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Bloomberg Transcript

Company Name: Honeywell
Company Ticker: HON US
Date: 2018-10-19
Event Description: Q3 2018 Earnings Call

Market Cap: 112,235.11
Current PX: 151.61
YTD Change($): -.045
YTD Change(%): -.030

Bloomberg Estimates - EPS
Current Quarter: 1.964
Current Year: 8.092
Bloomberg Estimates - Sales
Current Quarter: 10378.188
Current Year: 43431.813

Q3 2018 Earnings Call

Company Participants

- Mark Macaluso
- Darius Adamczyk
- Greg Lewis

Other Participants

- Nicole Deblase
- Jeffrey Todd Sprague
- Joshua Charles Pokrzywinski
- Charles Stephen Tusa
- Scott Reed Davis
- Andrew Kaplowitz
- Sheila Kahyaoglu
- Andrew Burris Obin
- Nigel Coe
- Julian Mitchell

MANAGEMENT DISCUSSION SECTION

Mark Macaluso

GAAP and 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

Q3 Highlights

Earnings, Spin-Off and Acquisition of Transnorm

- This has been a very exciting quarter for Honeywell
- In August, we raised our full year earnings outlook by an additional $0.05, the fourth increase in 2018, driven by continued momentum throughout the portfolio
- We completed the spin-off of Garrett Motion on October 1 and are in the final stages of completing our second spin of the Homes and Global Distribution Business Resideo
- We also announced our acquisition of Transnorm, a Europe-based supplier of warehouse automation solutions, which I'll talk about more in a minute

EPS, Sales, Orders and Backlog

- Most importantly, we continue to deliver on our commitments to shareholders
- We met, or exceeded, our guidance on all metrics
- For Q3, we delivered adjusted EPS of $2.03, up 17% y-over-y, driven largely by strong operational performance
- We grew organic sales 7%, impressive top line growth across Aerospace, Safety and Productivity Solutions and Homes
- And our long-range orders and backlog were up 26% and 17% y-over-y respectively, which positions us well for continued growth in 2019 and beyond

Productivity Rigor

- Our focus on maintaining our productivity rigor, especially in an inflationary environment was relentless this quarter
- We generated 70 basis point of segment margin expansion, 20BPS above the high end of our guidance, driven by sales excellence and strong productivity gains enabled by previously funded and executed restructuring

Working Capital and FCF Conversion

- We'll talk more about the steps we've taken to address the impact of tariffs later in the call
- We also continue to see improvements in working capital performance, coupled with profitable growth, which is driving increased FCF conversion
  - This quarter, we generated $1.8B of adjusted FCF, up 51% y-over-y, excluding separation costs
- Conversion this quarter was 119%, well above our long-term target
- I'm particularly pleased with the progress we've seen, and I'm confident there's more to come as we enhance our capabilities through the deployment of HOS Gold
- We are focused on improving working capital management at every level of the organization

Capital Deployment Strategy, Dividend and Share Repurchasing

- Lastly, as we've done throughout the year, we continued to execute our aggressive and disciplined capital deployment strategy, committing more than $4.5B to share repurchases, dividends and acquisitions through Q3
- That number includes the dividend paid to-date, the Transnorm acquisition and approximately $600mm in share repurchase in Q3
- The pullback in the stock in H1 October allowed for additional repurchases of Honeywell's shares into Q4 at attractive levels
- And as you saw, we increased our dividend by 10% in September which is the ninth double-digit increase since 2010
  - Our end markets continue to be strong and we have a simpler, more focused portfolio following completion of the spins

Sales Margins and Cash Performance

- As I said last quarter, we continue to execute well as evidenced by our sales margin and cash performance and we have significant balance sheet capacity to deploy
- I continue to be encouraged by what I see in each of our businesses and I'm excited for I know will be a strong finish to 2018

Aerospace

GoDirect Flight Efficiency Software

- Let's turn to slide 3 to highlight some of the recent exciting news in our businesses
- In Aerospace, Gulf Air selected Honeywell's GoDirect Flight Efficiency software to reduce fuel costs and to lower emissions across its entire 32-aircraft fleet
  - This software provide Gulf Air a clear analysis and real-time insights that address all flight variables allowing them to unlock savings beyond standard efficiency initiatives
- Gulf Air joins a growing list of airlines adopting GoDirect Flight Efficiency software, including Aer Lingus, British Airways, Etihad Airways, KLM, Lufthansa, and Turkish Airlines

Home and Building Technologies

Dubai Properties

- In Home and Building Technologies, Honeywell partnered with Dubai Properties to complete the installment of energy savings upgrade in all 11 Business Bay Executive Towers in Dubai
- The project includes a fully digital building management system to monitor and control the towers' mechanical and electrical utilities, as well as fan coil units to integrate the software to provide visibility into electricity consumption
  - We anticipate the project will result in savings of 3.3mm kilowatt-hours or approximately $400,000 annually

Performance Materials and Technologies

UOP Technologies

- In Performance Materials and Technologies, Jizzakh Petroleum selected Honeywell UOP technologies for new refinery capable of processing 5mm tons of crude oil per year
- UOP will provide licensing and basic engineering design services that allow Jizzakh Petroleum to convert crude oil into high-quality cleanburning Euro 5 motor fuels
  - This is the 20th award for UOP's diesel hydrotreating technology and the 33rd award for its gasoline unit cracking technology in the last 10 years

Acquisition of Transnorm

- Earlier this month, we announced the acquisition of Transnorm, a privately held European warehouse automation solution provider that specializes in curve conveyor systems that quickly and efficiently move products and packages for premier e-commerce and parcel delivery customers

- Transnorm has an installed base of 160,000 units and a large and growing aftermarket parts and services business

- The addition of Transnorm broadens Honeywell's Intelligrated product portfolio and allows SPS to participate in the fast-growing European warehouse automation market, fueled by growth in e-commerce
  - Clearly, a lot of exciting things are happening across the portfolio as we head into the final quarter of the year

Greg Lewis

Financial Highlights

Organic Growth

- I'm going to begin on slide 4
- As Darius mentioned, we delivered another strong quarter
- Consistent with H1, organic growth was broad across the portfolio, with about 65% of our portfolio growing 5% or more in the quarter and over three quarters of the organic growth coming from increased volumes

Commercial Aviation OE and Defense & Space

- A few highlights, commercial aviation OE grew 19% organically, led by business aviation
- Defense & Space grew 14% organically with double-digit growth in both the U.S. and international businesses, and Safety and Productivity Solutions grew 12% organically, led by Intelligrated warehouse automation business
  - The markets we serve continue to be strong and we continue to leverage our leading market positions, new product launches and investments in Commercial Excellence to drive profitable growth

