
May 16, 2016

# ELECTRICAL PRODUCTS GROUP CONFERENCE

Darius Adamczyk, President And COO

Honeywell

# Forward Looking Statements

*This report contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of fact, that address activities, events or developments that we or our management intend, expect, project, believe or anticipate will or may occur in the future are forward-looking statements. Forward-looking statements are based on management's assumptions and assessments in light of past experience and trends, current economic and industry conditions, expected future developments and other relevant factors. They are not guarantees of future performance, and actual results, developments and business decisions may differ from those envisaged by our forward-looking statements. Our forward-looking statements are also subject to risks and uncertainties, which can affect our performance in both the near- and long-term. We identify the principal risks and uncertainties that affect our performance in our Form 10-K and other filings with the Securities and Exchange Commission.*

# Definition Of Core Organic

*Throughout this presentation, core organic sales growth refers to reported sales growth less the impacts from foreign currency translation, M&A and raw materials pass-through pricing in the Resins & Chemicals business of PMT. The raw materials pricing impact is excluded in instances where raw materials costs are passed through to customers, which drives fluctuations in selling prices not tied to volume growth. A reconciliation of core organic sales growth to reported sales growth is provided in the Appendix.*

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# Key Messages

| | |
|---|---|
| **Positioned To Outperform** | • Strong 1Q 2016 Performance – EPS At High End Of Guidance<br>• Differentiated Technologies Across Portfolio, M&A Momentum |
| **HOS Gold** | • Key Priority As COO, Driving Breakthrough Growth Strategies<br>• Focused On Continuing To Build Software Capabilities |
| **Runway For Margin Expansion** | • Opportunity To Grow Margins, Runway To Longer Term Targets<br>• Flawless Integration Execution |
| **Portfolio Update** | • Plan To Spin Off Resins And Chemicals Business To Shareowners<br>• Further Aligning Portfolio Around Great Positions In Good Industries |

**Reaffirming 2Q And Full-Year 2016 Guidance**

# Background - President & COO

**Darius Adamczyk**

**Education**

- M.B.A. – Harvard University
- Master's Computer Engineering – Syracuse University
- Bachelor's Electrical And Computer Engineering – Michigan State University
- GE Edison Engineering Program
- Background In Software Engineering

**2016**

**President & Chief Operating Officer (COO)**

- Priorities: Accelerating Organic Growth While Maintaining Productivity Rigor

**2014**

**President & CEO Of Performance Materials And Technologies (PMT)**

- 300+ bps Margin Expansion In The Face Of Challenging Oil & Gas Environment

**2012**

**President Of Honeywell Process Solutions (HPS)**

- Dramatic Operational Turnaround, ~200 bps Margin Expansion Per Year

**2008**

**President Of Honeywell Scanning & Mobility (HSM)**

- Doubled Size Of Business, Increased Profitability, Built Solid Position In New Market

**Prior To HON**

Metrologic, CEO (Acquired By HON In 2008)

