

Company Name: Honeywell
Company Ticker: HON US
Date: 2018-04-20
Event Description: Q1 2018 Earnings Call

Market Cap: 112,465.22
Current PX: 150.57
YTD Change(\$): -2.79
YTD Change(%): -1.819

Bloomberg Estimates - EPS
Current Quarter: 1.989
Current Year: 7.983
Bloomberg Estimates - Sales
Current Quarter: 10616.909
Current Year: 42448.375

Q1 2018 Earnings Call

Company Participants

- Mark Macaluso
- Darius Adamczyk
- Thomas A. Szlosek

Other Participants

- Stephen Tusa
- Gautam Khanna
- Julian Mitchell
- Jeffrey Todd Sprague
- Andrew Kaplowitz
- Scott Davis
- Peter J. Arment
- Joe Ritchie
- Steven Winoker

MANAGEMENT DISCUSSION SECTION

Mark Macaluso

Non-GAAP Financial Measures

This call and webcast, including any non-GAAP reconciliations, are available on our website at www.honeywell.com/investor

Darius Adamczyk

Business Highlights

EPS and Organic Sales Growth

- Honeywell had a very strong start to 2018, with first quarter EPS of \$1.95, up 14% y-over-y, exceeding the high end of our guidance range by \$0.02
- Our earnings this quarter were driven by organic sales growth of 5%
- The growth was strong across the portfolio, particularly in Aerospace, SPS Warehouse Automation and the PMT Process Automation businesses
 - We expect this momentum to continue throughout the year
- Our long-cycle orders were up 35%, and our long-cycle backlog was up double digits, with particular strength in Intelligrated, Aerospace, and UOP

Company Name: Honeywell
 Company Ticker: HON US
 Date: 2018-04-20
 Event Description: Q1 2018 Earnings Call

Market Cap: 112,465.22
 Current PX: 150.57
 YTD Change(\$): -2.79
 YTD Change(%): -1.819

Bloomberg Estimates - EPS
 Current Quarter: 1.989
 Current Year: 7.983
 Bloomberg Estimates - Sales
 Current Quarter: 10616.909
 Current Year: 42448.375

- I will touch on our revised full-year guidance in a minute

Margin Expansion and FCF

- Operational performance was also strong, as evidenced by the 40BPS of margin expansion and nearly 30% growth in FCF
- We benefited from our continued investments in commercial excellence together with material productivity and volume leverage
- The margin expansion was within our guide and in line with our long-term target of 30 to 50BPS expansion per year
- FCF in the quarter was about \$1B
- The 30% growth follows an exceptionally strong Q1 2017, where FCF was up more than 500%, so the cash performance is even more noteworthy
- And yet, we believe there's even more improvement ahead, driven by our company-wide initiative on cash and working capital

Capital Deployment

- Finally, on Q1, we continue to aggressively deploy capital, repurchasing nearly \$950mm in Honeywell shares
- We are also tracking well with the cash repatriation plan we reviewed at our Investor Day in February, which contemplate more than \$4B of cash being repatriated in 2018

Organic Sales Growth

- Today, we're raising our full year 2018 organic sales growth guidance to a new range of 3% to 5%, our EPS guidance to a new range of \$7.85 to \$8.05 and our FCF guidance by \$100mm
- Compared to prior range, our EPS guidance is now \$0.10 higher at the low end and \$0.05 higher at the high end
- These changes reflect both our exceptional first quarter performance and our confidence in our company's ability to continue outperforming for the remainder of 2018

End Markets

- Our end markets are strong
- We are experiencing robust commercial activity
- We are executing well as evidenced by our margin and cash performance, and we have significant balance sheet capacity to deploy
- In summary, an exciting start to what we expect to be a very strong year

Aerospace

- Let's turn to slide 3 to highlight some of the recent news from our businesses
- In Aerospace, we signed three contracts with Singapore Airlines Group to provide the latest Honeywell technologies and solutions to help improve operational capabilities for Singapore Airlines, SilkAir and Scoot

Company Name: Honeywell
 Company Ticker: HON US
 Date: 2018-04-20
 Event Description: Q1 2018 Earnings Call

Market Cap: 112,465.22
 Current PX: 150.57
 YTD Change(\$): -2.79
 YTD Change(%): -1.819

Bloomberg Estimates - EPS
 Current Quarter: 1.989
 Current Year: 7.983
 Bloomberg Estimates - Sales
 Current Quarter: 10616.909
 Current Year: 42448.375

- The agreements include a variety of services and equipment, including weather radar, navigation systems, auxiliary power units, predictive maintenance technologies and a 24/7 engineering and maintenance support

Connected Aircraft Offerings

- Additionally, Singapore Airlines Group and Honeywell signed a memorandum of understanding to jointly work to implement Honeywell's Connected Aircraft technologies to reduce operational risk, improve efficiency and maximize aircraft performance
- As a result of the agreements, the family of airlines will receive better and more predictive maintenance services that will reduce mechanical delays and cancellations, and through connectivity and analytics, flying will be more efficient and cost effective
- We are seeing significant demand from our customers for Connected Aircraft offerings, and we continue to lead the industry when it comes to innovation in this area

Home and Building Technologies

- In Home and Building Technologies, we launched the INNCOM e7 thermostat for hotels, a new Connected Buildings offering
- This is the first enterprise-grade environmental control and energy management solution that incorporates Amazon's Alexa voice control for temperature, lighting, drapery and amenity functions
- Honeywell's INNCOM hospitality solutions are used in more than a 1.5mm guest rooms around the world

Performance Materials and Technologies

- In Performance Materials and Technologies, we introduced the cloud-based simulation tool that uses a combination of augmented reality and virtual reality to train plant personnel on critical industrial work activities
- With more than 50% of the oil and gas workforce due to retire within the next five years, the Honeywell Connected Plant Skills Insight Immersive Competency tool is designed to bring new industrial workers up to speed quickly by enhancing training and delivering it in new and contemporary ways
- An upstream oil and gas customer in Europe is already using this solution to improve the productivity and skill set of its employees

Safety and Productivity Solutions

- In Safety and Productivity Solutions, we launched the Dolphin CN80 ultra-rugged handheld computer for demanding environments, such as distribution centers and parcel delivery
- The CN80 is the latest device to run our Honeywell's Android-based Mobility Edge platform, which is composed of common software and hardware, architecture, and a suite of device tools
- The scalable architecture allows customers to develop, test, and certify the applications just once before deploying it to multiple device types across the enterprise, allowing companies to accelerate deployments, optimize device performance, and extend the total product life cycle, with the objective of lowering the total cost of ownership

Mobility Edge

Company Name: Honeywell
 Company Ticker: HON US
 Date: 2018-04-20
 Event Description: Q1 2018 Earnings Call

