2016	
	2017	2016	2017	2016
	(Dollars in millions)			
Net income	\$1,400	\$1,327	\$2,732	\$2,553
Other comprehensive income (loss), net of tax				
Foreign exchange translation adjustment	(192)	(74)	56	48
Prior service credit (cost)	-	-	(46)	-
Actuarial (gains) losses recognized	3	4	5	7
Prior service (credit) cost recognized	(16)	(19)	(32)	(38)
Pension and other postretirement benefits adjustments	(13)	(15)	(73)	(31)
Effective portion of cash flow hedges recognized in other comprehensive income (loss)	(49)	38	(62)	6
Less: Reclassification adjustment for gains (losses) included in net income	21	(7)	44	(13)
Changes in fair value of effective cash flow hedges	(70)	45	(106)	19
Other comprehensive income (loss), net of tax	(275)	(44)	(123)	36
Comprehensive income	1,125	1,283	2,609	2,589
Less: Comprehensive income attributable to the noncontrolling interest	9	5	18	15
Comprehensive income attributable to Honeywell	\$1,116	\$1,278	\$2,591	\$2,574

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

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

	June 30,	December
	2017	31,
		2016

(Dollars in millions)

ASSETS

Current assets:

Cash and cash equivalents	\$7,877	\$7,843
Short-term investments	1,944	1,520
Accounts receivable - net	8,442	8,177
Inventories	4,651	4,366
Other current assets	1,150	1,152
Total current assets	24,064	23,058

Investments and long-term receivables	570	587
Property, plant and equipment - net	5,718	5,793
Goodwill	18,038	17,707
Other intangible assets - net	4,566	4,634
Insurance recoveries for asbestos related liabilities	401	417
Deferred income taxes	357	347
Other assets	1,954	1,603
Total assets	\$55,668	\$54,146

LIABILITIES

Current liabilities:

Accounts payable	\$5,971	\$5,690
Commercial paper and other short-term borrowings	3,803	3,366
Current maturities of long-term debt	1,378	227
Accrued liabilities	6,829	7,048
Total current liabilities	17,981	16,331
Long-term debt	11,329	12,182
Deferred income taxes	329	486
Postretirement benefit obligations other than pensions	537	473
Asbestos related liabilities	998	1,014
Other liabilities	3,941	4,110

Redeemable noncontrolling interest	3	3
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SHAREOWNERS' EQUITY

Capital - common stock issued	958	958
- additional paid-in capital	6,033	5,781
Common stock held in treasury, at cost	(14,135)	(13,366)
Accumulated other comprehensive loss	(2,837)	(2,714)
Retained earnings	30,406	28,710
Total Honeywell shareowners' equity	20,425	19,369
Noncontrolling interest	125	178
Total shareowners' equity	20,550	19,547
Total liabilities, redeemable noncontrolling interest and shareowners' equity	\$55,668	\$54,146

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

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

	Six Months Ended June 30,	
	2017	2016
	(Dollars in millions)	
Cash flows from operating activities:		
Net income	\$2,732	\$2,553
Less: Net income attributable to the noncontrolling interest	14	18
Net income attributable to Honeywell	2,718	2,535
Adjustments to reconcile net income attributable to Honeywell to net cash provided by operating activities:		
Depreciation	354	364
Amortization	193	149
Repositioning and other charges	353	265
Net payments for repositioning and other charges	(264)	(266)
Pension and other postretirement income	(373)	(318)
Pension and other postretirement benefit payments	(47)	(81)
Stock compensation expense	94	96
Deferred income taxes	(92)	182
Other	(8)	(25)
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:		
Accounts receivable	(276)	(357)
Inventories	(298)	(212)
Other current assets	(3)	(138)
Accounts payable	314	-
Accrued liabilities	(278)	(292)
Net cash provided by operating activities	2,387	1,902
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(401)	(475)
Proceeds from disposals of property, plant and equipment	25	1
Increase in investments	(2,329)	(1,821)
Decrease in investments	1,841	1,785
Cash paid for acquisitions, net of cash acquired	(15)	(1,084)
Other	(113)	52
Net cash used for investing activities	(992)	(1,542)
Cash flows from financing activities:		
Proceeds from issuance of commercial paper and other short-term borrowings	5,036	10,694
Payments of commercial paper and other short-term borrowings	(4,835)	(12,918)
Proceeds from issuance of common stock	376	243
Proceeds from issuance of long-term debt	16	4,