Ingersoll Rand, Multiple General Management Leadership Positions

Booz Allen Hamilton, Consultant

General Electric, Electrical/Computer Engineer

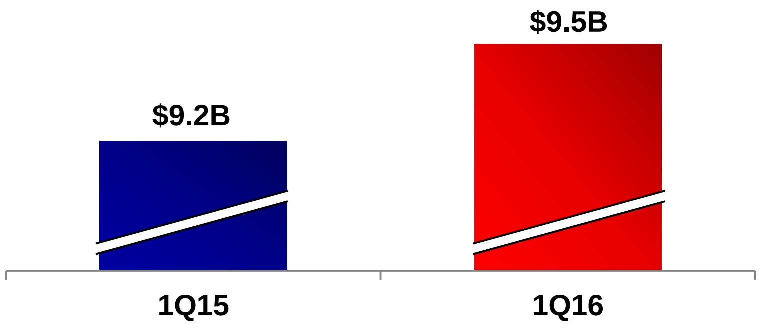
# 1Q 2016 Performance

## Sales

*($M)*

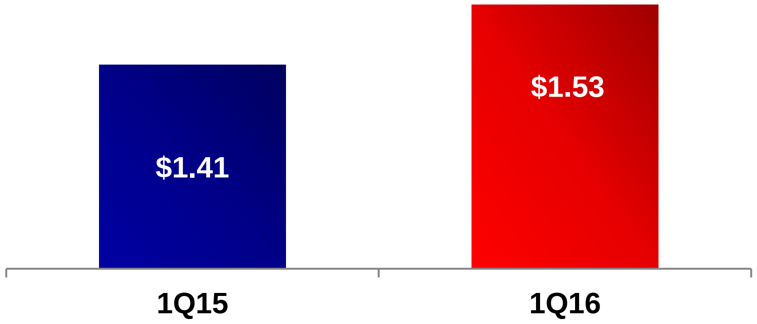
**Up 3%**

*Core Organic Up 1%*




## Earnings Per Share (EPS)

**Up 9%**




## Highlights

- Core Organic Sales **Up 1%**
  - Strength In Comm'l Aviation Aftermarket, Security And Fire, Process Solutions, And Fluorine Products
- **+80 bps** Operational Segment Margin Expansion
  - Funded ~$40M In New Restructuring Projects
- EPS At High End Of Guidance, **Up 9%**
- Raised Low End Of 2016 EPS Guidance By **10c**
- **Over $1B** Shares Repurchased, **~$1B** In M&A
- Acquisition Integrations On Track



**Sales Above Guidance, Earnings At High End Of Range**

# Reaffirming 2Q16 Guidance

**$10.0B - $10.2B**
**Total HON Sales**

| | Sales | Margin Change (bps) | Comments |
|---|---|---|---|
| Aero | **Flat - 1%**<br>*Flat - 1% Core Organic* | **Up 60 - 80**<br>*Up 80 - 100 ex-M&A* | • Comm'l Spares Strength, R&O Growth<br>• Strong Gas Turbo Volume<br>• OEM Incentives Headwind<br>• D&S Tough International Comp |
| ACS | **9% - 11%**<br>*(1%) - 1% Core Organic* | **Down (20) - Flat**<br>*Up 50 - 70 ex-M&A* | • China, India Double-Digit Growth<br>• Continued Americas Distribution Growth<br>• ESS Tougher Comp (S&PS)<br>• Impact From Acquisitions |
| PMT | **(3%) - (4%)**<br>*(3%) - (4%) Core Organic* | **Down (10) - (30)**<br>*Down (20) - Flat ex-M&A* | • HPS Project Conversion, Elster Impact<br>• Fluorine Products Solstice Ramp<br>• UOP Catalyst Shipment Timing<br>• Weak U.S. Gas Processing |
| HON | **2% - 4%**<br>*(2%) - Flat Core Organic* | **Down (10) - Up 10**<br>*Up 40 - 60 ex-M&A* | • Growth From M&A<br>• Improving Margin Expansion<br>• Lower Share Count YoY |

**2Q16 EPS Guidance Of $1.61-$1.66, Up 7% - 10% YoY**

# 2016 Financial Guidance Summary

## Total Honeywell

| Sales | Segment Margin |
|---|---|
| **$40.3 - $40.9B** | **18.9% - 19.3%** |
| Up 4 - 6% | Up 10 - 50 bps |
| *1 - 2% Core Organic* | *80 - 110 bps ex-M&A* |

| EPS | FCF |
|---|---|
| **$6.55 - $6.70** | **$4.6 - $4.8B** |
| Up 7 - 10% | Up 5 - 10% |

** EPS, V% Exclude Pension Mark-To-Market Adjustment*

## By Segment

| | Sales | Margin | |
|---|---|---|---|
| Aero | **$15.4B - $15.6B**<br>1% - 2%<br>*1% - 2% Core Organic* | **21.7% - 22.1%**<br>Up 60 - 100 bps<br>*Up 80 - 120 bps ex-M&A* | Continued Aftermarket Momentum |
| ACS | **$15.6B - $15.9B**<br>11% - 13%<br>*1% - 2% Core Organic* | **16.3% - 16.6%**<br>Down (10) - Up 20 bps<br>*Up 110 - 140 bps ex-M&A* | Double Digit Growth In ACS China |
| PMT | **$9.3B - $9.4B**<br>Flat - 2%<br>*(1%) - 1% Core Organic* | **20.8% - 21.1%**<br>Down (20) - Up 10 bps<br>*Up 30 - 60 bps ex-M&A* | FP Double Digit Growth On Solstice Ramp |