Market Cap: 112,465.22
 Current PX: 150.57
 YTD Change(\$): -2.79
 YTD Change(%): -1.819

Bloomberg Estimates - EPS
 Current Quarter: 1.989
 Current Year: 7.983
 Bloomberg Estimates - Sales
 Current Quarter: 10616.909
 Current Year: 42448.375

- We launched the first Mobility Edge device late last year, the Dolphin CT60 for transportation logistics and direct store delivery, and we will launch two additional Mobility Edge devices for a variety of markets later this year
- There has been significant demand for our Android-based products, and we expect to see the impact of our new launches in our second quarter results

China

- The final highlight is a new environmental commitment we made in China to reduce China-specific greenhouse gas emissions for our facilities by 10% per dollar of revenue from 2016 levels by 2022
- We have voluntarily implemented more than 100 energy efficiency projects at our sites in China since 2011

Global Greenhouse Gas Emission

- Globally, we have reduced Honeywell's greenhouse gas intensity by more than 65% between 2004 and 2017 and increased our energy efficiency by 60% in the same timeframe
- By 2019, we'll reduce our global greenhouse gas emissions by an additional 10% per dollar of revenue from our 2013 levels
 - Since 2010, we've implemented more than 3,600 energy efficiency and water conservation projects
- We are proud of our environmental, social, and governance track record and are committed to continued excellence in this area

Thomas A. Szlosek

Financial Highlights

Organic Sales Growth

- I'm on slide 4
- As Darius mentioned, we had a very strong start to 2018, reported sales up 9%, organic sales up 5% in the quarter
- The markets we serve generally are strong, but our continued organic sales growth also reflects our strong market positions and the investments we've made in the sales organization and in new product introductions
- The difference between reported and organic sales is primarily the impact of foreign currency translation, mainly related to the euro

Segment Profit

- Segment profit was up 12% in the quarter and segment margin expanded by 40BPS to 19.2%, primarily due to the benefits from material productivity, commercial excellence, volume leverage on higher sales, and benefits from previously funded and completed restructuring projects

EPS

- EPS \$1.95, up 14%, exceeding the high end of our guidance range by \$0.02

Company Name: Honeywell
 Company Ticker: HON US
 Date: 2018-04-20
 Event Description: Q1 2018 Earnings Call

Market Cap: 112,465.22
 Current PX: 150.57
 YTD Change(\$): -2.79
 YTD Change(%): -1.819

Bloomberg Estimates - EPS
 Current Quarter: 1.989
 Current Year: 7.983
 Bloomberg Estimates - Sales
 Current Quarter: 10616.909
 Current Year: 42448.375

- This excludes spin-related separation costs of about \$55mm in the quarter
- We'll walk through the details of our EPS performance in a second

FCF and Working Capital Initiatives

- FCF in the quarter of \$1B was up 30%, driven by strong operational performance, particularly in HBT and Safety and Productivity Solutions
- As Darius mentioned, we're still in the early stages of our working capital initiatives, but we're encouraged by our progress and by the additional opportunities that are emerging from the enterprise-wide focus we have in this area

Capital Deployment

- We continue to deploy capital, and in the quarter repurchased nearly \$950mm worth of Honeywell shares
- After growth investments and paying a competitive dividend, our preference is to deploy capital to M&A
 - But in the absence of immediate opportunities, we'll continue to opportunistically repurchase outstanding shares
- Q1 certainly presented ample buying opportunities given the pricing level and our general positive outlook on the growth of the company
- So overall, we're pleased with the start to the year, with robust sales growth and high-quality earnings

EPS

- Slide 5 walks our EPS from Q1 2017 to Q1 2018
- The preponderance of our earnings growth, \$0.21, came from segment profit improvement, driven by enhanced sales growth across the company, the impacts from our commercial excellence efforts, productivity improvements realized through HOS Gold, and savings from previously funded and completed restructuring projects

U.S Pension Plan

- Below the line items were \$0.03 tailwind this quarter, primarily due to higher pension income, reflective of strong performance of the assets in our pension plan and lower discount rates
- As a reminder, our U.S. pension plan is approximately 110% funded, and we announced in February that we modified the asset allocation in our fund, shifting our plan assets to comprise about 50% fixed income-type investments, up from 20% previously
 - This change will not affect 2018 pension income
- We do expect a reduction to 2019 pension income, but anticipate being able to overcome the impact due to our profit growth prospects
- Therefore, this is not expected to be an EPS headwind for 2019

Tax Rate

Company Name: Honeywell
 Company Ticker: HON US
 Date: 2018-04-20
 Event Description: Q1 2018 Earnings Call

Market Cap: 112,465.22
 Current PX: 150.57
 YTD Change(\$): -2.79
 YTD Change(%): -1.819

Bloomberg Estimates - EPS
 Current Quarter: 1.989
 Current Year: 7.983
 Bloomberg Estimates - Sales
 Current Quarter: 10616.909
 Current Year: 42448.375

- Our effective tax rate in the quarter was 23.6% vs. 22.7% in Q1 2017
- Our estimated rate for the full year remains in the 22% to 23% range, and most of the tailwinds coming from the tax reform legislation will be in H2 2018

U.S. Tax Reform

- In February, I spoke about how the recent U.S. tax reform would impact Honeywell
- The \$3.8B provisional charge we recorded in Q4 2017 is still subject to revision throughout the course of 2018, but there was no adjustment to that amount in Q1
- We still expect to repatriate approximately \$7B of overseas cash by the end of 2019, with at least \$4B of that coming in 2018, as Darius said earlier

Share Count

- There continues to be a regular flow of guidance and clarification in this area, which could result in changes to the provisional charge, the effective rate, and the timing of the repatriation
- We'll continue to update you on any material changes that arise
- To close out the walk, other items, including the lower share count from our share repurchase activity and non-controlling interest, were \$0.02 benefit vs Q1 2017

HBT Organization Structure

- Let's turn to slide 6
- As you'll recall, we changed the HBT organization structure to segregate the Homes business from the rest of the portfolio that will remain with Honeywell after the spinoff
- Buildings is roughly \$5.3B business, so just over half of the HBT portfolio, and includes building products like fire controls, commercial security, and air and water filtration products
- Connected Buildings includes our controls and integrated software for commercial HVAC and building management
- Building Solutions includes our integrated hardware, software, installation, and service offerings for more complex buildings and structures

Global ADI Business

- Homes is roughly \$4.5B business that comprises comfort and care, including:
 - Our residential thermostats and HVAC controls
 - Safety and security, which includes the residential components of our former security business; and distribution, which is the global ADI business
- You'll see the sales from the Homes and Buildings businesses separately presented in our filings beginning this quarter

Aerospace

Company Name: Honeywell
 Company Ticker: HON US
 Date: 2018-04-20
 Event Description: Q1 2018 Earnings Call