Investments for Growth

- We generated 70BPS of margin expansion in the quarter while continuing our investments for growth and effectively managing the impact of inflation
- A big part of our performance was driven by productivity, enabled by our ongoing restructuring activities
  - This quarter, we funded approximately $70mm in new restructuring projects, aimed at improving our cost structure and optimizing our footprint and supply chain

Earnings Growth, Sales Volumes and Share Repurchasing

- The majority of our earnings growth, $0.20 this quarter, came from segment profit improvement, driven by enhanced sales volumes and sales excellence across the company
- We also realized $0.05 benefit from share repurchases, which resulted in a lower weighted average share count of 752mm shares

Share Count

- This year, through Q3, we've reduced the outstanding share count by more than 2% and have deployed more than $2B in share repurchases
- Below-the-line items were roughly flat for the quarter, with higher pension income offsetting higher repositioning and other funding

Tax Rate and EPS

- Finally, our effective tax rate of 21.9% was lower y-over-y, which generated $0.04 benefit, consistent with the outlook we provided at the beginning of the quarter
- All told, we delivered adjusted EPS of $2.03
- This figure excludes the net impact of an approximate $1B favorable adjustment to Q4 2017 tax charge and approximately $233mm in spin-related separation costs in the quarter
  - Those include $117mm of tax costs incurred in the restructuring of our various legal entities in preparation for the spin-offs
- You'll find a bridge to Q3 2018 adjusted EPS in the appendix of the presentation posted on our website

FCF, Cash Flows and Cash

- Finally, we generated adjusted FCF in Q3 $1.8B, up 51% vs. prior year
- We continue to see marked improvements in this area, with stronger cash flows and better conversion, enabled by a 0.6% turn improvement in working capital vs. the prior year
- This strong cash generation was most prominent in Performance Materials and Technologies and Safety and Productivity Solutions
  - So, overall, another strong performance across the board, consistent with our prior quarters

Aerospace

- I'm now on slide 5 to review our segment results
- The growth we saw in Aerospace last quarter continued as we benefited our strong positions on winning platforms in a robust demand environment
- We delivered sales growth of 10% on an organic basis
  - Commercial OE sales were up 19% organically, led by: engines, avionics and auxiliary power unit demand in business and general aviation; air transport deliveries on the Boeing 737 and Airbus A350; and lower customer incentives which added roughly 1 point of organic growth to Aerospace in total for the quarter

Defense & Space

- Defense & Space grew 14% organically, driven by U.S.
- DoD spares volume, robust sensors and guidance systems demand and higher volumes on key programs, including the F-35 and CH-47 Chinook
- The Aerospace aftermarket grew 6% organically, primarily driven by strong airlines demand and maintenance service program activity in business aviation

Transportation Systems

Sales and Margins

- As a reminder, this was the last quarter that Transportation Systems, now a publicly traded company called Garrett Motion, contributed to our Aerospace business
- And TS sales were up 7% organically in the quarter on continued growth in light vehicle gas turbos in North America and Europe, driven primarily by new launches
- Aerospace segment margins expanded 80BPS, driven by higher defense and aftermarket volumes, Commercial Excellence and lower y-over-y customer incentives

Home and Building Technologies

Sales Growth, Margins, Supply Chain and Resideo Spin-Off

- In Home and Building Technologies, organic sales growth was 3% for the quarter
- Homes grew 5%, driven by continued strength in ADI global distribution and residential thermal solutions growth in the Americas and Europe
- Buildings grew organically 1%, driven by continued commercial fire product strength globally, demand for our Tridium building management platform in the Connected Buildings business, offset by declines in our air and water business due to low demand for air purifying solutions in China
- HBT segment margins expanded 10BPS, driven by Commercial Excellence and material and labor productivity, including benefits from previously funded and executed restructuring
  - This was largely offset by the impact of inflation and unfavorable mix
- HBT did experience some short-term supply chain challenges and transition impacts related to the Resideo spin-off in the quarter
- As you know, the Homes business was not a separate entity within HBT before the spin and the separation, as expected, was complex, with some significant changes in our organization, our systems and our manufacturing footprint
  - With the Resideo spin-off slated for October 29, we anticipate that we'll be able to address most of these challenges within Q4 and get off to a good start in 2019

Performance Materials and Technologies

Sales and Margins

- In Performance Materials and Technologies, sales were up 4% on an organic basis, driven primarily by growth in Advanced Materials and Process Solutions
- Organic sales growth in Advanced Materials of 6% was driven by significant demand for Solstice low-global warming products
  - Process Solutions sales were up 4% organically, driven by continued demand in our short-cycle businesses, principally in software, field devices and maintenance and migration services
- UOP sales were up 3% organically, driven primarily by growth in engineering and new catalyst units in China

- PMT segment margins contracted, as we previewed, driven by unfavorable mix in UOP.
  - And we continue to expect that to turn around in Q4 as we had previously communicated

Safety and Productivity Solutions

- Finally, Safety and Productivity Solutions delivered another outstanding quarter with organic sales up 12%, driven by broad-based growth across all lines of business
- Intelligrated continues to outperform, growing consistently at double digits, driven by strong orders growth in major systems and a robust backlog of new wins fueled by growth in e-commerce

New Android-Based Mobility Product Offerings

- We saw continued demand for new Android-based mobility product offerings, as well as for service and scanning applications in the quarter
- We also saw double-digit growth in our legacy sensing business
- All in all, organic sales growth was 16% in our Productivity Solutions businesses

Safety Business

- Within the Safety business, organic growth was 6%, with strong demand for new gas and general safety products
- Additionally, the SPS China and India business delivered another quarter of more than 20% growth in sales
  - Strong segment margin expansion of 150BPS was enabled by Commercial Excellence, higher sales volumes and productivity and repositioning benefits

Outlook

Transportation Systems

- Now, let's move on to slide 6 to discuss our outlook for Q4
- Q4 preview reflects the absence of Transportation Systems for the entire quarter and the anticipated completion of the Homes spin by the end of October, so only one month of operating results for Homes is included in our guide
- You will see this reflected in the updated full year outlook as well

Order Rates, Margins, Sales Growth and EPS

- Throughout the year, we have seen strong long-cycle order rates and a growing backlog which, in combination with our short-cycle momentum, we expect will generate 5% to 6% organic sales growth in the quarter
- We expect that segment margins will expand between 60 to 80BPS, reflecting a q-over-q and y-over-y margin improvement in PMT and SPS, as well as margin accretion from the absence of our two spun businesses
- We anticipate adjusted EPS of $1.85 to $1.90, which excludes the segment profit contribution, net of tax, from Garrett for the full quarter and Resideo for two months, as I mentioned
  - And it includes the benefit of the Indemnification agreements we have with both companies

