Q4 2019 Earnings Call

Company Participants

- Darius Adamczyk, Chairman and Chief Executive Officer
- Greg Lewis, Senior Vice President and Chief Financial Officer
- Mark Bendza, Vice President of Investor Relations
- Unidentified Speaker

Other Participants

- Andy Kaplowitz, Analyst
- Jeff Sprague, Analyst
- Julian Mitchell, Analyst
- Nicole DeBlase, Analyst
- Nigel Coe, Analyst
- Scott Davis, Analyst
- Steve Tusa, Analyst

Presentation

Operator

Good day, ladies and gentlemen, and welcome to Honeywell's Fourth Quarter Earnings Conference Call. At this time, all participants have been placed in a listen-only mode and the floor will be open for your questions following the presentation. (Operator Instructions) As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's conference, Mark Bendza, Vice President of Investor Relations.

Mark Bendza {BIO 21178179 <GO>}

Thank you, Robbie. Good morning and welcome to Honeywell's fourth quarter 2019 earnings and 2020 outlook conference call. With me here today are Chairman and CEO, Darius Adamczyk; and Senior Vice President and Chief Financial Officer, Greg Lewis.

This call and webcast, including any non-GAAP reconciliations, are available on our website at www.honeywell.com/investor. Note that elements of this presentation contain forward-looking statements that are based on our best view of the world and of our businesses as we see them today. Those elements can change and we ask that you interpret them in that light. We identify the principal risks and uncertainties that may affect our performance in our annual report on Form 10-K and other SEC filings.

For this call, references to adjusted earnings per share, adjusted free cash flow and free cash flow conversion and effective tax rate, exclude the impacts from separation costs related to the two spin-offs of our Home and Transportation Systems businesses in 2018, as well as pension mark-to-market adjustments and US tax legislation, except where otherwise noted. Comparisons are to the prior-year period unless otherwise noted.

This morning, we will review our financial results for the fourth quarter and full-year 2019 to discuss our full-year 2020 outlook and share our guidance for the first quarter of 2020. As always, we'll leave time for your questions at the end.

With that, I'll turn the call over to Chairman and CEO, Darius Adamczyk.

Darius Adamczyk {BIO 18702500 <GO>}

Thank you, Mark, and good morning, everyone. Let's begin on Slide 2. We are very pleased with our results in 2019. We finished a great year of another strong quarter. In the fourth quarter, we delivered $2.06 adjusted earnings per share above the high-end of the guidance range, 130 basis points of margin expansion and maybe most importantly, $2.3 billion of adjusted free cash flow, resulting in the fourth quarter conversion of 154%.

This conclusion to the year, we met or exceeded our financial commitments on all metrics in 2019, managing through a volatile environment in delivering adjusted earnings per share of $8.16, $0.06 above the high end of our initial 2018 guidance. Despite the challenging broad macro-environment 2019, we grew organic sales 5%, driven by strength across much of our portfolio throughout the year. Growth was driven by the commercial aerospace, defense, after solutions and building products. We also had strong orders for HPS mega projects, UOP equipment and defense, and overall, 100% increase in calibrator orders during the fourth quarter.

These robust orders contributed to a 10% year-over-year increase in the long-cycle backlog. Additionally, in 2019, Honeywell Connected Enterprise drove double-digit software growth. We expanded segment margin 150 basis points or 70 basis points, excluding the impact of the 2018 spin-offs, both 10 basis points above the high-end of our 2019 guidance.

Our growth combined with productivity rigor and commercial excellence drove margin expansion in Aerospace, Building Technologies, and Performance Materials and Technologies. We generated $6.3 billion of adjusted free cash flow for the year, exceeding the high-end of our initial guidance by approximately $300 million and resulting in 105% free cash flow conversion or 114% free cash flow conversion excluding pension income.

We continued to make smart investment in our businesses, people and communities. We deployed $7.8 billion of capital in 2019 across share repurchases, higher dividends, high return CapEx and two acquisitions, including Rebellion Photonics, a provider of innovative intelligent visual gas monitoring solutions, which we closed in the fourth quarter. This also included over 10 investment by Honeywell Ventures for $50 million deployed in 2019, bringing our total venture investments to date to over $75 million. We continue to have a robust pipeline of M&A opportunities, a significant balance sheet capacity to deploy.

We launched our new brand campaign to highlight some of the most exciting innovations and ranked number 13, on the Forbes Magazine's list of the world's most reputable companies for corporate responsibility. Lastly, we continue to make progress in our breakthrough and transformation initiatives which I'll cover next in more detail.

Let's turn to Slide 3. We continued to make significant progress on three key initiatives in support of our transformation to a software Industrial company. In 2019, we commercialized Honeywell Forge enterprise performance management software, which helps companies in a variety of industries gather, gain insights from and ultimately, autonomously control their operations drive efficiency and safety.

Honeywell Forge helped to drive double-digit connected software growth this year. Additionally, HCE is a lead -- is leading their transition to more recurring revenue models across the Company has delivered key wins and stronger customer relationships throughout 2019, and will continue to drive growth across Honeywell and putting 20% connected software growth -- compound annual growth rate over five years.

We also made great strides in our Integrated Supply Chain transformation. We established supply-based management strategy for 11 categories across the enterprise, enabled our businesses to take actions to substantially reduce their distribution and manufacturing footprint, drove improvements in sourcing productivity. And in the fourth quarter, we'll begin seeing broad improvements in our inventory. We are on track to achieve our long-term targets, including $0.5 billion of run-rate benefits and a $1 billion reduction in inventory.

On Honeywell Digital, which is foundational to running Honeywell with data-driven decision making, we have matured our data management practices, digitized key processes through the deployment of new technology platforms, rationalized over 500 software applications, (inaudible) 5.2 million critical master data records, eliminated 20 ERP systems and reduced websites by 58%.,

When complete, we expect our digital transformation deliver $0.5 billion of run-rate benefits across sales, productivity and working capital improvements. We are very pleased with the progress we've made in each of our transformation initiatives in 2019, and we'll continue to build on this momentum in 2020, as we transform into a software Industrial.

In summer, we had a terrific 2019, both in our short-term operating performance and longer-term transformation agenda. And we're setting ourselves up for strong 2020 and beyond.

Now, let me turn it over to Greg, on Slide 4 to discuss our fourth quarter results and provide our 2020 outlook.

Greg Lewis {BIO 20594853 <GO>}

Thanks, Darius, and good morning, everyone.