Market Cap: 112,465.22
 Current PX: 150.57
 YTD Change(\$): -2.79
 YTD Change(%): -1.819

Bloomberg Estimates - EPS
 Current Quarter: 1.989
 Current Year: 7.983
 Bloomberg Estimates - Sales
 Current Quarter: 10616.909
 Current Year: 42448.375

- Let's turn to slide 7 to discuss our segment results for the quarter
- Beginning with Aerospace, sales were up 8% on an organic basis, led by Commercial OE, where growth in both air transport and business aviation was nearly double digit, driven by robust deliveries on key platforms, including the A320, Boeing 737, and Bombardier Challenger 350
 - We're on winning platforms and continue to expand our installed base
- We expect the OE growth and installed base to continue as our long-cycle backlog in the OE business is up more than 15%

Aviation OE Market

- As Tim mentioned at our Investor Day in February, we're beginning to see the business aviation OE market recover
- Our winning positions across engines, APUs and avionics will benefit us in the anticipated upturn

Defense

- In Defense, we achieved close to 20% growth in U.S. Defense, driven by higher sensors and guidance systems and engines demand, and sales of engines and avionic spares into Army and Navy programs
- Transportation Systems grew 7% organically, driven by demand for light vehicle gas and commercial vehicle turbos, particularly in North America and in China

Commercial Aftermarket

- Organic growth in commercial aftermarket of 4% was driven primarily by strong R&O demand and another quarter of double-digit growth for our JetWave satellite communications hardware, partially offset by delayed spares shipments
- For the full year, we expect aftermarket organic sales growth in the low to mid-single digits range

Organic Sales Growth

- Aerospace sales were up 12% on a reported basis with the difference between the organic sales growth resulting from foreign exchange fluctuations, which was a 3-point impact and the adoption of the new revenue recognition accounting standard, which was a 1-point impact
- We anticipate that the revenue recognition impact will be immaterial for the full year

Segment Margin

- Aerospace segment profit was up 12%, and segment margin expanded 10BPS.
- We continue to see the benefits from the Honeywell initiatives to drive productivity and commercial excellence, and we incurred slightly lower customer incentives, but this was largely offset by higher volumes of lower-margin OE shipments, inflation, and foreign exchange

Margin Expansion

Company Name: Honeywell
 Company Ticker: HON US
 Date: 2018-04-20
 Event Description: Q1 2018 Earnings Call

Market Cap: 112,465.22
 Current PX: 150.57
 YTD Change(\$): -2.79
 YTD Change(%): -1.819

Bloomberg Estimates - EPS
 Current Quarter: 1.989
 Current Year: 7.983
 Bloomberg Estimates - Sales
 Current Quarter: 10616.909
 Current Year: 42448.375

- It's also noteworthy, we expanded margins 90BPS in Q1 2017, generating significant productivity and repositioning benefits on flat organic sales
- We're pleased with the installed base growth in Aerospace, resulting from the pickup in OEM volumes and expect that margin expansion will improve sequentially throughout the year

Home and Building Technologies

- In Home and Building Technologies, organic sales growth was 2% for the quarter
- Homes grew 6% driven by double-digit growth in residential thermal solutions and robust demand for thermostats in North America
- Sales grew across all regions in ADI, driven by commercial excellence, new product introductions and demand in India and in Europe

Buildings Business

- In the Buildings business, organic sales growth was flat y-over-y
- The legacy Building Solutions business grew 4% driven by backlog conversion in the energy vertical and strong demand in High Growth Regions, but was partially offset in Buildings products as a result of lower seasonal demand for air and water products in China, and some temporary supply chain challenges within the Buildings products business
- HBT segment margins expanded 50BPS driven by commercial excellence, the benefits from previously funded and completed restructuring and material productivity

Performance Materials and Technologies

- In Performance Materials and Technologies, sales were up 3% on an organic basis driven by growth in Process Solutions and in UOP
- Sales in HPS were up 4% organically, with solid growth globally in thermal solutions and strong demand for gas and electricity meters in EMEA
- Short-cycle demand was also strong in the HPS aftermarket and field instrumentation businesses
- UOP sales were up 3%, driven by robust engineering and catalysts growth in both refining and petrochemicals, the latter being driven by new units in China

Advanced Materials

- In Advanced Materials, continued customer adoption of our broad range of Solstice low global warming products drove growth
- The strong orders growth throughout PMT and the UOP long-cycle backlog growth is fueling our expectations for continued PMT sales growth
 - PMT segment margin was flat y-over-y
- Benefits from previously funded restructuring, productivity, net of inflation and commercial excellence were offset by unfavorable mix, the timing of catalyst shipments at the end of the quarter in UOP and in foreign exchange

Company Name: Honeywell
 Company Ticker: HON US
 Date: 2018-04-20
 Event Description: Q1 2018 Earnings Call

Market Cap: 112,465.22
 Current PX: 150.57
 YTD Change(\$): -2.79
 YTD Change(%): -1.819

Bloomberg Estimates - EPS
 Current Quarter: 1.989
 Current Year: 7.983
 Bloomberg Estimates - Sales
 Current Quarter: 10616.909
 Current Year: 42448.375

Safety and Productivity Solutions

- In Safety and Productivity Solutions, sales were up 6% on an organic basis, primarily driven by double-digit sales growth at Intelligrated for major new systems
- Orders growth in Intelligrated this quarter was extraordinary and contributed to the long-cycle backlog improvement I mentioned earlier
- SPS also experienced higher volumes in sensing and scanning products, with strong demand in India and China

Mobility Edge Android Product Offering

- We were encouraged by the orders momentum stemming from the launch of our first Mobility Edge Android product offering
- We expect to see an improvement in mobility sales in subsequent quarters as the remainder of the Mobility Edge products that Darius mentioned earlier are launched
- Similar to Q4, the robust volume growth and ongoing productivity efforts in SPS enabled 130BPS of segment margin expansion

Section 232 Steel and Aluminum Tariff

- Before we get into our second quarter and full year outlook, I wanted to provide some information on how the recently announced tariffs will affect Honeywell, as well as the proactive actions we're taking to address these items
- So I'm on page 8
- Regarding the Section 232 steel and aluminum tariffs, based on what has been enacted as of today, our exposure is relatively minimal, less than \$10mm of gross tariff impact
- Our direct Tier 1 and indirect Tier 2 spend in these categories across Honeywell is small, and the imported portion of that spend is even smaller
- The more significant impact is the secondary effect from the price inflation on non-imported steel and aluminum
 - Here, we've put in place aggressive mitigation strategies that largely offset any impact to Honeywell