- Removing the after-tax segment profit contribution from the spins in both periods, fourth quarter EPS adjusted is expected to be 17% to 20% up
  - Expected EPS growth will primarily be driven by strong segment profit growth

Share Repurchasing and Tax Rate

- Other key elements include lower share count, due to the more than $2B in share repurchases we have done through Q3 and higher pension income, offset partially by a higher effective tax rate for the quarter at approximately 22%
- This outlook incorporates our estimate of the tariff impact for what is enacted and known as of today
  - We continue to work those plans to address the impacts, if any, from other potential tariffs that have been discussed but not enacted

Aero Commercial OE

Orders Growth

- Turning to the segments, we expect continued strength in Aero Commercial OE in both air transport and business aviation, and in the aftermarket, driven by flight hours growth
- We continue to expect mid-single-digit aftermarket growth in Q4, and we expect that the momentum we have seen in defense will continue, driven by demand for sensing and guidance systems and spares volumes into U.S. Department of Defense programs
  - This is supported by orders growth of more than 40% in Q3 and backlog growth of more than 30% as well

Home and Building Technologies

- Our outlook for Home and Building Technologies for Q4 reflects only one month of operations from Homes and a full quarter of the remaining buildings businesses
- We expect continued strength in Homes from ADI Global Distribution and home products in the month of October and flattish growth in buildings for the quarter
- For buildings, we anticipate continued strength in the fire business where we have been growing mid- to high-single digits, offset by slower energy conversions in Building Solutions as we've discussed previously, as well as declines in China air and water
  - The team is launching new buildings, products, and we do expect growth to accelerate into 2019

Performance Materials and Technologies

- In Performance Materials and Technologies, we're anticipating healthy growth in each of our businesses, with UOP likely the strongest driver of demand across equipment, engineering and catalysts
- UOP's long-cycle backlog is up more than 10%
- We expect continued short-cycle demand in Process Solutions software and service offerings, a trend we have seen throughout 2018, supported by 11% orders growth in Q3

Advanced Materials

- In Advanced Materials, we expect continued strength from customer adoption of our Solstice low-global warming products and Fluorine Products
  - Given the anticipated strength in refining catalyst reloads, coupled with continued strong margin expansion in Process Solutions and Advanced Materials, margins in PMT will be up sequentially and y-over-y in Q4 as we had mentioned previously

Safety and Productivity Solutions

- Finally in Safety and Productivity Solutions, the story remains robust in Q4
- We anticipate broad-based strength across all of the businesses, led by Intelligrated, Safety, and China and India
  - We are really pleased with SPS's performance this year and expect this to continue into 2019

Full Year EPS Guidance

Earnings

- Now let's turn to slide 7 to walk through the bridge to our full year EPS guidance
- Slide 7 presents a walk of the moving pieces in our earnings bridge for the full year
- In August, we raised our guidance to $8.10 to $8.20 based primarily on a stronger outlook for H2, with a small contribution from our change in asbestos accounting
- With the performance in Q3 approximately $0.03 above our expectations and anticipated strength in Q4, we are raising the low and high end of the full year guidance before consideration of the spins to an updated range of $8.22 to $8.27 which is a raise of about $0.10 at the midpoint
- The expected dilution for three months of Garrett's earnings and expected two months of Resideo's earnings will be approximately $0.31
  - There is an approximate $0.04 contribution from the spin-off Indemnification Agreements related to Honeywell's legacy liabilities which nets the spin impact to about $0.27

Garrett & Resideo, Share Count and Tax Rate

- As a reminder on a go-forward basis beginning in Q4, 90% of the expenses net of recoveries related to the covered liabilities will be reimbursed by Garrett and Resideo
- When we take into account the estimated dilution from the spins net of the Indemnification Agreement reimbursement, our new range for adjusted EPS is $7.95 to $8 per share
  - That equates to growth of 16% to 17% for the full year removing the segment profit contributions from the spins in both periods
- Our guidance continues to reflect a weighted average share count of 754mm shares and an effective tax rate between 22% and 23%

Summary

- Now let's turn to slide 8 to summarize the details of our full year guidance

- We have seen significant momentum throughout the year
- On the left side of the page, you see the original guidance on our key measures which we provided back in December
- In the middle of the page is our latest guidance reflective of the strength in our end markets, three quarters of outperformance and the dilutive impact from Q4 spin-offs

Organic Growth

- We now project organic growth of about 6% for the year which is 2 points higher from the high-end of our original guidance; a segment margin range of 50BPS to 60BPS which starts at the high-end of our original range; adjusted EPS of $7.95 to $8 per share which is $0.40 higher at the low-end and $0.20 higher at the high-end of our original range; and adjusted FCF of $5.8B to $6.2B which is substantially above our original projections and represents conversion between 97% and 103% for the year, all representing very robust performance
- The difference between our reported and organic sales growth is 3 points in our guidance
  - We anticipate an approximate 1 point impact from foreign currency translation, offset by an approximate 4-point impact from our two spin-offs

Aerospace and Home and Building Technologies

- On the segment guide, Aerospace and Home and Building Technologies' reported sales figures have been revised to reflect the lost sales and segment profit from the spins
- In Aerospace, we also narrowed our organic sales outlook to the high-end of the range based on the strong performance to date and our strong backlog
- We have narrowed the PMT sales guidance for the midpoint of the previous range
  - PMT's margin guidance remains the same

SPS

- In SPS, we raised our organic sales guidance by 2 points on the high-end to 10% and raised its segment margin guidance to a new range of up 120BPS to up 130BPS or 20BPS improvement on the high-end
  - This business has performed well all year long and we expect a strong finish based on the order rates, the backlog, and the momentum in our short-cycle products businesses
- As you can see, our current guidance is significantly higher than our original guidance and accounts for the 2018 dilution from our two spin-offs in Q4
- As Darius mentioned in his opening, we have delivered substantial operating results, while executing a major portfolio change

Macro Environment

- Now, let's turn to slide 9
- We wanted to provide a little bit of preliminary framework for 2019, given all the moving parts with the spins, the liability indemnity and the other below-the-line items