For the fourth quarter, we grew organic sales by 2%, driven by 7% organic growth in Aerospace, as well as continued growth in our process automation, UOP and building management products businesses. SPS contracted during the quarter, but the turnaround of productivity progress -- products is progressing. And Intelligrated sales improved sequentially, but they were down year-over-year as expected due to tough comps compared to nearly 50% growth in the fourth quarter of 2018.

Importantly, orders were up 100% as the major project orders we anticipated in Intelligrated, materialize to set us up well for 2020. Our organic growth combined with commercial and operational excellence and the benefits from the portfolio enhancements that we made in 2018, drove segment margin expansion of 130 basis points with segment margin again exceeding 21% this quarter.

Excluding the favorable impact of the spin-offs, segment margins expanded by 90 basis points, which was 40 basis points above the high end of our guidance, driven by our strong commercial excellence and productivity programs. We delivered adjusted earnings per share of $2.06, up 11%, excluding the impact of the spin-off and above the high end of our guidance/

In addition to strong segment profit performance, earnings per share benefited from lower share count due our buyback program and a lower adjusted effective tax rate, which more than offset our planned lower pension income.

During the quarter, we generated $2.3 billion of adjusted free cash flow with conversion of 154% on the strength of improvements in working capital, primarily from cash collections and inventory reductions. As Darius highlighted, we're beginning to see the effects of our supply chain transformation as demonstrated by inventory improvements in the fourth quarter.

This resulted in a full-year adjusted free cash flow of $6.3 billion and a conversion of 105% above the high end of our guidance range. We continue to execute our capital deployment strategy in the fourth quarter. We deployed $644 million through dividends and $750 million to repurchases of Honeywell shares, bringing the total share repurchases for the year to $4.4 billion, resulting in a 3% share reduction, which is above the commitment of at least 1% share count reduction that we highlighted at the beginning of the year. We also completed the acquisition of Rebellion Photonics and funded two additional Honeywell Venture investments.

Now let's turn to Slide 5 and talk about the segments. Starting with Aerospace, sales up 7% on an organic basis and orders were up double digits, finishing an outstanding year for the business overall. Defense and space grew 9%, led by increased aftermarket volumes on key US DoD programs and global demand for guidance and navigation systems. Backlog for defense and space is up double digits. Additionally, demand for

Honeywell Forge drove double-digit JetWave growth in defense. As you recall, we launched JetWave for military platforms in 2018 and we continue to be excited about the connected growth opportunities there.

In Commercial OE, sales were up 4% organically driven by increased deliveries across major OE business aviation platforms, partially offset by lower air transport sales. Commercial aftermarket grew 6% organically, driven by strong demand in air transport while business jet aftermarket sales were approximately flat.

Aerospace segment margin expanded 270 basis points, driven by productivity, commercial excellence and strong aftermarket volumes. 2019 was another outstanding year for the Aerospace team. In Safety and Productivity Solutions, sales were down 11% on an organic basis, driven by lower sales volumes in productivity products, the impact of major systems, project timing and Intelligrated integrated. And lower demand for personal protective equipment.

SPS segment margins contracted 330 basis points year-over-year to approximately 13%, similar to prior quarters, as a result of the volume deleverage and productivity products and personal protective equipment. Within our Intelligrated warehouse automation business, as we expected, sales were down double-digits due to difficult comps and the timing of several major systems projects. 4Q and 1Q are the two most difficult quarters that Intelligrated will face as sales were up nearly 50% in each of those comparable periods.

As we discussed in our last call, the orders pipeline has been robust and for the second consecutive quarter, Intelligrated posted significant growth with orders up over 100% which contributed to a more than 30% increase in the backlog year-over-year. This positions the business well for 2020, as these major projects begin to drive growth starting in the second quarter and beyond.

Importantly, Intelligrated aftermarket service businesses continue to benefit from our large and growing installed base with strong double-digit sales growth for lifecycle supporting services. In productivity products, we continue to see distributor destocking, but inventories are now approaching normalized levels and we expect the business to return to growth in 2020.

We have taken significant actions to address the challenges in this business as we have discussed previously, and we're seeing improvements and our commercial operations as a result which is reflected in the sequential sales growth compared to the third quarter of 2019. We're optimistic that we'll continue to see further improvements in the business throughout 2020.

In the safety business, organic sales for the quarter were down 5% as continued demand for our gas sensing products was more than offset by decreased volumes of personal protective equipment and softer demand in the retail business.

Moving to Honeywell Building Technologies, sales were up 3% organically, primarily driven by ongoing strength and commercial fire products in the US, double-digit growth across our security and building management products, including double-digit growth in our connected software platforms and growth in security. That was partially offset by building solution sales, which were down for the quarter as declines in projects including the energy savings performance contracts business offset double-digit growth in the airport vertical.

HBT segment margins expanded 170 basis points in the fourth quarter, driven by the favorable impact from the spin-offs of the home business. Segment margins excluding the impact from spin accretion were approximately flat in the quarter as we -- and we expect this to improve in 2020 as we continue to make progress towards our long-term margin targets for the business.

Finally, in Performance Materials and Technologies, sales were up 3% on an organic basis. Process Solutions sales were up 6% organically, driven by strength across the automation portfolio and smart energy. Additionally, orders in the automation and project businesses were up double digits, allowing us to exit the year with a strong backlog, notably in our global megaprojects business, which was up double-digits.

And UOP, sales were up 3% organically in petrochemical catalysts and our equipment business, partially offset by declines in gas processing due to fewer domestic fire unit sales as a result of the continuation of softer midstream gas processing markets in the US. Backlog was up high-single digits in UOP, driven by strong double-digit growth in equipment which carries lower margins, as you know.

Organic sales in Advanced Materials were down 4%, driven by lower volumes and pricing in flooring products, due to the ongoing impact of the illegal HFC imports into Europe. Recent estimates suggest that these illegal imports are contributing annual emissions at least equivalent to that of 3.5 million cars. This means we take a, for us the size of Portugal to capture all new legal emissions. We continue to actively work in partnership with private industry, EU regulators and EU member countries to address harmful illegal HFC imports.

Increase in seizures of illegally imported HFCs are encouraging, but there not yet meaningful enough reductions to the total illegal imports. While these efforts are ongoing, we will continue to experience pressure on HFC pricing and volumes. For the remainder of Advanced Materials, electronic materials grew mid-single digits and packaging and composites was up high-single digits. This was partially offset by softer demand in additives and chemicals.

So overall, PMT segment margins contracted by 80 basis points in the quarter, driven by Advanced Materials volumes, the mix of catalyst shipments and a higher mix of UOP equipment, partially offset by improvements in productivity. As we've discussed before, the mix of catalyst sales and equipment project timing in UOP has an outsized impact on margins quarter-to-quarter, and for the full year, PMT margins expanded 70 basis points.