China Tariffs

- Regarding the China tariffs, this is clearly a fluid situation
- We continue to assess our exposure while also actively developing mitigation plans
- The proposed tariffs do not take effect until May, and the U.S. and China intend to negotiate in the interim
 - We suspect the scope of impacted products and tariffs is likely to change, but we'll be prepared either way and update you as we learn more
- As Darius mentioned, the impact of anything that has been enacted as of today, so the Section 232 tariffs has been considered in our full-year outlook

Order Rate and Backlog

- I'll cover the expectations for Q2 on slide 9

Company Name: Honeywell
 Company Ticker: HON US
 Date: 2018-04-20
 Event Description: Q1 2018 Earnings Call

Market Cap: 112,465.22
 Current PX: 150.57
 YTD Change(\$): -2.79
 YTD Change(%): -1.819

Bloomberg Estimates - EPS
 Current Quarter: 1.989
 Current Year: 7.983
 Bloomberg Estimates - Sales
 Current Quarter: 10616.909
 Current Year: 42448.375

- We exited Q1 with strong order rates and backlogs, which we expect will drive strong organic sales growth in the range of 3% to 4%
- In Q2, segment margins are expected to expand 30BPS to 50BPS driven by increased volumes, commercial excellence and productivity, net of inflation, leading to EPS of \$1.97 to \$2.03 or growth of 9% to 13%

Tax Rate

- We expect that our second quarter tax rate will approximate 24% and continue to expect that our full year tax rate will be between 22% and 23%
- Consistent with our previous communications, guidance for Q2 and the full year excludes costs related to Homes and Transportation Systems spin-offs, as well as adjustments, if any, to last year's provisional charge related to the tax reform legislation

Aerospace

- In Aerospace, we expect continued strength in commercial aviation original equipment sales
- On the air transport and regional side, growth will be driven by demand for the Boeing 737 and A318 and A320
- We also expect continued growth in business and general aviation as the oversupply of used aircraft continues to subside, OE new platform certifications are obtained and mandates continue to come into effect

Aftermarket

- Within the aftermarket, we expect strong repair and overhaul demand driven by flight hour growth in both ATR and business aviation
- We anticipate continued double-digit growth in the Defense business, with robust spares volume both in the U.S. and internationally, F-35 demand and growth in sensors and guidance products
- Within Transportation Systems, we expect similar dynamics as Q1, that is, strong gas turbo demand in China and the U.S. and continued growth in commercial vehicles

Home and Building Technologies

- In Home and Building Technologies, we anticipate continued growth in Homes products driven by strong demand for thermostats and residential thermal solutions and continued strength in ADI globally as a result of commercial excellence and High Growth Region efforts in that business
- On the Buildings side of the business, strong orders exiting Q1 point to robust demand for building products, particularly commercial fire products, and we expect continued momentum in Building Solutions

Performance Materials and Technologies

- In Performance Materials and Technologies, Q2 dynamics are expected to be similar to those of Q1
- In UOP, we expect growth across all businesses, including strength in licensing and equipment, catalyst demand driven by new units and reloads in China and gas processing and hydrogen backlog conversion
- Exiting Q1, our order rates were up double-digit for smart energy and thermal solutions and process solutions, which will drive continued demand for those products in Q2

Company Name: Honeywell
 Company Ticker: HON US
 Date: 2018-04-20
 Event Description: Q1 2018 Earnings Call

Market Cap: 112,465.22
 Current PX: 150.57
 YTD Change(\$): -2.79
 YTD Change(%): -1.819

Bloomberg Estimates - EPS
 Current Quarter: 1.989
 Current Year: 7.983
 Bloomberg Estimates - Sales
 Current Quarter: 10616.909
 Current Year: 42448.375

Advanced Materials

- In Advanced Materials, we expect continued customer adoption of our Solstice low-global-warming products for applications like supermarket refrigeration, aerosols and foam insulation, in addition to ongoing momentum in Solstice mobile air-conditioning
- Second quarter margin performance in PMT will be driven by similar forces of Q1 with benefits from productivity, increased volumes and commercial excellence, partially offset by the mix of higher equipment and engineering growth, sales of lower-margin catalysts and higher installation services revenue within the gas processing business

PMT Installed Base

- Our PMT installed base is large and continues to grow
- UOP backlog is up more than 15%, putting us in a really great position, which will drive strong future profitable growth as these projects enter into our serviceable installed base

Safety and Productivity Solutions

- In Safety and Productivity Solutions, we anticipate continued double-digit growth in Intelligrated, building off strong orders and long-cycle backlog from Q1
- Safety will also be strong, significant demand for gas detection and high-risk safety products
- Within the Productivity business, we expect continued demand for legacy sensing products, building on strong first quarter orders growth in that business
 - Additionally, our new Android-based product launches are starting to drive growth

Guidance

Sales, EPS and FCF

- I'll move to slide 10 to cover our revised full-year guidance
- We've updated our full year sales, EPS and FCF guidance to reflect our stronger-than-expected performance in Q1, as well as our confidence in the outlook for the remainder of 2018
- Our revised guidance incorporates the impacts of enacted new U.S. tariffs for steel and aluminum
- As I discussed previously, we expect to fully mitigate the effect of the steel aluminum tariffs in each business unit
 - We're also working through plans to address the impact, if any, from other potential tariffs that have been announced, but not enacted

Organic Sales

- Full year organic sales are now expected to be up 3% to 5%
- This is driven by favorable conditions in our end markets, our emphasis on organic growth initiatives like commercial excellence and continued penetration in High Growth Regions, along with robust long-cycle orders

Company Name: Honeywell
 Company Ticker: HON US
 Date: 2018-04-20
 Event Description: Q1 2018 Earnings Call

Market Cap: 112,465.22
 Current PX: 150.57
 YTD Change(\$): -2.79
 YTD Change(%): -1.819

Bloomberg Estimates - EPS
 Current Quarter: 1.989
 Current Year: 7.983
 Bloomberg Estimates - Sales
 Current Quarter: 10616.909
 Current Year: 42448.375

and backlogs

Aerospace

- On a segment level, we now expect Aerospace organic sales to be up 3% to 5% vs. a previous range of 1% to 3%, driven by an improved Commercial OE outlook, particularly in business aviation and strong demand within our U.S. Defense business
- The organic growth rate and margin outlooks for all other segments are unchanged
- We have updated the reported figures to reflect the anticipated continued tailwind from foreign currency translation

Segment Margin

- Our segment margin estimates for the full year remain unchanged
- We raised the low end of our FCF guidance by \$100mm and continue to target FCF growth of more than 20% driven by higher net income, lower CapEx and better working capital performance in all of our businesses

Tax Rate

- Our estimated full year effective tax rate continue to be between 22% and 23% and our guidance is planned at the higher end of that range
- As Darius mentioned, we also raised our full year EPS guidance by \$0.10 on the low end and \$0.05 on the high end
- The new range of \$7.85 to \$8.05 represents earnings growth of 10% to 13%
- Our guidance reflects a revised weighted average share count of 758mm shares, which is down approximately 2% from 2017 and does not reflect additional share repurchases that might occur over the remaining course of 2018