- First, starting with the macro environment, we feel very confident in the strength of our end markets
- We see continued demand and growing industries, including e-commerce, which we addressed with our warehouse automation offerings from Intelligrated and, soon to be, Transnorm; commercial aviation where we have a strong position on the right platforms that will led to healthy aftermarket growth; defense, where we see robust budgets and a clarity on defense spending for the year ahead; and process automation where we expect to see an eventual pickup in large projects, coupled with continued demand for software and services

Section 232 and Section 301 Tariffs

- As we said last quarter, we're proactively managing both the direct and indirect impacts from the Section 232 and Section 301 tariffs and are making necessary changes now for the additional tariffs enacted under List 3 as well as knock-on retaliatory impacts, if any
  - While we're hopeful there is ultimately resolution to the situation, we're planning for the worst and making structural changes including modify some sources of supply, seeking alternative sources, and taking other commercial actions as necessary to position us for 2019 and beyond

Inflation

- Given that, we continue to expect inflation to accelerate within the business and we are working to minimize those impacts with the help of our procurement, marketing and commercial excellence teams
  - We expect the impact to be minimal and manageable in 2018 as we've previously discussed, but now we anticipate that the impact to 2019 prior to mitigation actions will be significant

MOS

- We have established a robust MOS across the company to ensure that we stay ahead of this situation though and we'll continue to rigorously address any cost increases throughout our supply chain and adjust prices as necessary
- It is our expectation that we'll be able to effectively manage the situation and still deliver strong results as we have done through 2018 though, as you know, this will put some pressure on margin rate expansion

Spin-Offs

- Moving on to our spin-offs
- We estimated the total associated stranded costs to be approximately $340mm across the business, with more than 50% of these costs eliminated by the end of this year, and the balance eliminated in 2019
- And we feel very good about where we are in that regard
- We have made very good progress and we're managing this smartly and it's a big focus now that the spins are done
  - We expect that the full year dilution on a go-forward basis from the two spins, net of the indemnity reimbursement, and excluding those remaining stranded costs will be approximately $0.90

Buybacks and Pension Plan Investments

- In terms of other preliminary figures for 2019, at our current level of buybacks, we are anticipating at least a 1% reduction in share count
- Due to the measures we took earlier this year to derisk our pension plan investments, pension income will be approximately $300mm lower y-over-y
- And our funded status is expected to remain well above 100%

Repositioning Funding

- Repositioning funding, we expect to be approximately $325mm next year
- Based on our planning for Q4 and the repositioning we have funded to date in 2018, this represents approximately $150mm decline y-over-y
  - We'll continue to take the opportunity to deploy repositioning funding to improve our supply chain, optimize our fixed costs, and manage on our remaining stranded cost reduction plans

Expenses

- Finally, with the impact of the legacy liability indemnity reimbursements from our two spin-offs, we expect that asbestos and environmental will be lower by approximately $425mm
- As a reminder, this reduction represents the 90% of expense that is covered by the Indemnification Agreement and is included in the $0.90 of dilution we mentioned earlier
  - We will provide you with more details about our expected 2019 performance during our fourth quarter earnings report and 2019 outlook in January

Darius Adamczyk

Highlights

Spin-Offs

- Q4 begins a new chapter for Honeywell
- Our two spin-offs leave us in even stronger position with a more focused and growth-oriented portfolio in industry-leading businesses across attractive end markets
  - Each has multiple levers to drive inorganic and organic growth as well as continued margin expansion

Cash Performance and FCF Growth

- Our cash performance this year has been outstanding and there's still room for improvement
- Y-over-y FCF growth has exceeded 20% each quarter and our FCF conversion has also improved significantly
  - We are rapidly approaching 100% conversion as we demonstrated this quarter
- Our financial condition is best-in-class with a healthy balance sheet that provides us with significant capacity to deploy the dividends, share repurchases and M&A.
- Our commitment to deploy cash both smartly and aggressively has not changed

Closing Remarks

Importantly, we have a strong performance culture

Our say will continue to equal our do

And we are focused to continuing to outperform for our customers, our share owners, and our employees

We are looking forward to sharing more exceptional results as well as our 2019 outlook during our fourth quarter earnings call in late January

QUESTION AND ANSWER SECTION

<Q - Nicole Deblase>: Maybe I'll start with a couple of higher-level questions. With the benefit of such a global business that you guys have touched as many different end markets, maybe you could just talk through what you're seeing around the world, particularly with respect to emerging markets, since we're hearing some concern from investors about potential project push-outs, slowdown in short-cycle activity, et cetera?

<A - Darius Adamczyk>: We're seeing a little bit of – China has to be the highlight. And certainly, Q3 was not as robust as some of the quarters that we saw in H1. So we did have some tougher comps than we expected.

We had some challenges in our air and water business, which has been throughout the year. So I'm not alarmed yet, but certainly Q3 was a bit slower in terms of growth. I mean, we grew the Chinese market, but not at the double-digit pace that we saw earlier in the year. So that's probably my number one area to watch. I wouldn't say I'm concerned about it yet, but certainly an area of focus.

On the flip side of the coin, U.S. was extraordinarily robust. Think about 9% to 10% kind of a growth rate in the U.S. and was probably at the other end of the spectrum. We continue to be very bullish on the U.S. markets, and I expect that to continue.

And then, sort of, the rest of the global, it's a little bit of a mixed bag. I mean, Southeast Asia business was good. We had a really nice recovery in our Latin American business. That was really good to see. That's been a focus for our business activities throughout the year, and we see that coming back. Middle East was okay. India was a bit slower than we anticipated, but we expect a pretty good recovery in Q4.

So, all in all, I mean there's certainly some puts and takes. Very encouraged by what we're seeing in North America, with a focus on China as we head into Q4.

<Q - Nicole Deblase>: That was really comprehensive. And I guess just shifting to capital allocation, just some thoughts as you head into 2019. It was good to see Transnorm come through recently, but how robust is the pipeline? And I guess if M&A doesn't come through as you expect, is there scope to go higher than that 1% reduction in share count that you're kind of earmarking for 2019?

<A - Darius Adamczyk>: That's why we're very careful to pick our wording in the press release, which is that you should expect at least 1% share count reduction. The 1% is roughly commensurate with the $3B that I already committed to. But you're spot on. Your comment is exactly right. That's the way we think about capital allocation.

And depending upon what happens in M&A, we'll potentially do buybacks. There are a couple of things that we think we could get done and announce, maybe even as possibly in Q4, probably not closing Q4. But I never really count the M&A transactions until they are signed and done. So I want to monitor that quickly. We have been in the market early in Q4, as we pointed out in the press release. I thought there were some attractive price points for us and continue to be. But, yeah, the framework you're thinking of is exactly the one we use, which is we kind of toggle this between M&A and buyback.