So overall, we capped off the year with a very strong fourth quarter performance in earnings, margin expansion and cash, as well as strong orders, resulting in a healthy backlog as we enter into 2020.

Now, let's turn to Slide 6 and discuss the markets and our 2020 outlook.

As Darius mentioned, in 2019, we managed through a challenging year where trade tensions and the threat -- and reality of tariffs were constant. The uncertainty of Brexit, interest-rate policy and indications of a possible recession which signals like the inverted yield curve wade on markets. Today, some of those issues have started to resolve themselves with the Phase 1 US-China trade deal now in place and a more clear path forward on Brexit. But many uncertainties remain as we begin 2020.

There is much more work to be done on the comprehensive long-term agreement between China and the US. Brexit has a conclusion. However, the execution of their exit from the European Union is yet to play out and ramifications aren't fully known. Tensions in the Middle East have created the potential for the market disruption. The recent health threat of the coronavirus is developing rapidly and how it will evolve is still unknown. And a highly charged election year in the US brings additional uncertainties for companies to manage through.

In addition to that, we are facing discrete sales headwind in aerospace as others are from the 737 MAX production delay in 2020, as Boeing has continued to recalibrate their expectations for its return to service and related production schedules. We are aligned with Boeing's most recent communications that assume the 737 MAX returns to service roughly mid-year, however, the situation remains fluid.

So while there are perhaps fewer indications of a broader base recession today, there remain several challenging and potentially fast-changing dynamics that create uncertainty in the macro and caution in our short-cycle business outlook. With these factors, short cycle outcomes for the year will be difficult to forecast, and you'll see that we have a wider EPS guidance range that is typical for us due to the range of outcomes that could result.

Our outlook assumes the Middle East, remains relatively stable and that we can continue to deliver backlog and obtain new projects in the Middle East. We are assuming monetary policy remains stable and interest rates don't rise, lending support to the economy and that the US election does not delay investment. We have not estimated a material impact if the coronavirus becomes more significant which is already impacting aviation, in particular, flight hours, and could also have a broader negative impact on supply chains in the economy as was experienced with the SARS outbreak.

We've incorporated the latest communicated build rates as I mentioned of the 737 MAX into our own revenue outlook, so knock-on effects of the overall aero supply chain are yet to play out. So while we have confidence in our market positions that have prepared ourselves for the year ahead, it's setting up is an equally and perhaps more uncertain year than the one we just completed.

Given that, let's move to Slide 7 and discuss the markets and the segment outlook. Starting with Aerospace, defense remained strong, driven by stable budgets and we expect growth again in 2020 but at more moderate levels relative to the strong double digits we experienced in 2019. We continue to see healthy demand in business aviation, but we will have tougher comps in the business aviation OE.

We expect the aftermarket demand across commercial aerospace will continue to grow, driven by flight hours and retrofit modifications and upgrades, as well as the impact of older equipment remaining in service as a result of the delays in the MAX. That will partially be offset by the ADS-B stays out. However, Aero will have sales headwinds from the MAX production delays. We're taking actions to try and mitigate this impact as best we can, including leveraging recent improvements in our supply base to accelerate production from our backlog. And we continue to monitor the MAX situation closely, as you would expect.

Additionally, the impact to our earnings potential due to the MAX will be somewhat muted as the potential aftermarket offsets with their higher profit levels compared to OE sales will provide some support per segment margins. As a result of these dynamics across Aerospace, we expect organic sales to be up low to mid-single digits for the year as compared to the high-single digits in the fourth quarter and the double-digit growth we experienced in the first three quarters of 2019.

Now, turning to SPS. We expect strong e-commerce and warehouse distribution macro trends to continue, as customers seek and implement differentiated warehousing solutions to meet increased demand. These dynamics contributed to the robust Intelligrated orders in the second half of 2019, that will fuel warehouse automation sales growth in 2020. And we continue to expect strong services growth from our expanding installed base.

Excluding the warehousing market, industrial macro indicators remain weekend, which we expect will result in slower industrial safety, sensing and IoT sales. Productivity products is executing their recovery plan, as we mentioned and we continue to expect a turnaround in 2020 as destocking and with the return to growth expected in the second half of the year.

Overall, we expect SPS organic sales to be approximately flat to up low-single digits and we expect SPS margins to begin recovering in 2020, driven by improvements in productivity projects -- products' margins, productivity actions and enhanced growth in software and services.

In HBT, following the spin of our Homes portfolio, our primary exposure is to the non-resi market -- construction market and to the infrastructure and data center markets. While we're continuing to monitor the outlook across construction, today we anticipate non-residential market overall to remain flat to up modestly in 2020. And we are expecting HBT organic sales to be down slightly to up low-single digits. We expect strength in commercial fire and modest growth in security products to continue.

In Building Solutions, we expect continued growth in the airports, vertical and we are focused on driving service growth to mitigate the impact of headwinds from lower energy performance contracts and softer project orders. Building management system strength continues in the near term and driving better execution and pipeline development to deliver ongoing growth.

PMC entered 2020 with a healthy long-cycle backlog, up high-single digits in both UOP at HPS, driven by robust 2019 orders for UOP equipment and HPS progress. The oil and gas market outlook is similar to recent trends with continued softness in the US and midstream gas processing market but continue (inaudible) megaprojects.

Finally, with Advanced Materials, we expect continued growth from solstice in our 40 products business, and better execution in specialty products.

However, the illegal HFC imports into Europe continue to put pressure on growth particularly, through the first half of the year. Given these dynamics, in total, we expect PMT organic sales to be flat to up low-single digits for the year. Overall, the strength of Honeywell as our diversified portfolio and we head into 2020 with a healthy long-cycle backlog combined with strong operational playbooks which will enable us to perform in another tough macro backdrop.

Now, let's turn to Slide 8, and talk about how these dynamics come together for our 2020 financial guidance. We have an effective strategy at Honeywell which enables us to continuously deliver on our financial commitments and that is not changing in 2020. Our focus continues to be on smart investments for the future, new product development and breakthrough initiatives to fuel growth, all with ongoing productivity rigor and commercial and operational excellence, two drivers. These strengths embodied in our transformation initiatives, position us to deliver a solid year, even with the unpredictability of the current market backdrop and uncertain short cycle macro environment.

For 2020, we expect organic sales growth overall of 0% to 3% which reflects our balanced portfolio, diverse end market expectations, headwinds from the 737 MAX production delay and a cautious outlook on our short-cycle businesses in this environment. We expect to expand margins 20 to 50 basis points for the overall Company, consistent with our long-term framework.