Organic Sales Growth, Order Rate and Backlog

- Let me wrap up on slide 11
- Q1 was an outstanding start to 2018. 5% organic sales growth, 14% earnings growth, 30% FCF growth and impactful Connected product launches across the portfolio
 - We expect the momentum to continue
- We've got strong order rates and a growing backlog as we begin Q2
- Our second quarter EPS guide of \$1.97 to \$2.03 reflects that momentum

End Markets

- We raised our full year guidance to reflect our performance and the positive macro environment in many of our end markets and continue to be well positioned for outperformance in 2018
- The preparation for our two spin-offs, Homes and Transportation Systems, continues and we're on track for their timely completion

Company Name: Honeywell
 Company Ticker: HON US
 Date: 2018-04-20
 Event Description: Q1 2018 Earnings Call

Market Cap: 112,465.22
 Current PX: 150.57
 YTD Change(\$): -2.79
 YTD Change(%): -1.819

Bloomberg Estimates - EPS
 Current Quarter: 1.989
 Current Year: 7.983
 Bloomberg Estimates - Sales
 Current Quarter: 10616.909
 Current Year: 42448.375

QUESTION AND ANSWER SECTION

<Q - Stephen Tusa>: Can you just walk through as you look at H2, some of the puts and takes in some of the businesses that will either accelerate or decelerate? I think this quarter was obviously good organic growth. It was a little bit bifurcated, with some doing well and some more in the low single digits. Maybe if you could, talk about some of the sub-segments that move around in the back half of the year.

<A - Darius Adamczyk>: Sure. I can start and then turn it over to Tom. I think overall, the summary note is we're fairly bullish on all the segments. Obviously, Aero started off the year very, very strong from top line growth rate. We anticipate that mix to change a bit more between OE and aftermarket, so that might temper the growth rate at the top level, but nevertheless should improve margin performance.

In terms of PMT, we see acceleration clearly in H2, particularly in HPS and UOP, especially given the kind of order rates that we've seen and also a much more favorable mix going forward.

HBT, a very solid quarter, we expect that one to remain steady for the year. We don't see any major changes vs. the kind of run rates we've seen.

And then SPS, I think that one, the growth rates there we anticipate to be similar, if not higher, going forward. Certainly, even more upside from Intelligrated, further recovery from the productivity products business and safety, so overall, flat to down. So that's at a higher level. Tom, if you want to just [indiscernible] (32:07)...

<A - Thomas A. Szlosek>: The only thing I'd add is – and that's a good summary, the strong performance in Q1 across the board. I think Aerospace in particular was the one that gave us more lift than we anticipated, and that's the reason we're principally raising the guide for sales growth for the rest of the year. The other three businesses, the growth guidance is the same. And then margin guidance for each of the business relatively similar to what we had guided previously.

<Q - Stephen Tusa>: And Aero is – the Commercial Aero OE drivers, was that large commercial, or was that beginning to see some of the biz jet pickup?

<A - Thomas A. Szlosek>: It's both. We've got close to double-digit growth in both of the segments.

<Q - Stephen Tusa>: Okay, and then one last one, Darius, acquisition pipeline. Any change in your view there? There was some buzz about perhaps a big catalyst deal. How do you view the catalyst space? It's not obviously a software-related asset. But is it something that obviously you guys continue to find attractive, or would you rather focus your acquisition dollars on more software-specific assets, connected assets?

<A - Darius Adamczyk>: Yes, I would say the pipeline continues to be robust. I wouldn't believe everything you read, Steve. But I think overall, as we look at our UOP business, that's one of the best businesses we have in the portfolio. And anything we can do to complement and augment it, it's probably something that would certainly deserve a look.

But overall, I think you saw we deployed capital in Q1. I thought the stock was a deal at \$165 per share. In the low \$140s, it becomes an absolute no-brainer. So we did deploy capital a bit more aggressively in Q1 than we anticipated given the opportunistic market that presented itself. But I will tell you that we're very aggressively looking at potential M&A, and we expect something to happen here, hopefully in the next quarter or two.

<Q - Gautam Khanna>: Just to follow up on that last question, I was hoping you could expand upon what types of maybe acquisition sizes you're seeing out there. What would be a reasonable expectation this year in terms of how much capital you may deploy for acquisitions? I know it's hard to tell, but any more color on the pipeline.

<A - Darius Adamczyk>: Yes, it is. I think there are so many factors involved here that to say this kind of size and this kind of size, it all depends on what the opportunities are. I think I've stated before and I'll stay consistent that our preference is for bolt-on acquisitions, so roughly in that \$3B or less zip code purchase price. That's a rough figure, but that's what I'd expect. And based on the pipeline and based on what we see in there, I'm still fairly confident of that figure. So that's my expectations. I don't anticipate any sort of mega deals out there. I don't see that happening. So I

Company Name: Honeywell
 Company Ticker: HON US
 Date: 2018-04-20
 Event Description: Q1 2018 Earnings Call

Market Cap: 112,465.22
 Current PX: 150.57
 YTD Change(\$): -2.79
 YTD Change(%): -1.819

Bloomberg Estimates - EPS
 Current Quarter: 1.989
 Current Year: 7.983
 Bloomberg Estimates - Sales
 Current Quarter: 10616.909
 Current Year: 42448.375

expect something \$3B or less, in that range.

<Q - Gautam Khanna>: And one follow-up. Darius, in the past you've talked about how portfolio review is going to be an iterative process. You obviously have the spins. I'm just curious. Are there other things in the portfolio that, as you learn more about, maybe don't fit? I'm just curious how evolutionary is this process. Or do you basically have what you need?

<A - Darius Adamczyk>: No, no, no, it's definitely – no, we look at that a couple times a year, at least a couple of times a year, if not more. So we're continuously looking at the deep dive of our portfolio. Our internal strategic planning period is in July. So as you can imagine, it's going to be another full review, and we do that two, three times a year.

So as I mentioned last year, the portfolio is always going to be evolving. We're always going to be making it better and adding to the top, subtracting from the bottom businesses that we don't classify as Honeywell businesses that may be fantastic businesses in their own right, but frankly, don't fit the Honeywell portfolio. So I expect that kind of a top-grading process and a fit with what is a Honeywell business to continue. By the way, not that there's anything imminent, but you should expect us to continue to review our portfolio.

<Q - Julian Mitchell>: My first question really around the segment margin guide. So Q1 was up about 40BPS. I think the top end of Q2 margin guide is up 50BPS, and you've got the full year at the top end up around 60BPS. So, I guess, aviation or Aerospace, I can understand, you've got the mix headwind maybe abating as you go through the year in terms of OE vs. aftermarket, but I just wondered if there was anything else you'd call out either within Aerospace or other segments like inflation or currency impacts on margin that you think will reverse.