As I said, I would prefer M&A, but it's, as I've said on multiple earnings call now, it continues to be a challenged environment. And, unfortunately, it's kind of becoming the new normal. Although, we were thrilled to pick up the

Transnorm acquisition at I think an attractive entry point from a price point, but a really important entry point into Europe for our Intelligrated business. Not only is it a terrific acquisition on its own, it also gives us that really nice foothold in Europe with just an outstanding business.

<**Q - Jeffrey Todd Sprague**>: I was wondering if we could get just a little bit more help on the bridge. Greg, I think you said the guide reflects 16% to 17% pro forma growth for 2018. Could you just baseline us on what that implies for segment OP dollars in 2018 for Aero and HBT as if the spins were out on a full year basis?

<**A - Greg Lewis**>: In terms of the absolute dollars, I don't think we're going to highlight specifically those numbers directly. But the $0.31 represents – you could think about that as close to linear, but not exactly because of the stub period that we've got in Homes because we are getting only one month of the Homes results in that $0.31. So you could think about it as almost linear, but not quite. I mean, we've got both fourth quarter high degree of profit that we're losing in December and November. The Resideo side is going to be a little bit less clear from that perspective. But the $0.31 is close to linear, but not exactly.

<**Q - Jeffrey Todd Sprague**>: Just on the $0.90. So it sounds like stranded costs would be an incremental headwind on top of that, if you could clarify that? But is there any deployment of the spin dividends of $2.8B in that construct?

<**A - Greg Lewis**>: The $0.90 is just simply the lost segment profit on an after-tax basis and net of the reduction in our below-the-line expenses associated with the indemnity. As we talked about, the $340mm of stranded cost, which we feel very good about our progress in terms of eliminating that, so far is not included in that number. And we'll update you more on that as we get into the January guidance, and we finish the year out.

You can imagine that, as we've said, we've taken out by the end of this year greater than 50% of that. And we feel like we're in a good position. We're turning our attention from a spin perspective, from getting the deal done, to the sustainability side and there'll be a lot of focus on that, but that is not in the $0.90 at this point in time.

And in terms of the usage of the spin dividends, Darius talked about the capital deployment framework. And we'll utilize that as firepower for executing around that framework, but it is not precisely included in any way in that $0.90.

<**Q - Jeffrey Todd Sprague**>: Just one other, for clarification. When you say net of indemnity, do you mean only kind of the $315mm or so that Garrett and Resideo "owe you," and then we've got an incremental tailwind to get to that $425mm that you're talking about on lower asbestos and environmental?

<**A - Greg Lewis**>: Again, think about that as asbestos and indemnity for 2018 and the knock-on effect of the 90% reduction on a y-over-y basis, and those two particular line items. Obviously, in the asbestos side, NARCO has nothing to do with that, so we have to take that out. But that's the way to think about it.

<**A - Mark Macaluso**>: Just to be clear, the $315mm cap that we cited in August, that is the cash payment cap, right? And so, as we had said in August, the expenses, whatever they are, could be higher. And that, from a P&L perspective, could be closer to the $0.40 we cited in the release. So I think that's where you're getting tripped up. There's $0.40 expense. Separately, there is an annual cash payment cap in respect of any year that's $315mm.

<**A - Greg Lewis**>: So when we gave the $0.40, again, that was – call that a framework. But the actual value of what's going to be in the P&L may be higher or lower depending on how things go. And the $425mm is reflective of where we see 2018 expense in those two categories.

<**Q - Joshua Charles Pokrzywinski**>: Just maybe to dig into PMT on a couple of questions. First, with the recent ruling out of SCOTUS on some of the HFC stuff, how does that impact maybe some of the trajectory for Solstice from here? And then, I guess I'll follow-up on that on some of the refinery comments.

<**A - Darius Adamczyk**>: It doesn't because, as you may recall, despite that ruling, there are quite a few states that are still adapting the HFO regulation and greenhouse gas emissions. So, as of right now, we don't see much of an impact yet. We're continuing to work with the regulatory bodies, both at the federal and the state level. And, at the present time, we don't anticipate substantial impact. And, frankly, a lot of the companies that we're working with are on that path anyway. And again, obviously, that's only a U.S. issue. What was your second question on PMT?

<Q - Joshua Charles Pokrzywinski>: I guess more broadly in – with some of the environment going on there, particularly IMO 2020 and refiners starting to redeploy, I think UOP is said to have a good shipment quarter in Q4. How much of that are you seeing in the business today vs. maybe extended visibility into 2019? Just trying to calibrate as refiners spend, when it helps Honeywell specifically.

<A - Darius Adamczyk>: Typically, refiners got to wait until the last moment. So a lot of that investment, so that's what sort of surprised us. So, we expect 2019 to be a good year. But the numbers speak for themselves. With UOP backlog up double-digit, that gives me a good sign, strong booking rate. Sort of the margin challenges that were evident in Q3, we very much expected. We communicated those in Q2. We knew that they were going to be dilutive. But, by the way, that reverses in Q4 based on the mix of products that we ship. So, overall, we're very bullish on UOP and what they're going to do. And like I said, at the end of the day, I look at the numbers. And when I see backlog up double-digit like it is, I'm very encouraged as we head into 2019 and beyond.

<Q - Joshua Charles Pokrzywinski>: And then, just one quick one for Greg on free cash. I think you guys talked about a lot of moving pieces on the pension side, and then on the indemnity side, maybe some P&L hit that doesn't come quite through on the cash payments. How should we think high level about free cash conversion for 2019 inclusive of the spins and the moving pieces therein?

<A - Greg Lewis>: You should think about cash conversion next year as approaching 100% even ex spins. We feel like we're getting into that neighborhood this year. And with the continued opportunity that we do have and working capital, we've made really nice strides, as I highlighted, 0.6x of a turn improvement y-over-y. And this quarter, in particular, was sequentially better than last quarter by 0.2x to 0.3x as well. We feel like we still have more opportunity to go. So, we're still going to be targeting something +/- a couple of points to 100% as that number will move a little bit over time depending on specifics, but we feel very good about our ability to live in that range.

<A - Darius Adamczyk>: We're extremely proud of what we've been able to achieve on the working capital side. If you recall a couple of years ago, I made this a priority for the business for us to really monitor the balance sheet as much as we monitored P&L statement. This kind of for a growth rate that you're seeing, 7% top line – our working capital is down more than $600mm. I mean, that's – I'm very proud of the Honeywell team in terms of what they've been able to accomplish on that perspective and it's coming through in our cash performance.