Below the line pension and OPEB income in 2020 is expected to be approximately $830 million, about a $200 million increase from the prior year or $0.20 of EPS, which I'll discuss in more detail on the next slide.

In addition to pension income, other key planning items to take note of include a weighted average share count of approximately 718 million shares, repositioning charges of $375 million to $500 million, as we continue to fund high return projects. And the remaining below the line items to be in the range of $205 million to $230 million of expense.

Combined, this results in below the line income in the range of $100 million to $230 million for the year. Finally, we expect an effective tax rate of approximately 21% to 22% for the year. All-in, we're guiding EPS to be $8.60 to $9 per share, up 5 to 10 -- up 5% to 10% adjusted, including the $0.20 benefit from higher pension income.

We expect continued strong free cash flow generation with adjusted free cash flow of $5.7 billion to $6.2 billion in 2020, driven by high-quality income growth and continued working capital improvements. Compared to 2019, we expect approximately $500 million to $600 million of headwinds from higher planned CapEx investments and additional payroll cycle due to the calendar, and anticipated environmental and other payments. This cash generation equates to adjusted free cash flow conversion of approximately 102% to 107 %, excluding pension income. We believe -- excluding the non-cash pension income impact better reflects our operating performance and it enables more appropriate comparisons to our peers.

We continue to have a strong balance sheet with significant capacity and desire to do more M&A, as Darius mentioned. We do have a strong pipeline of opportunities, but in the absence of completing significant M&A, we'll continue to deploy additional capital to repurchases of the Honeywell shares.

Now, let's turn to Slide 9 to discuss our 2020 earnings per share bridge compared to '19. As I noted earlier, we're providing some slightly wider ranges than we typically do as a result of the number of variables that could impact the business over the next 12 months. Segment profit continues to be a key driver of our earnings growth, continued productivity improvements, commercial excellence, volume leverage and ongoing benefits from previously funded repositioning will contribute $0.10 to $0.45 per share.

We expect our share repurchase program, which has as a base case to delivery of at least a 1% additional share count reduction, so result in a benefit of approximately $0.14 per share year-over-year. Our expected tax rate of 21% to 22% is a range of $0.07 headwind to a $0.04 benefit to EPS. Excluding pension income below the line items are expected to be in the range of $0.04 headwind to a $0.12 benefit per share, primarily driven by the range I mentioned on expected reposition income.

The last item is the $0.20 increase from the higher pension income as a result of high investment return in 2019, and lower discount rates in 2020. Including that $0.20 tailwind, we expect earnings per share to be in the range of $8.60 to $9, as I mentioned previously. So I'd like to take a moment just to discuss the pension dynamics in a little bit more detail.

As we've talked about previously, we have derisked our pension plans and in 2019, approximately 15 -- 50% of the planned assets were more conservative fixed-income like assets; the other half being in return-seeking assets.

As a result of the strong equity markets in 2019, those return-seeking assets earned approximately 21% in the year, resulting in over $3 billion of an increase in our pension asset base compared to last year. This higher asset base combined with lower discount rates is driving higher income in 2020, even with lower rates of return expected. Our pension is now 110% funded and we continue to derisk that with approximately 60% of our planned assets now with fixed income for 2020.

So in summary, while we're cautious about the macro backdrop and the short cycle outcomes are once again hard to predict, we entered the year with a healthy backlog in our long-cycle business. So we have diversified end markets, a strong playbook and a solid track record of execution, and we're prepared to deliver another strong year with growth primarily from continued segment profit performance and our capital deployment strategy.

Now, let's turn to Slide 10 for a preview of the first quarter. For the first quarter, we expect organic sales to be in the range of down 2% to up 2% organically driven by growth in Aerospace, continued strength in Building Products, UOP equipment, and Process Automation, offset by headwinds from SPS and some of the other short cycle components of our portfolio.

Keep in mind, Q1 of 2019, was our strongest quarter of the year given our most difficult comp. We expect commercial excellence, productivity rigor and the benefits from previously funded repositioning to drive continued segment profit and segment margin growth with 20 to 50 basis points of year-over-year margin expansion, resulting in segment margins in the range of 20.6 to 20.9 [ph] for the first quarter.

In Aerospace, we continue to see demand in both commercial aerospace and US defense, supported by robust orders growth and firm backlog as I discussed. However, as we've stated after five straight quarters of double-digit sales growth through 3Q, 2019 and high single-digit growth in 4Q, 2019, we expect organic sales growth rate to moderate in 2020.

Aero is facing sales headwinds as are others from Boeing's most recent re-calibration of the 737 MAX production delays, which will contribute to the more moderate growth rates as we enter the year. Although, we plan to mitigate some of that impact by accelerating production from our backlog. In SPS, we expect distributor destocking to come to an end and product to be products. Although return to growth will likely be a second-half outcome and we expect slow sales to continue in industrial safety. Intelligrated sales will be impacted by the project timing I mentioned in the first quarter due to a strong growth of approximately 50% last year at this time. Our growth in robust orders in the second half of 2019 will contribute to more substantial sales growth in the following quarters.

In Building Technologie, we expect strength and commercial fire and security products, driven by demand in the Americas as well as continued strength in airports, we continue to see infrastructure including airports and data center projects as opportunities for strong growth in HBT. However, we expect softer project sales in energy and other verticals within building solutions as we begin the year.

In Performance Materials and Technologies, we expect to see continued growth in products and services and process automation, and we expect a healthy demand for equipment (inaudible) The headwinds in the Advanced Materials business from the legal imports of HSC into Europe and lower specialty products demand driven by the slowdown in China will persist in the early part of 2020. We expect the effective tax rate to be between 21% and 22% in the first quarter, and average share count to be approximately 720 million shares. All of this results and earnings per share in the range of $2.02 to $2.07, representing growth of 5% to 8% earnings per share.

In summary, well-positioned going into the first quarter with plans in place and ongoing initiatives across our businesses to drive productivity and margin expansion to mitigate the impacts of the mixed macro environment and the headwinds did a tough task compared to a year ago. We also continue to have significant balance sheet flexibility to generate strong returns through share repurchases and opportunistic M&A.

With that, I'd like to turn the call back over to Darius who will wrap up on Slide 11.

Darius Adamczyk {BIO 18702500 <GO>}

Thanks, Greg. Overall, we are pleased, the strong operational performance from our portfolio in 2019. We continue to execute on our core priorities and we again delivered on our commitment. We remain cautious on the macro environment of many factors, still very fluid for 2020, and significant uncertainty around short-cycle demand. Of a balanced portfolio poised for continued performance despite macro headwinds and we continue to make significant progress on our transformation initiatives, including Honeywell Connected Enterprise, Honeywell Digital in our integrated supply chain. Additionally, we're bringing innovative and connected offerings to market to fuel growth, which combined with our strong execution track record positions us well for 2020 and beyond.