<A - Thomas A. Szlosek>: No, I don't think there's any major changes from what we've talked about in the original guide. I mean, we are seeing a little bit more inflation, but I think we're able to offset that through our productivity initiatives. And mix-wise, it isn't really much of a different dynamic except, as I said, for Aerospace, we've got a bit heavier on the OE side and within the Defense business, we've got a different mix on platforms. But other than that, we're pretty much in line with what we had guided.

<Q - Julian Mitchell>: Understood. And the cadence on productivity savings and so on is fairly smooth through the year?

<A - Darius Adamczyk>: Yes, pretty much, it is. The other thing I would just point out, Julian, is that this kind of a revenue beat, we still came in right dead center of our range on margin expansion. That's not that easy to do, right? When you beat revenue, generally there's – you take some hit in terms of margin expansion. And we did both. We beat revenue and stayed very much bull's-eye on exactly what we say we're going to do on margin expansion. So I think that that's a good set of facts.

<Q - Julian Mitchell>: Understood, and then my follow-up would just be around process. I think you called out a good short-cycle demand, areas like instrumentation and aftermarket activity. Just wondered what you're seeing on the large project side within Process Solutions in terms of orders and quoting activity

<A - Darius Adamczyk>: Yes.

<Q - Julian Mitchell>:to customers.

<A - Darius Adamczyk>: Yes, we're actually bullish on H2, especially as we look at our order pipeline and some of the mega deals that we haven't seen in a while. It's actually, the order pipeline looks very robust, and we actually expect an improvement in terms of some of the potential larger deals in H2 this year. So we very much remain bullish on the Process business with continued growth, and we anticipate securing some of those larger mega deals in H2 this year.

<Q - Julian Mitchell>: Great.

Company Name: Honeywell
 Company Ticker: HON US
 Date: 2018-04-20
 Event Description: Q1 2018 Earnings Call

Market Cap: 112,465.22
 Current PX: 150.57
 YTD Change(\$): -2.79
 YTD Change(%): -1.819

Bloomberg Estimates - EPS
 Current Quarter: 1.989
 Current Year: 7.983
 Bloomberg Estimates - Sales
 Current Quarter: 10616.909
 Current Year: 42448.375

<A - Thomas A. Szlosek>: The other thing I'd mention, Julian, is when you look at Process, though, you see the impact of the growth in the installed base, because the service bank continues to grow nicely for us, and it's pushing double-digits in terms of the backlog of service bank. So we're really encouraged by continued investments in projects that build out that installed base and give us that momentum going forward.

<Q - Jeffrey Todd Sprague>: Hey. Just a couple of things on my mind. First, just on the cost and the – on the tariff situation. Was there a particular reason you called out UOP as at risk to Chinese retaliation, why that and not possibly other areas of Honeywell in China?

<A - Thomas A. Szlosek>: Yes, I mean, when you look at the – well, first of all, on the aluminum and steel, I mean, we're not a heavy-metal company. It's – we're not – we're technology. So not a lot of steel and aluminum. But when you look at the tariffs that are country specific, those don't tend to distinguish between commodities. And in our case, it was a fair amount of activity in UOP around catalyst technology and equipment that flows between the two countries. And that's one we're watching closely.

We've got some fairly good contingency plans that we are developing and are in place. So we're not counting on this just evaporating, going away. Some involve changes to the supply chain. Some involve acceleration. Some involve working with our customers on different outcomes. But rest assured, Rajeev and Rebecca, Darius are all very much focused on how to deal with the impacts.

<A - Darius Adamczyk>: Yes, and I think the other thing, Jeff, just to point out is that a lot of this stuff has not actually been enacted yet. But, nevertheless, we want to make sure we're prepared, so through a combination of shifting of the supply chains, alternative supply chains, value capture, all those elements. We want to make sure that we're prepared and also offering comment to a lot of the proposed tariffs. So we're kind of working this one on many, many fronts to make sure that we don't get caught flat-footed.

<Q - Jeffrey Todd Sprague>: And then just a couple other quick ones. Just on cash flow, Tom, I think you said you're driving towards 20%-plus. Obviously, your range is, I think, 7% to 20%. So it sounds like you've got some confidence or visibility in that. What needs to happen to get to the upper end of the cash flow range?

<A - Thomas A. Szlosek>: I think we need to do more of what we did in Q1. Actually, what was really nice about Q1 was that our working capital was about – when you look at our statement of cash flows, you'll see the amounts we put into working capital were identical y-over-y, despite the significant growth that we had on the top line.

So we're managing that well. I think if we can continue to do that, we'll be in good shape. The other thing that, of course, is helping us is, we've moderated our CapEx spend. I think our CapEx spend in the quarter was down probably \$30mm or so y-over-y. So between those two factors and the good volume, I think we are on that trajectory that you referred to.

<Q - Jeffrey Todd Sprague>: And then just quickly, I understand all the mix effects going on in Aero, but I was a little surprised you said you see aftermarket only growing low- to mid-singles this year. The RPMs and other data would suggest it should be better than that. Is there anything unusual going on there for you? And I'll pass the floor. Thanks.

<A - Thomas A. Szlosek>: No, Jeff, I don't think so. I mean, for us, there certainly is a fair amount of new installed base getting built out, and you have some of the older models that would drive the good service bank and good service business coming out of service actually. So – and while the new installed base is under warranty, you tend to see a little bit lower revenues on the service side. But overall, both on spares and R&O, the demand is pretty healthy. And hopefully, we'll continue to drive an accelerated growth over the 4% that we had in Q1.

<A - Darius Adamczyk>: Yeah, one other maybe fact to point out, Jeff, is that we're also driving much more service contracts rather than break/fix events. And we just feel that that's the right way to operate with our customers. So we probably will have a little bit less cyclicality than some of the others, because we want to drive a much more consistent revenue stream rather than kind of a break-and-fix approach.

Company Name: Honeywell
 Company Ticker: HON US
 Date: 2018-04-20
 Event Description: Q1 2018 Earnings Call

Market Cap: 112,465.22
 Current PX: 150.57
 YTD Change(\$): -2.79
 YTD Change(%): -1.819

Bloomberg Estimates - EPS
 Current Quarter: 1.989
 Current Year: 7.983
 Bloomberg Estimates - Sales
 Current Quarter: 10616.909
 Current Year: 42448.375

And I think it's one that we've done in a lot of our other businesses, which really aligns our objectives, which is greater durability, better reliability with those of the customers rather than the opposite. So that's also a factor here. And Tim and his team are driving a lot of service contracts, both around the Connected Aircraft, as well as the service agreements.