<Q - Charles Stephen Tusa>: Never heard you this excited. It's a bit of a change, where we would have expected it from Dave. But, yeah, you've been a little more balanced, so...

<A - Darius Adamczyk>: If Michigan loses tomorrow, I could be more excited. But...

<Q - Charles Stephen Tusa>: Just on the orders. You kind of threw out Defense. You threw out the HPS orders, Intelligrated, obviously. When you think about kind of the long-cycle businesses, what were total orders up for the long-cycle businesses for the quarter? Kind of in total or if you just want to kind of list maybe a couple ones we didn't hear like UOP or something like that?

<Q - Charles Stephen Tusa>: What were total orders up for long-cycle businesses?

<A - Darius Adamczyk>: To give you a specific, it's – they're up 26% y-over-y. Our backlog is up 14% for long-cycle. And then, just to give you a couple of the specifics: HPS projects, up 27%; HBS projects, up 22%. Intelligrated was actually flat. And you – and – but keep in mind, they're up 40% YTD. So, this was tough comps. We're not – trust me, I'm not worried one bit about the growth in the Intelligrated business. So – and so, that's why I'm pretty excited today. I mean, when I – I always worry about tomorrow and when I see those kinds of numbers come through, I have good reason for optimism. And I think it points to a very bright 2019 and beyond.

<Q - Charles Stephen Tusa>: And then, just kind of attacking the kind of the base question in a little bit of different way. And again, this is merely just kind of like math on actuals. Just using the kind of prior Aero guide of about $3.7B and stripping out kind of $500mm number last nine months for – or for the year for Transpo, gets me down to kind of around $3.1B. Is that kind of the right Aero pro forma, roughly? I mean, that's just basic math on what you guys have kind of already given.

<A - Greg Lewis>: You're in the neighborhood, yes. I think you're in the neighborhood.

<Q - Charles Stephen Tusa>: And then, just for HBT, kind of similar math, gets to around $1.1B type of number. Those – are those – does that sound right?

<A - Greg Lewis>: Let us check that one and make sure that one's obviously a little bit less precise given the Homes/Buildings split, but we'll come back to you on that one particularly.

<Q - Charles Stephen Tusa>: And then, just one last one for you. The restructuring next year is a little bit higher than I would have expected. I don't view that as necessarily a negative. But what is, when all is said and done, given that it seems like everybody is – wants to ignore restructuring at other companies these days, what is kind of the normal run rate restructuring number for you guys in this kind of new construct going forward do you think longer-term?

<A - Darius Adamczyk>: I don't know if there's such a thing as normal number. It is dropping significantly y-over-y by more than $100mm, so it's coming down. Some of it is commensurate with the slightly smaller Honeywell. But we still have, as you recall back to EPG, one of the things we have plenty of runway for, and what Torsten's number one mission – our new head of integrated supply chain – is to really reduce our fixed cost base. So, that's where most of that funding is going to be going next year. And it's a fairly substantial change in terms of the cost structure of Honeywell in: A, reducing it; and B, making it – converting it from being much more fixed-oriented to variable-oriented.

So, we're going to need some continued restructuring funding. I don't know if I can give you sort of a normal number. I would think that it's still going to be elevated at kind of the levels we've projected for 2019 and probably for 2020. And probably after that, come down a bit more as we get some of that heavy lifting done. So, that's the way to kind of frame it up and think about it.

<Q - Scott Reed Davis>: It's not much to pick on for sure. But one of the things that was thrown out there when you were doing the spins was potentially doing Buildings with the resi business and you didn't – you kept Buildings. What gets you excited about Buildings turning? I mean, that – this has long been, really, a – I don't know – kind of a 3%-ish growth business, not really much better than GDP, probably not better than GDP. But you said in your prepared remarks, some new products and things like that. So, give us...

<Q - Scott Reed Davis>: ...kind of a sales pitch, if you will, on why you kept that business.

<A - Darius Adamczyk>: First of all, let's start with Connected Buildings. I think our technology offering in Connected Buildings is maybe as further along than any of the other Connecteds. I mean, we have ready-to-go technologies that we're currently offering and selling. And you heard an example of that in our pitch this morning. So, I'm very excited that we really need to be much more commercially savvy to really clearly explain to our customers what that will do for – in their building in terms of energy consumption, comfort, security wellbeing of the occupants and so on. So, I'm very excited about that technology and it's not futuristic. It's here now. I think we just got to get through the commercial challenges that we're facing.

Number two, as you know, the market dynamics between the resi and the commercials are very different. The competitors are different. I feel good about our position. I feel good about the installed base we have, and I think it's a business that can and should do more.

Three is, I think we also have to remember that we created this Homes P&L from scratch. I mean, think about this, Scott. I mean, we did more than 20 manufacturing transitions in a course of a year. If I didn't have that kind of hard deadlines, and we're going to get this done in a year, that would probably have taken three. So that team has done a tremendous job in executing that kind of heavy lift and I think they've performed pretty well, given that kind of a distraction.

So, now, that that's basically behind them, I'm going to monitor it and I continue to be optimistic about what we're doing. I was with Vimal Kapur and his team earlier this week, and they've got their hand on their pulse and I think that that could be very successful business for us.

<Q - Scott Reed Davis>: Transnorm seems interesting but I don't know the company very well. I mean, can you just give us a little sense...

<Q - Scott Reed Davis>: ...of what, other than the installed base that you're getting, I mean, what you're getting from a standpoint of technology? And is that something that you can – the synergies at least of Intelligrated – is that something you can take, more Intelligrated to Europe and more Transnorm to the U.S.? Or does it not work that way?

<A - Darius Adamczyk>: It does work that way. And in fact, Intelligrated was a customer of Transnorm. So, we know the product. It is IP-protected. It is actually technology differentiated, has a high aftermarket and services component, which I always look for in any business. It has a very enviable position in Europe. And frankly, I was looking for beachhead to land in Europe in Intelligrated. We've been spending a lot of organic dollars, or what I call, just part of their R&D and sales and commercial build-out to have a broader presence in Europe.

Our U.S. customers have been asking us to really have a broader presence in Europe. And I, frankly, wanted to add a business that gives us a much broader foothold. On top of that, I really like the business. We were able to pick it up at what I view is a very appealing price in this kind of a market environment that we're in with differentiated technology and IP protection. So, I think it's – I'm thrilled. And as you know, Scott, I really like the warehouse automation space.