With that, Mark. Let's move to Q&A.

Mark Bendza {BIO 21178179 <GO>}

Thank you, Darius. Darius and Greg are now available to answer your questions. Robbie, please open the line for Q&A.

Questions And Answers

Operator

Thank you. The floor is now open for questions. (Operator Instructions) Thank you. And our first question is coming from Steve Tusa with J.P. Morgan.

Q - Steve Tusa {BIO 4278663 <GO>}

Hey, guys, good morning.

A - Mark Bendza {BIO 21178179 <GO>}

Good morning, Steve.

A - Darius Adamczyk {BIO 18702500 <GO>}

Good morning.

Q - Steve Tusa {BIO 4278663 <GO>}

Just on the free cash, you mentioned a few items obviously stronger in '19, You mentioned a few items influencing 2020, kind of disagree with using and adjusted conversion metric ultimately cash per share is what matters. But what is the -- is there anything kind of flip in '21, so is -- so this 20 to be viewed as kind of the base for growth. Or is there anything, timing-wise, it was pulled into '19 that influences '20, and then '21 is kind of a more normal base to grow off?

A - Greg Lewis {BIO 20594853 <GO>}

Yes. So we've always talked about our free cash flow conversion adjusted and we guided it last year, even -- I believe 95% to 100% adjusted. We highlighted the -- both -- in our press release materials, both of the way we have done a previously adjusted and then we also adjusted it for pension income, just to be transparent about both of those metrics, particularly with the increase in pension income going into 2020. And so that's really the -- that's what you're seeing there in terms of -- and both of those numbers are strongly above 100%.

So in terms of 2019 into 2020 differences, what I tried to highlight in the opening, Steve is really a couple of things. And first, we are going to spend a bit more CapEx as we go into 2020, and that's in support of our transformation initiatives in the supply chain, some additional capacity for some new products. We also have -- just from a calendar perspective, we're going have an extra payroll cycle in 2020. So that's just math and for us, that's, call it, between $100 million and $200 million of headwind that will come and go in 2020.

And then in terms of our environmental and other liabilities, those numbers will move a little bit and so there's probably a $100-ish million, maybe $200 million of flex that we have in there for 2020 also. So those are really the major items that you'll see. But our cash flow performance and the overachievement that we had in the fourth quarter relative to our own expectations were heavily anchored around our working capital improvements. We did a tremendous job with our commercial and collections teams on the receivable side. We've been doing a lot on transforming how we do credit to collections. And then we've talked about inventory being our (inaudible) for some time now.

And if you look at the free cash flow statement, you'll see for the first time in a while we actually were able to get cash from inventory as we're specifically starting to tune some of those dials and you know a more disciplined way with against some of the things that Torsten team are driving from a transformation perspective. So Darius, (Multiple Speakers)

A - Darius Adamczyk {BIO 18702500 <GO>}

Yeah. Just to add a couple of things, Steve, and maybe just to add a couple of things on the year-over-year basis. And these are not dramatic impacts. But overall, our cash outlays are going to be slightly higher in 2020 versus 2019 due to restructuring. So that's probably another factor.

I wouldn't get too focused about a baseline of 2020. Obviously, we have some CapEx to spend, which is the driver in our payment cycle, that's an extra one, so that's just the math worked out -- so I mean that 2020 announced the baseline. But I do want to highlight something and I think it's a point that's been this completely which is -- if you look at the cash flow generation of this Company versus what it was three years ago, we're about $2 billion higher and 15% to 20% less sales growth. I think that point has been just missed completely. And I'm extraordinarily proud of the team in terms of what they've been able to accomplish in terms of cash generation after all that gives us more firepower to extra reinvest in the business or pass back to our shareowners are likely both. And I think that's the thing that really matters.

Q - Steve Tusa {BIO 4278663 <GO>}

Okay. So just -- that makes sense. So basically a few $100 million that is kind of timing related in play. Is that kind of how we should think about in a high level?

A - Darius Adamczyk {BIO 18702500 <GO>}

Yes.

Q - Steve Tusa {BIO 4278663 <GO>}

Okay. And then one last quick one. Just on HBT, what's going on there with -- I mean, you guys had a pretty positive Investor Day and now kind of framing a year with a little bit of a decline at the low end. What kind of popped up? Is that kind of performance contracting? I know, JCI talked about that as being weak as well. What's kind of the drag there?

A - Darius Adamczyk {BIO 18702500 <GO>}

That's exactly it, Steve, we basically -- our energy contracts or performance contracts primarily driven by the government sector. We've seen a substantial drop off in that segment of the business and orders that he has not been sort of the focus of the government sector lately. And that's been a problem. That's been a significant business for us in the past and that's dropped off and that's -- the orders there have dropped a couple of digits. So that's probably the one problem area that we've seen in terms of orders. But that -- we're always going to have an issue somewhere.

But if we look at our long cycle orders for the quarter across Honeywell, 15% growth. I don't want to sort of bypassed that back in a book to bill ratio of 1.7. So I think it was an incredibly successful quarter from a long-cycle order perspective. And just to maybe quote you on another fact a place like China, orders up north of 20% and backlog, up nearly 50%. So I view this quarter is just an outstanding from Honeywell winning in the marketplace.

Q - Steve Tusa {BIO 4278663 <GO>}

Okay. One quick one. What's your year-end share count? And then I'll leave it there. Just year-end ending share count. I'll leave it there. Thanks a lot.

A - Greg Lewis {BIO 20594853 <GO>}

I think we talked about 718. [ph]

A - Unidentified Speaker

(inaudible)

A - Greg Lewis {BIO 20594853 <GO>}

Yeah.

Operator

We will take our next question from Scott Davis with Melius Research.

Q - Scott Davis {BIO 2393277 <GO>}

Hi. Good morning, guys.

A - Darius Adamczyk {BIO 18702500 <GO>}

Good morning.

Q - Scott Davis {BIO 2393277 <GO>}

A lot of information here and super helpful. But I think this is the first quarter where we've at least for the 20 guide where supply chain seems to be a starting to become a tailwind. And I guess my question really is Darius, is this a -- it's just become a linear tailwind meaning you get some benefit in 2020, some in '21, '22, or is there some sort of a step-up that occurs over time as you kind of pose this investment cycle?