<Q - Andrew Kaplowitz>: Darius or Tom, Aero service, you just mentioned, obviously, a little slower, but Aerospace organic growth has been accelerating every quarter for over a year now, as you know. And business jets and U.S. defense spending both are going to be further accelerating. So what's really holding you back from recording mid to even high-single digit organic growth for the year? Is it just more difficult H2 comparisons? And maybe still a little conservatism in your forecast?

<A - Darius Adamczyk>: I think obviously, we did bump it up this quarter. Overall, we bumped up the guide on the revenue for the year after one quarter. And we're going to see how it goes, provided we continue to see these kinds of booking rates, these kinds of growth rates, there may be further opportunities H2 the year. It's one quarter in, and although I'm extraordinarily optimistic both on the Aerospace prospects, as well as the broader Honeywell, I also have to note it's one quarter. So as we continue to see the business progress, potentially, there could be more upside in H2. But we'll see.

<Q - Andrew Kaplowitz>: Darius, you mentioned long-cycle backlog of the company was up double-digits, which was really good to see. It doesn't seem like you've had any recent erosion in your short-cycle business. But maybe could you address that? Have you seen anything in March and April with the increase in rhetoric around protectionism, or has it just been steady as she goes for the company here?

<A - Darius Adamczyk>: It's been a bit steady as we go. March was actually a very, very strong month for us. January was a little bit slower on the short-cycle business. So it's a little bit difficult for me to develop a trend here, and most of the tariff and trade protectionism announcements have been March and April. So impact, if any, is not yet to be felt. We're – April seems be pretty reasonable based on what we see so far.

So we're not seeing major impact yet. But I also think it's really important as I pointed out to Jeff that we're prepared and we take appropriate actions to mitigate any potential enactment of the tariffs. So, so far, so good but we don't know what we don't know. And clearly, the geopolitical environment today is different than it was three months ago. And we probably – we don't know more today than three months ago.

<Q - Andrew Kaplowitz>: And as of now, China is quite resilient, right? Growth high-single digits, low double-digits something like that.

<A - Darius Adamczyk>: Yeah, no. China growth over in Q1 was north of 20%. So I was actually a little bit more worried about China for this year. But based on Q1 and that's coupled in Q1 with not a particularly great air and water quarter.

And even despite all those challenges in that business, we still grew more than 20%. So that gives you an idea of the kind of positions that we enjoy in China and certainly, the kind of growth that we continue to experience.

<Q - Scott Davis>: You just talked about China, but can we walk around the rest of the world a little bit more on both the current quarter and what your outlook is?

<A - Darius Adamczyk>: Yes, sure, Scott. So I think in general, our overall high-growth regions was high single digit, so right about where we were planning. I would tell you China was a highlight, growing north of 20%. India was a little bit slower. Think mid-single digit. That was a bit of a surprise, and we expect that to recover in the rest of the year. Middle East, we're seeing some uptick in activity. Think about mid-single digit there as well.

In terms of probably some of our challenges, it continues to be a little bit of a challenge is Latin America, namely Brazil, that we don't see much of a recovery. The election later this year and hopefully continue to see some stability, but I would say that's a challenge. Solid growth both in North America and Europe, so that good level of growth continues there. And overall, fairly steady and consistent growth profile with the exception of Brazil, which continues to be challenge.

Company Name: Honeywell
 Company Ticker: HON US
 Date: 2018-04-20
 Event Description: Q1 2018 Earnings Call

Market Cap: 112,465.22
 Current PX: 150.57
 YTD Change(\$): -2.79
 YTD Change(%): -1.819

Bloomberg Estimates - EPS
 Current Quarter: 1.989
 Current Year: 7.983
 Bloomberg Estimates - Sales
 Current Quarter: 10616.909
 Current Year: 42448.375

<A - Thomas A. Szlosek>: And just on India, Darius mentioned it was a little disappointing. But three of the four businesses were actually double digits. PMT had some timing on some projects that will push out into Q2 or third quarter or fourth quarter. So I think I would expect that India overall composite growth number to improve sequentially over the course of the rest of the year.

<Q - Scott Davis>: Okay, helpful. And just back to – there has been two questions now on M&A. And I wanted to just dig into one thing. When you think about the Analyst Day, there was a lot of – I think, Darius, as you took over, a big focus on connected products. And when we hear the rumors out there, potential deals and such, how important is doing or building a portfolio from here that has that thematically and some component, at least, of IoT?

<A - Darius Adamczyk>: I think it's important. But if you really take a look at the criteria of what the Honeywell business and what I look for, nowhere does it say it has to be connected, it has to have an IoT component. That's actually not one of the criteria.

About the only thing I do say is that I like less cyclical rather than more cyclical, but I don't think that that's a requirement, obviously something that we would clearly look at. But if we take a look at businesses that are less susceptible to disruption, where we see good growth vectors which are well aligned to megatrends, tougher to disrupt, steady growing rather than highly cyclical, they don't necessarily have to be IIoT related for us to have an interest. So clearly, those have an interest, but so do technology businesses that don't necessarily have an IIoT orientation.

<Q - Scott Davis>: Okay, good clarification. Thanks, guys. Good luck.

<Q - Peter J. Arment>: Tom, a quick one on just biz jet activity, because it's been a while before we've seen this kind of, I guess, more upbeat around the biz jets. And I know you've got some new launches this year, so I would expect the OE to be up. But what are you seeing on just the aftermarket side? And is this really I think a new upturn that we're finally seeing?

<A - Thomas A. Szlosek>: On the OE – you mean on the OE side, Peter, or the...

<Q - Peter J. Arment>: Yes, on the OE, on the OE, but I mean also just what you're seeing also in the aftermarket.

<A - Thomas A. Szlosek>: No. I think you can read all the stuff that we read about, used jet inventory and the prices and so forth. That clearly is a favorable factor for us. But I think the biggest thing is the new launches that are coming out and we've talked a lot about in the last couple years about our winning positions on the various platforms. Whether it's Cessna, Gulfstream, and so forth, they've all got certifications coming out in 2018, and that's going to be a nice factor for us.

The other thing is the mandates. We continue to see some of these mandates coming into effect up and through 2020 – 2021. That's going to drive growth as well. So as I said, for Q1, we approached double-digit growth in the OE on both ATR and BGA. And knock on wood, we're encouraged by the momentum.

<Q - Peter J. Arment>: Okay. And just a clarification, on your air transport aftermarket number, you're up 4% in the quarter. But is this – you had some very strong numbers last year. Is this more, I think, a normalization or tougher comps when we think about 2018?

<A - Thomas A. Szlosek>: I think it's what I was saying earlier. Overall, the level of activity has been robust. You are seeing a different mix in the installed base of newer aircraft that are under warranty, have less maintenance. You see older aircraft coming out. But beyond that, the level of both repair and overhaul activity on spares has been solid.