<Q - Andrew Kaplowitz>: Aerospace has continued its strength in here this cycle. And obviously, you do have more difficult comparisons in 2019, but it's hard not to notice the momentum that Honeywell has given its share on new business jet platforms that are coming to the market. You've talked about connectivity. Defense, obviously strong. So, as you look at the continued product ramp in 2019, does it seems like the visibility here toward, call it, above-normal cycle growth in Aero is higher than usual in 2019 and then maybe beyond?

<A - Darius Adamczyk>: We continue to be bullish in Aero. I mean, as you look at our backlog position, there's no reason not to be. But your initial point is right, too, which is our comps get a little bit tougher given kind of the growth rates that we've seen. What – if you look at the – a little more details of the numbers, the two that really pop-out at you, especially here in Q3 is, one, is the growth in the business jet market. That's been – that hasn't been a high performer for quite a while. I mean, and now it's starting to really pop as a lot of the new platforms are being introduced into the marketplace. And two, the used equipment inventory is down. I mean, it's down substantially, which is always a good time – a good sign in terms of new equipment sales.

And then, Defense & Space. Defense is – continues to be very strong. We don't think that that's going to change as we head into 2019. Potentially, there could be a slight down Aero in terms of OE momentum. I don't really expect that to be the case, but that may be the only place where I'm a little bit nervous. But all-in-all, I continue to be pretty bullish on the Aerospace segment because all three of these tracks that we always kind of talk about which is the commercial, the business jet, and defense are all kind of pointing either strongly up or up. So, 2019 looks very promising based on what we're seeing today.

<Q - Andrew Kaplowitz>: And maybe Darius or Greg, you mentioned that tariff impacts so far have been manageable. You continue to work to mitigate all the tariff impacts, but maybe could you elaborate in your comments? I think, Greg, you said that tariff impacts in 2019 could impact margin. How much more ability do you have to price increase in tariffs? And you talked about changes that you might make, you talked about sort of looking at your supply chain, so maybe more color there if possible?

<A - Greg Lewis>: In our last discussions, we talked about the fact that what we're seeing in 2018 in terms of pressure was in the tens of millions of dollars. And as you bring List 3 and List 4 into play and you layer that on over the entirety of 2019, that starts getting into more like triple-digits, hundreds of millions of dollars. And we still feel good about our ability to price in the market. And we've been successful and continue to take aggressive approaches in that regard.

And then, as it relates to changes in supply chain, we talked about the fact that we're local-for-local, and that's been very helpful for us. But we are making a few small moves. You're not going to see us make big overhauls to the supply chain, but there are certain spots where, strategically, we are going to make a couple of changes in those flows. So, again, the hill gets steeper. But the level of rigor and attention to this has been at a very high level for the last eight months and is going to continue as we go into 2019.

The pressure comment is, as you know, when you price in the market and you price cost up, so revenue goes up and margins go up by a commensurate amount, but that's just a pressure on your margin rate. So that's really what I was referring to there, not so much that we're not going to be able to cover the profit impact of the inflation itself. But that inflationary environment with pricing turns into a margin expansion challenge on the upside.

<A - Darius Adamczyk>: There's still a lot of unknowns, right? I mean, you have List 3, which potentially that rate goes up at the end of the year. And then, you have a potential List 4 with timing which isn't particularly clear. So there's a lot of unknowns here. We're working through all the knowns. And I feel very confident in the process that we're building. And I can tell you all of our businesses are all over this in terms of taking any and all levers they can.

But still a lot of unknowns in terms of what's going to happen at the end of the year, what's on List 4, the level of List 4 and timing. So we're prepared, we're ready to act, and we're trying to mitigate the best we can.

<Q - Sheila Kahyaoglu>: It seems you're building a very focused Aerospace company, but maybe in a more measured manner. Just looking at Aerospace, post Garrett, it looks to be somewhat accretive to margin and maybe eliminates the business that wasn't a perfect fit within that group. What sort of opportunities arise for the Aerospace segment in terms of profitability and maybe how are you thinking about the rest?

<A - Darius Adamczyk>: The Aerospace group has been very good at a couple of things, especially in the last couple of years. Number one is, they're certainly continuing to drive productivity and becoming much more efficient. There's a high level of expertise in terms of what they can accomplish, and I think they're far from done. So there's further opportunity to do that.

Number two is, they're much more installed base-focused in terms of the upgrades, enhancements, software enhancements and so on which are obviously continuing to build accretion to the margin rate. And, overall, I like how the team is executing. They had great wins on a lot of different platforms and the execution is strong. And I particularly like the progress on the commercial side of the business.

And Connected Aircraft continues to be a very big opportunity, which we materialize. Longer term – and I pointed this out – is we look for a 25-plus kind of a margin rate. We think that that's very possible in that business. And we're going to continue to march forward as Tim and the team continue to make progress there.

<Q - Andrew Burris Obin>: Just a question. When was the last time that U.S. grew faster than China for you guys?

<A - Darius Adamczyk>: It's been a while, but it's interesting how the global markets are evolving right now. And as I look into 2019, kind of an early take is, I think U.S. is going to be a very robust market again. Now, there's a lot of moving pieces in the geopolitical environment right now. But right now, it continues to look strong.

<Q - Andrew Burris Obin>: And I guess a follow-up question on that. How does your strategy – I know you had a strategy really focusing on High Growth Regions, U.S. going to be a key market, but not really a growth market. How are you thinking about capacity availability in the U.S.? For example, some of your competitors are talking on process, specifically shortage of engineers. They are sort of at the limit not really able to take more projects. And are we seeing contagion from China in High Growth Regions? So just a follow-up question.

<A - Darius Adamczyk>: I'm very encouraged and thrilled to see that kind of GDP growth rate we're seeing in the U.S. I think it's been terrific. But as you look at – overall, if you look at the GDP growth in some of the High Growth Regions, over the long-term, they're still likely to be higher than the U.S. I mean, obviously, U.S. has increased its rate. So our High Growth-focused strategy I think is still spot on and needs to be. And we're going to stay committed to growing in High Growth Regions as well as the U.S.

In terms of investment and profile and so on, I mean, I've always said all along that I believe in being local-for-local. Meaning that I want to be able to serve North America from North America; I want to be able to serve China from China, and Europe from Europe. To me, that just makes perfect sense. I want to have people that have a mindset for their local markets, both from a R&D, manufacturing, sales, marketing, all these perspectives.

And now, as we kind of restructure and looked at our fixed cost base, that's exactly the model we're going to. We're pretty mature along the path already. But the short story is, to the extent I continue to see this kind of a growth in the U.S., we're obviously going to be continuing to invest in increasing our capacity here in the U.S. to make sure we properly serve the market. And based on what we're seeing this year, we're going to be investing in 2019.