A - Darius Adamczyk {BIO 18702500 <GO>}

Yeah. I think it's a gradual improvement. I think I was extraordinarily pleased with what we saw in terms of our inventory management. Inventory has been a bit of a bugaboo for Honeywell for a long time, and we actually made some really nice progress in the second half of the year. I don't think there are any miracles for us out there. But I expect that progress to continue and it was reflected in our cash flow for Q4. And also, we're focused on our delivery, our quality and so on. And Torsten and his team are doing a really nice job, driving those improvements. And I expect to be a gradual improvement year-over-year.

And then transformation, I mean we dropped our fixed cost footprint in '19. We have even more aggressive -- a plan for 2020 and 2021. So you're going to kind of continue to see that progress on fixed cost reduction, which obviously makes us a much more variable cost company, which is something that I very much desire.

Q - Scott Davis {BIO 2393277 <GO>}

Yeah, super helpful. And I don't think you mentioned the word M&A or deals of any course in the prepared remarks. And was that -- I may have missed it, of course, but was that purposeful in the context as just not a lot, relatively expensive market out there? Or is it just not part of the planning right now deals are going to announce when they get announced?

A - Darius Adamczyk {BIO 18702500 <GO>}

Yeah. I mean, we did do Rebellion in December, which is a big acquisition, but really an interesting one, which is basically the use of imaging for advanced gas detection. So it's very much a technology-oriented company in the industrial segment, which fits really, really well with industrial safety but also fits well with productivity solutions and our HPS business. So we're very thrilled to get that one.

And in terms of M&A, we continue to be very active, I can tell you. And the environment we're seeing is, yeah, the prices are elevated, but what I can also tell you is that kind of -- because there is so much cash watch and so much capital to deploy, we're seeing very aggressive sort of due diligence in the kind of terms that others are willing to accept. So I think we're assessing that because we're going to continue to be a very cautious company and really study the market. But we also have to kind of look within ourselves in terms of, what's a risk that's reasonable, what isn't. So it's a very robust M&A marketplace and we expect to do deals in 2020, certainly.

Q - Scott Davis {BIO 2393277 <GO>}

Helpful. Best of luck guys. Thank you.

A - Darius Adamczyk {BIO 18702500 <GO>}

Thank you, Scott.

A - Greg Lewis {BIO 20594853 <GO>}

Thank you.

Operator

We will take our next question from Julian Mitchell with Barclays.

Q - Julian Mitchell {BIO 21229700 <GO>}

Hi. Good morning.

A - Greg Lewis {BIO 20594853 <GO>}

Good morning, Julian.

Q - Scott Davis {BIO 2393277 <GO>}

And maybe just a -- good morning. Maybe just first question around the CapEx hike that you mentioned, it sounded pretty substantial. So maybe give us some idea of how long capital spending stays elevated? And also in terms of the split of the CapEx increase may be between growth-focused or new product initiatives versus some of those supply chain internal self-help measures.

A - Greg Lewis {BIO 20594853 <GO>}

Sure. So we've been around $800 million as you know, for the last couple of years I think it was like in the 820s or 830s or so. And so, when I say elevated, this is not massive increases. We're talking about 100 -- 100-ish type of increases year-on-year. And I would say it's probably 50-50 split between increases relative to the transformation and an increase is relative to some new capacity for some of our new product launches that we're doing.

So I wouldn't -- this is not like we're making one massive block investment and something huge here. But as we go through this transformation, in the supply chain, it's going to require capital, so 50-50 I would say and think about it in a sort of like a 100 and 150 type of potential increase year-on-year.

A - Darius Adamczyk {BIO 18702500 <GO>}

And I would just to add to that the IRR in total on these investments substantially, north of 30%. So-- I mean if you think about that kind of a return versus M&A whenever we're going to see those kinds of returns, I'm more than happy to deploy more capital because it's going to make us a better company in the long term. So I think that this increase in capital, I think should be viewed as a positive, not a negative.

A - Greg Lewis {BIO 20594853 <GO>}

Yeah. And again, we're -- we talk about our free cash conversion, just to get back to that for a minute, and we've said many times, we are not like pinpointed on 100. If we've got good investments and we're going to make them so.

Q - Julian Mitchell {BIO 21229700 <GO>}

That's helpful. Thank you. And then my second question just around safety and productivity solutions, not so much on the productivity solutions pieces. I think that's well understood. But maybe on safety, that did roll over in the fourth quarter. Just maybe give us some understanding of, was that a surprise to you and what do you think this year will look like in terms of safety sales.

A - Darius Adamczyk {BIO 18702500 <GO>}

Yeah. I mean I think there it's the markets, -- the more the industrial markets overall have been relatively soft. We don't think that there is anything sort of unusual going on that business. It's a reflection of that. I mean it's not -- obviously it's a market that's flattish to down some of the segments that we play in, we saw that. So this is probably one where we have some uncertainty about the short cycle, right? That's one of the tougher businesses to call for us.

We are concerned about what's happening in China around coronavirus and so on. And not just the impact in China but really the impact on the global industrial production, because these are a global supply chains, so I think you have to look beyond just China. But we're optimistic that the markets are going to improve, but there is an inherently something unusual going on in those -- in that business.

Q - Julian Mitchell {BIO 21229700 <GO>}

Great. Thanks.

A - Greg Lewis {BIO 20594853 <GO>}

Thank you.

A - Darius Adamczyk {BIO 18702500 <GO>}

Thanks.

Operator

We will take our next question from Andy Kaplowitz with Citi.

Q - Andy Kaplowitz {BIO 15179203 <GO>}

Good morning, guys.

A - Darius Adamczyk {BIO 18702500 <GO>}

Good morning, Andy.

A - Greg Lewis {BIO 20594853 <GO>}

Good morning.

Q - Andy Kaplowitz {BIO 15179203 <GO>}

Darius or Greg, just focusing on your guidance for 2020, to the extent you can, could you elaborate on the headwind on that you could incur from that, either growth or margin? And obviously it's too early to tell the coronavirus impact on the commercial aftermarket? But there are a lot of moving parts in that business, whether it's a brief decline in flight hours or (inaudible) demanding, you've had stronger news collective initiatives are doing well. So how do you think about the resiliency of commercial after-market in 2020?

A - Greg Lewis {BIO 20594853 <GO>}

So obviously, the -- what Boeing is doing with the MAX return to service has and will have an impact on the aftermarket performance. And I think we -- we're all aware of they applied the older claims longer and so therefore has increased demand in that sense. When you think about our guide for what's happening with the math, you should think about, we're going to have probably a low to mid-single-digit headwind to the Aerospace growth because of the production schedule changes. And so we talked last year about it being rather minimal because the numbers were smaller but now with Boeing announcing the stoppage of production and there mid-year return to service and there ramp up -- their re-ramp.