<Q - Joe Ritchie>: Tom, if I heard you correctly, you mentioned the impact from tax reform is likely to be felt a little bit more in H2. And so, like look, the organic growth rate has been great the last few quarters. Maybe talk a little bit about how customer conversations are evolving and the parts of your portfolio that you would expect to benefit the most if you do start to see an increase in CapEx investing as the year progresses.

<A - Thomas A. Szlosek>: Yes, I would point to our long-cycle businesses, I think. We just got done talking about business jet. That could be a factor that's contributing to that OE momentum that I referenced.

Company Name: Honeywell
 Company Ticker: HON US
 Date: 2018-04-20
 Event Description: Q1 2018 Earnings Call

Market Cap: 112,465.22
 Current PX: 150.57
 YTD Change(\$): -2.79
 YTD Change(%): -1.819

Bloomberg Estimates - EPS
 Current Quarter: 1.989
 Current Year: 7.983
 Bloomberg Estimates - Sales
 Current Quarter: 10616.909
 Current Year: 42448.375

I think on the oil and gas side, I think it's more to do with stability on the pricing and the confidence that it's giving the industry where you're going to see more CapEx, a return to – not return to previous peak levels, but certainly an improvement from the declines we've seen in the last couple of years. Those are the, I think, two places that I would say we see it the most.

<Q - Joe Ritchie>: Okay. And then may be following on on Peter's question first, the second. I didn't hear you guys mention anything on that commercial helo market. I'd be curious to hear any commentary there just given this uptick we've seen in oil and gas recently?

<A - Darius Adamczyk>: Yes, I think commercial helo is probably not a highlight yet. We don't see sort of major robust level of activity there yet, but I think we're more than enthused based on what we're seeing on our air transport and now an uptick in connectivity in business jets. So I guess there always has to be one a little bit of a lowlight, and I would say there's not stronger recoveries as we would've hoped on the commercial helo but, nevertheless, the rest of the Aerospace business is very strong. So...

<A - Thomas A. Szlosek>: And it's not that it's negative. I mean, internationally, as an example, we are seeing very modest growth on the helo side, but it's not what we were experiencing a year ago or two years ago in terms of the pressures.

<Q - Joe Ritchie>: Got it. And maybe if I could sneak in one last one. On PMT, the margin trajectory, it sounds like H1, you're kind of calling for kind of flattish-type margins in PMT. As we progress through the year, mix gets a little bit better. Is that – do you already have a lot of that mix in your backlog today? Or do you need to see something out of orders in order to see kind of like the margin improvement in H2?

<A - Darius Adamczyk>: Yes. I mean, Joe, as you know, PMT is a tough business to judge based on one quarter, because as you know, the catalysts make up and what we ship and the mix, particularly when you peak can dramatically change the results. So both based on the backlog that we see, based on the short-cycle activity in HPS and so on, when we get to the end of the year, we're very comfortable that the margin expansion is going to look very much in line with what we're projecting and continue to be very, very bullish on the PMT business.

<Q - Steven Winoker>: Hey, Darius, I can't help but go back to one of your first comments, which was the fact that the stocks and no-brainer and the \$140s. You did spend \$950mm on the share repo this quarter. That's a good number. But if you're only looking for these acquisitions in the \$3B or less range, you've got cash continuing to come in, why not step in even more aggressively? Or how are you thinking about that? Is it just to keep the powder dry and be more methodical, or are you really trying to be more opportunistic, in which case it might be larger?

<A - Darius Adamczyk>: I think obviously, this is – what we bought back in Q1 is higher than what we normally do. If you look back at our buyback trends, this level of buyback in Q1 is actually relatively aggressive because like I said, I thought it was a deal at \$165. In the \$140s it just was absolutely compelling.

Now having said that, you're right. I do want to keep the powder dry. We indicated both at our Investor Day and our Q1 – or our Q4 call that we have a slight preference for M&A. So as we see the year evolve, we'll see how things change. As I mentioned prior in the call, we do have a fairly robust M&A pipeline. I do hope that one or two deals materialize here in the next quarter or two, and we'll see how it goes.

So deploying everything all at once and without having further optionality I don't think is ever a great idea. So that's kind of how we're thinking about it. But I think the values of the stock currently is compelling at the same time. So it's the constant trade-off that we go through.

<Q - Steven Winoker>: And one other one on Aero, which is – there's a lot still being discussed about the large airframers partnering for success, et cetera, and kind of continuing to apply pressure in thinking about how to change the business models in the industry. Are you seeing any other kind of early developments on that front? Are you – what gives you confidence, conviction that that your business model will be able to sustain itself in light of that attempted vertical integration?

Company Name: Honeywell
 Company Ticker: HON US
 Date: 2018-04-20
 Event Description: Q1 2018 Earnings Call

Market Cap: 112,465.22
 Current PX: 150.57
 YTD Change(\$): -2.79
 YTD Change(%): -1.819

Bloomberg Estimates - EPS
 Current Quarter: 1.989
 Current Year: 7.983
 Bloomberg Estimates - Sales
 Current Quarter: 10616.909
 Current Year: 42448.375

<A - Darius Adamczyk>: I think both – well, a couple of things. Number one is, our relationship with Boeing remains strong, and we expect that to continue. Number two, I think as you look at our services that I referred to earlier, as you think about the value story around the Connected Aircraft, that's compelling to our end customers, and that's reflected in the service rates, the order rates that we're seeing, the interest, I talked about the deal with Singapore and if you think about Singapore, it's clearly one of the market leaders in terms of their thinking and their approach to aviation.

So I remain very, very bullish in our approach. And given the kind of set of offerings that we have in the Aerospace segment, both in mechanical and avionics, we're uniquely positioned to be a key player in the Connected Aircraft, and it's being reflected in the kind of relationships we're able to formulate and the kind of business we're enjoying. And I think's only going to accelerate.

<Q - Steven Winoker>: Okay, great.

<A - Thomas A. Szlosek>: I was going to say the technologies that we have invested and the number of engineers that we have supporting all of the different product platforms and the verticals that we serve puts us in a very unique position in terms of developing offerings that get us on platforms as you've seen over the last few years for us to continue to win more than our fair share. So it's those investments and keeping those fresh and alive are what's going to enable us to compete robustly.

Darius Adamczyk

Q1 Highlights

Safety and Productivity Solutions Business

- We delivered exceptional results in Q1 2018 and have strong order rates and a growing backlog as we begin Q2
- I am confident in our ability to deliver outstanding results for our customers, our shareowners and our employees
- One last note, in a few weeks, we will be hosting an investor showcase to highlight our Safety and Productivity Solutions business, particularly our technologies for the Connected Warehouse and Connected Supply Chain
- John Waldron and his team are looking forward to showing you why you we're so excited about the growth opportunities in that business

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP.

© COPYRIGHT 2018, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.