<Q - Andrew Burris Obin>: You sort of highlighted that Productivity was a contributor to strong cash flow. It's just very impressive that despite their robust growth, this business is generating working capital. What about the business model that enables this generation? Is there a payback? Or is this a kind of business that can actually generate robust cash flows as it grows?

<A - Darius Adamczyk>: Number one is sort of their business profile and the timing of payments, particularly for our projects business, there are very favorable. Number two, they've done a terrific job in managing their working capital. It's a point of focus and emphasis. Three, and this is something we've done across our business, which is we're really re-looking and standardizing some of our terms and conditions.

Frankly, I would say, it wasn't the sort of cleanest structure that we had. And now, we're really standardizing and cleaning that up, and it's generating benefits. And it's not just for SPS. It's really true of all of our businesses. So a lot of things moving in the right direction there, certainly, for SPS, but all of our businesses as well.

<Q - Nigel Coe>: Just more of a comment than a question. You've got [indiscernible] (01:00:53) price this quarter. So you seem like you're in good shape to manage the extra inflationary pressures from tariffs, but you're the only one talking about a potential List 4 of the companies there are so far. So I'm wondering, are you sort of working on the basic assumption that the 25% goes in place in January and that we get a List 4? And are you taking preemptive actions to sort of anticipate and get ahead of those potentials?

<A - Darius Adamczyk>: The short answer is yes. I mean, we are getting ready. I'm not saying we're necessarily pulling the trigger on all those actions, but I think you always – the way we kind of think about things is, we always have to assume the worst case situation and then be prepared.

We haven't pulled all the levers for that 25% yet, but we're going to be ready. And we're assuming that that will happen, frankly, and we think that that probability is obviously increasing as more time goes by, and we have to be ready. So, I would say not all the levers have been pulled yet, but we're certainly preparing them and feel very good about our ability to mitigate all or most of that impact.

<Q - Nigel Coe>: And then, a quick follow-on on going back to FCF, because to my mind that was the real highlight in the great quarter. You called out SPS and PMT as particularly strong contributors to cash. Is that because Aero and HBT were, with the spins, weren't producing quite a good conversion? Or was there some catch up here? I mean – and maybe any commentary in terms of free cash conversion by business would be helpful.

<A - Darius Adamczyk>: From an HBT perspective, when you do – when you have to do two spins and you have to do this many transitions, there is some level of inefficiency particularly in the inventory situation, because you were doing a lot of plant separations and so on. And as I stated before, I think the team has done just an incredible job to get us ready.

Aero, they've done a great job on receivables, payables and so on. But inventory is still an opportunity. I think we all know about some of the challenges that the Aerospace supply chain is facing. So, there's probably further gains to be made there. But they've done a really nice job. And then SPS has been tremendous across-the-board whether we talk about all three elements of working capital advances and so on. And then, PMT, they're really picking up the pace particularly in the receivables. They've got a lot of past dues that are now coming in. And really nice momentum in Building into Q4 and we think that there's even more upside there.

<A - Greg Lewis>: Aero is up. So, they had a good performance too. I think they just had a head start in terms of the disciplined aspects, as Darius talked about, with things like terms and so on. So, in many ways, we're actually modeling a lot of the Aerospace processes and behaviors in what we're trying to do elsewhere. So, you should definitely not take that comment as Aero is not doing well. They actually are growing their cash flow quite nicely also.

<Q - Julian Mitchell>: Maybe just a quick question on HPS. I think in Process, you talked about a lot of the strengths still being short-cycle driven. So, just wondered what you're seeing in terms of greenfield projects, large orders. There's obviously some movement in the LNG area, but maybe some offset from macro uncertainty on large projects in general. So, maybe just how you see the greenfield demand?

<A - Darius Adamczyk>: The highlight number for me for HPS is projects were up 27% y-over-y in Q3. I mean, that's – I think that number speaks for itself. So, it's a very impressive number. It gives you an idea that that business continues to win in the marketplace. And I'm very bullish. That's coupled on top of the short-cycle growth particularly in services and our software businesses. And overall, it's – continues to do very well. So, there's not really much other than good news coming from the HPS world.

<Q - Julian Mitchell>: And then, my last one would be just around Buildings. You talked about the expectation of an improvement in growth there in 2019 and probably beyond. Do you anticipate needing much of a step-up in R&D, or CapEx or M&A to help drive that growth? Or you think the run rate of investments is sufficient right now?

<A - Darius Adamczyk>: On R&D I think it's – I would say it's not necessarily a need to increase the R&D levels. But really just to streamline and optimize that investment around things that really matter. I think that there's, frankly, there is a little bit of an opportunity around that area and Vimal and team are making sure that we're investing in the proper things and really on things that move the needle and not kind of the incrementalism which require a lot of investment that really don't generate great returns. And I think it's certainly an area of opportunity.

But I think some of they are really high-performing businesses like fire, which have continued to do very well, it's not all bad news. And I think there are a lot of good things going on in the Buildings part of the portfolio already. But certainly, like in any large business, there's a couple of things we also need to improve. So, I'm very confident that that team is going to get it done.

<A - Greg Lewis>: And just again, back to the spin taking away the distraction of having to split the company in two fundamentally, that took the effort of the entire organization to go do. And now having that done, they're going to have a lot more time and attention to be able to drive some of that growth as Darius highlighted, which we feel very good about the end market and our position there. So, it should be good.

<A - Darius Adamczyk>: And just to echo what Greg said, I think we all probably underestimated the amount of time, effort and organizational focus it takes to do two spins at the same time, particularly when you really are creating a new P&L called Home. So, I'm thrilled with the execution that the team has exhibited.

<A - Greg Lewis>: You talked about the supply chain changes, but we also – we had to clone ERP systems. This was definitely a heavy lift to go do. So, that team did great job.

Darius Adamczyk

Thank you. Before I end, I want to thank the Honeywell employees and leaders that will begin new careers at Garrett and Resideo for their contributions to the company. Both businesses are starting with a strong foundation, a great heritage, and I'm confident both will be very successful. We look forward to watching their accomplishment as new public companies.

I have full confidence that the strong performance Honeywell delivered to our share owners in the first three quarters of 2018 will continue through the year-end. Our order rates are strong. Our backlogs are growing. We are realizing the benefits of our continued efforts to drive software and Connected growth, productivity, Commercial Excellence and improved FCF. It is an exciting time to be at Honeywell and we look forward to sharing more on our progress as we head into 2019. Have a wonderful weekend.