We are going to be taking down our deliveries to them much more significantly than we did in the back half of 2019. So as we talked about, we will try to utilize some of our other existing backlogs and hopefully the supply base. Can you provide us some additional material inputs, so that we can (inaudible) later and try to -- and serve some of our other customers in a way to offset some of that. But it's hard to say how that's going to work out. That's why we are being a bit cautious because that's all very fresh news as you know, within weeks and so the impacts to even our supply chain is unknown, so.

A - Darius Adamczyk {BIO 18702500 <GO>}

Yeah. The revenue impact is meaningful. I mean it's -- think about kind of a mid-triple-digit impact for millions of dollars that obviously we can, we think we can offset some of that, both through our views and backlog reduction. But it's -- from a revenue perspective, it's not insignificant. And by the way, we're just, we're completely aligned to Boeing perspective. So it's -- that's what reflected in our current outlook.

Q - Andy Kaplowitz {BIO 15179203 <GO>}

Thanks for that guys. And guys, you've already mentioned China in Q4 was pretty strong in terms of orders, but can you walk us around the world, what you did in Q4 and what's your expectations are for 2020 with the understanding of this uncertainty out there? I think in Q3, China-US (inaudible) strong, you're expecting India to come back. So what's happen to these regions in Q4?

A - Darius Adamczyk {BIO 18702500 <GO>}

Yeah. Interesting Q4, I mean obviously China was a highlight, both kind of on the orders growth rate. And by the way. China is accelerating for us. So we have seen a higher rate of growth in Q2, Q3, Q4. Q4 was even higher, so we're encouraged by what we're seeing there. The orders give us a little. So actually China is one of the really nice stories for us.

The other place to highlighted and I think I've talked about this before, which is Latin America. I mean Latin America was also up high-single digits and obviously we have to be taking a lot of shares there given the fact that in a lot of those economies aren't exactly robust and they're struggling. So I'm very, very pleased with what's happened there.

Middle East continues to be a region of strength for us. We had some tougher comps that I think low to mid-single-digit kind of growth rate. Probably that the low light for us was Western Europe that's been kind of soft in Q4. I think a couple of the countries that I'd look to that were particularly soft would be Italy and the Netherlands, which were weak overall. India was okay. In Q4, frankly, it was a little bit lower than we had hoped, low to mid-single-digit kind of growth numbers. There is some -- we have -- that's a country of strength for us, but slightly below our expectations. And Russia actually quite well for us as well in the segments that we play in. So sort of a mixed story but the highlight certain being China will fall on the actual performance and the bookings growth.

Q - Andy Kaplowitz {BIO 15179203 <GO>}

Very Interesting. Thanks, guys.

A - Darius Adamczyk {BIO 18702500 <GO>}

Thank you.

A - Greg Lewis {BIO 20594853 <GO>}

Thanks.

Operator

We will take our next question from Jeff Sprague with Vertical Research.

Q - Jeff Sprague {BIO 1494958 <GO>}

Hi. Thank you. Good morning, everyone. A couple of quick ones from me. Just on the productivity products, Darius, a little surprised to hear you're not expecting a return to growth to the back half -- into the back half. The comps are very easy in the first half. Do you feel like you have the product to actually drive the business and kind of take a little bit better control your destiny relative to kind of just what the noise is going on perhaps in the channel?

A - Darius Adamczyk {BIO 18702500 <GO>}

To be clear, I am expecting a return to growth in productivity products. So I think we -- yeah, I think we've got our signals cross-sample. And just to give you some very specific data points, the sales out in the channel for productivity products has grown every quarter last year. More or less normalized our channel position now by the end of 2019, we actually saw growth in the scanning portfolio and productivity products, and we've been able to secure a couple of good wins. The toughest comp still for productivity products is Q1. We anticipated that. It's not news. But as we get further and further up the year, I do expect growth in productivity products.

So -- and I have the data to that gives them that confidence. So that's not, and I wish and hope. I have some data points that say that that's a reasonable outcome to expect. And also, of course, something goes wrong with the market. But actually, I'm very pleased with the kind of progress that's been made. The team that now have there in place and the products that we have to the marketplace.

Q - Jeff Sprague {BIO 1494958 <GO>}

I was just going by Slide 7 there on the second half. Just thinking about the guide overall, when you read what you put on Slide 6, it doesn't sound like you're being super conservative, but then when you talk and with the width, the range, it does in a way feel conservative. Could you just address that? I mean zero at the low end feel pretty conservative, particularly if you pull out of zero in Q1, which is your toughest comparison, right, and you probably are on a path for something better than that as the year unfolds.

A - Darius Adamczyk {BIO 18702500 <GO>}

Well, Jeff, I think we've been pretty consistent in our approach in terms of forecasting and outlooks, which is we're -- well, not what I'm not sure if something or myself and Greg are not sure if something, we're going to give you a wider range and we're not going to promise things that we don't -- either don't have visibility or can't do.

I would also tell you a couple of other things. I mean there are quite a few unknowns. I mean coronavirus right now, as an example is something that's very difficult for us to predict around the impact. I mean if things go back and our factories reopen Monday or week from Monday, which is kind of schedule, well then maybe it's conservative. What if they don't? What if discontinues to spread? What if it gets worse? That impact could be substantially worse than what we're expecting.

The short cycle is a little bit of unpredictable. We talked of there is a prior question of industrial safety it's tough, it's tough to call that right now. As I look at a lot -- the reports from a lot of the shorter cycle oriented peers, they exactly have not been stellar. I mean so we're trying to call it, I don't know about conservatively when we don't know and we don't know that much about short-cycle right now. We're going to kind of error on certainly, a little bit of wider range and we'll see what happens. And obviously, like we do every year as the year progresses, we'll update you and refresh our guidance.

And I'm very happy with our long cycle. I mean a 10% growth in the backlog is very good, so that gives me some confidence and we'll see how the year progresses.

Q - Jeff Sprague {BIO 1494958 <GO>}

Yeah. And on the long cycle, just one more if I could. Obviously, projects are normally subject to delays and the like. But as it stands now, is most of that backlog deliverable in 2020? It's tied to expected activity in 2020.

A - Darius Adamczyk {BIO 18702500 <GO>}

No. It's -- some of it is beyond 2020. And we sort of expect the normal conversion cycle. I mean it's, for example, some of the Intelligrated backlogs this goes all the way into 20 -- yeah.

A - Greg Lewis {BIO 20594853 <GO>}

15 months.

A - Darius Adamczyk {BIO 18702500 <GO>}

Yeah. 15, 18 months, so it's a longer cycle. But nevertheless, I mean the makeup of it isn't dramatically different in terms of execution versus '20 -- end of 2018. So it's kind of look the same, It's always more than one year, so it's not inconsistent, what we've seen in the past.

Q - Jeff Sprague {BIO 1494958 <GO>}

All right. Thank you very much.

A - Mark Bendza {BIO 21178179 <GO>}

Okay. I think we'll take two more questions.

Operator

Okay. Thank you. We will take our next question from Nicole DeBlase with Deutsche Bank.

Q - Nicole DeBlase {BIO 16935492 <GO>}

Yeah. Thanks for the question. Good morning, guys.

A - Darius Adamczyk {BIO 18702500 <GO>}

Good morning, Nicole. Good morning. So my first question is just around you guys talked about a short cycle as obviously another item of uncertainty in 2020. Can you talk a little bit about what you saw from short-cycle trends in 4Q? Throughout the quarter and was there may be any signs of like weakening throughout December and into January, that gives you concern into the first quarter or have you seen more like stabilization?

A - Greg Lewis {BIO 20594853 <GO>}

I would tell you that as we exited the year, it was relatively stable, but I would tell you that also January with the China situation is going to be one, we're going to have to read into pretty closely. So no -- I wouldn't highlight a huge problem to solve at this point. Just yet, but certainly, there have been some weakening trends as we exited December and into January a few places getting China, on the short cycle is one we're going to watch very closely, Darius mentioned a couple of areas in Europe in particular as well.

Q - Nicole DeBlase {BIO 16935492 <GO>}

Okay, got it. Thanks, Greg. And then secondly just around process, if you guys could talk a little bit more about what you're seeing from a backlog perspective and areas of strength? One of your big competitors talked about some big LNG projects coming through recently, so it would be great to hear. where the strength is coming from for you guys.

A - Darius Adamczyk {BIO 18702500 <GO>}

Yeah. Well, I think for us it's probably three main components of strength. By the way, HPS had a terrific quarter, double-digit orders growth the business is doing incredibly. Well, we're thrilled with their performance. But specifically, LNG is coming through some of the mega refining petrochemical complexes is another place of growth. And we're starting to give you a bit more in the renewable segment. That's actually one of the focus areas for PMT in general. And we're seeing some improved activity for in renewables. So I would highlight those three as areas where we're seeing growth with a terrific booking and order outlooks in Q4.

Q - Nicole DeBlase {BIO 16935492 <GO>}

Thanks, Darius. I'll pass it on.

A - Darius Adamczyk {BIO 18702500 <GO>}

Sure.

Operator

And our next question is from Nigel Coe with Wolfe Research.

Q - Nigel Coe {BIO 3818998 <GO>}

Thanks, guys. Thanks for fitting me I appreciate it.

A - Darius Adamczyk {BIO 18702500 <GO>}

Good morning, Nigel.

Q - Nigel Coe {BIO 3818998 <GO>}

So -- yeah, we've obviously covered a lot of ground and I appreciate all the detail by the way. And just want to clarify on the payroll cycle, Greg, you called that's $100 million, $200 million. Is that just a cash impact or does that also impact? I mean?

A - Darius Adamczyk {BIO 18702500 <GO>}

That is that's right, payroll.

A - Greg Lewis {BIO 20594853 <GO>}

Yeah, payroll. That's our payroll.

Q - Nigel Coe {BIO 3818998 <GO>}

Right. But is that just cash or is was the earnings?

A - Greg Lewis {BIO 20594853 <GO>}

No, the3re's cash. That's just generally (inaudible) Business cash, okay. Just generally going into the year (inaudible) accrual, the way the calendar falls that repays every two weeks on a Friday happens all the time, the exact same way it happens yet next year the Friday is going to be ready for the year-end.

Q - Nigel Coe {BIO 3818998 <GO>}

Understood. Thank you very much. And then my main question is on the 20, 30 [ph] bps of segment margin expansion, how does that look by segments? And 00 the spirit of my question is, should we expect SPS to be sort of a heavy contributed to that? Maybe aerospace is a little bit less so in any color on that. And then kind of be subtext here is, you're obviously doing a lot of restructuring this year up to $0.5 billion in your plan is that all cash.

And what kind of paybacks are you getting on that spend?

A - Greg Lewis {BIO 20594853 <GO>}

Yeah. So let me unpack that. First of all, we're not giving segment margin expansion guidance individually. We should expect, of course, that SPS will improve given the degradation we saw in 2019. They've obviously got a lot more room to run given that depression we had this year. The other three businesses, I think all have I'll call it equal opportunity on margin improvement overall. So that's the way I would think about that from a segment perspective.

As it relates to the restructuring, a high percentage of the restructuring that we have on the balance sheet is cash-oriented, and we do expect that is going to essentially be carried out over two and a half to there years' time. As Darius mentioned, a heavy amount that would be in 2020, and then in 2021, and a little bit of a tail off into '22.

But as it relates to the projects, you can think about them really in sort of two categories. Those that are really tied to call it site consolidations. Those are above the cost of capital clearly, the high-single-digit low-double-digit type returns, those that are more associated with call it back-office productivity and organization of redevelopment and so on, those are carrying far higher returns to them. So that's kind of what we are looking at.

Q - Nigel Coe {BIO 3818998 <GO>}

Great. Thank you. And one quick clarification on the share count reduction question. It doesn't feel like you've got a whole lot out in for 2020, about $1.5 [ph] billion by my calculation. Is that the right thing?

A - Greg Lewis {BIO 20594853 <GO>}

Yeah, that's in the ballpark. Again, we are at a minimum going to buyback 1% of our shares for sure. And then as we discussed if the year progresses and we're not seeing a lot of M&A activity, and it looks like an attractive opportunity as we did here in 2019, we won't be afraid to go back into the market and scoop up some of our own shares.

Q - Nigel Coe {BIO 3818998 <GO>}

Great. Thanks, guys.

Operator

That concludes today's question-and-answer session. At this time, I would like to turn the conference back to Mr. Darius Adamczyk for any additional or closing remarks.

A - Darius Adamczyk {BIO 18702500 <GO>}

I want to thank our shareowners for the continued support of Honeywell. We remain focused on continuing to outperform for our shareowners, our customers and our employees. We have delivered on our commitment, strong results each quarter and continue to make great progress on our growth and transformation initiatives. We have a great portfolio and we continue to execute well and excited for 2020 and we expect to another high-performance year for Honeywell.

Thank you all for listening and have a great weekend.

Operator

Thank you. This does conclude today's teleconference. Please disconnect your lines at this time and have a wonderful day.