**Reaffirming EPS Guidance Of $6.55 - $6.70**

# Key Responsibilities Of Chief Operating Officer

## Build On Strong Foundation

**Culture**

- Performance Matters
- 5 Initiatives / 12 Behaviors
- Customer Focused
- One Honeywell
- Innovation Mindset

**Portfolio**

- Great Positions In Good Industries
- Acquisitions And Divestitures Upgrade Growth Portfolio
- Globalization Continues

**Process**

- HOS Gold
- Functional Transformation
- Software Focus And Enablement

## Execute Strategic Plans

### Accelerate Organic Growth

- Drive HOS Gold Business Enterprise Breakthrough Strategies
- New Adjacencies, Markets And Products
- Enhance Software Focus
- Growing Industrial Internet of Things (IIoT)
- Enhance Growth Culture

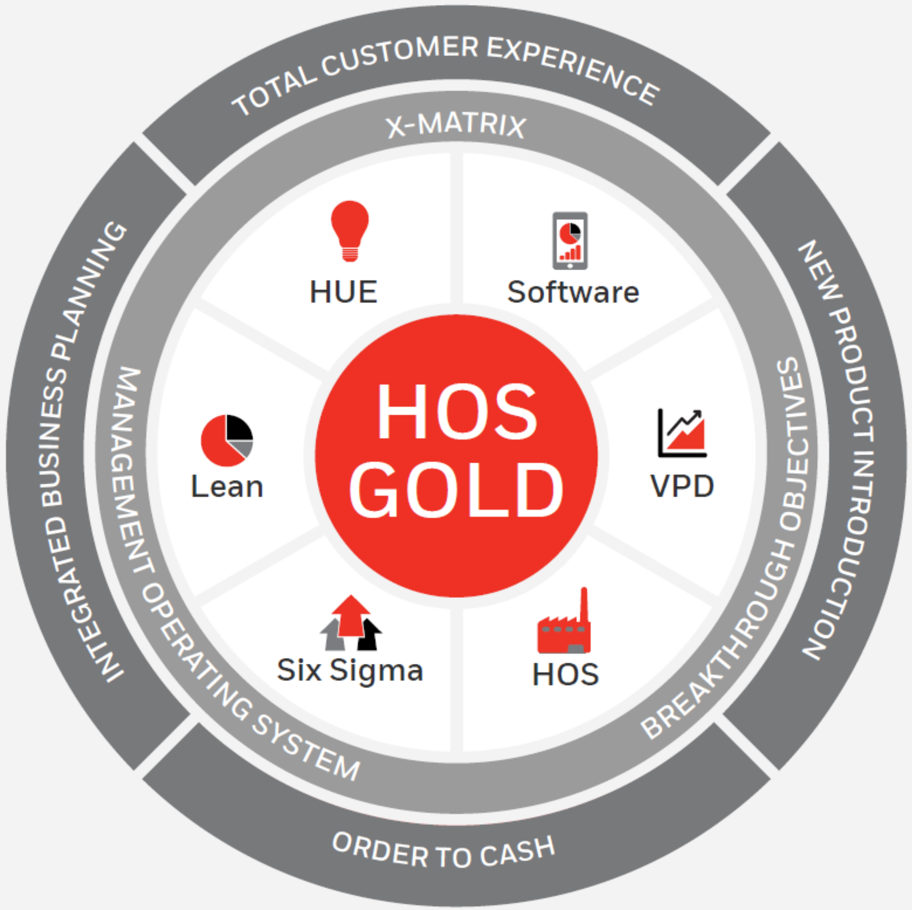
### Maintain Productivity Rigor

- Leverage HOS Gold Toolkit
- Improve Organizational Capability

**Consistent Business Model That Generates Results**

# HOS Gold

## Our Enabler: HOS Gold



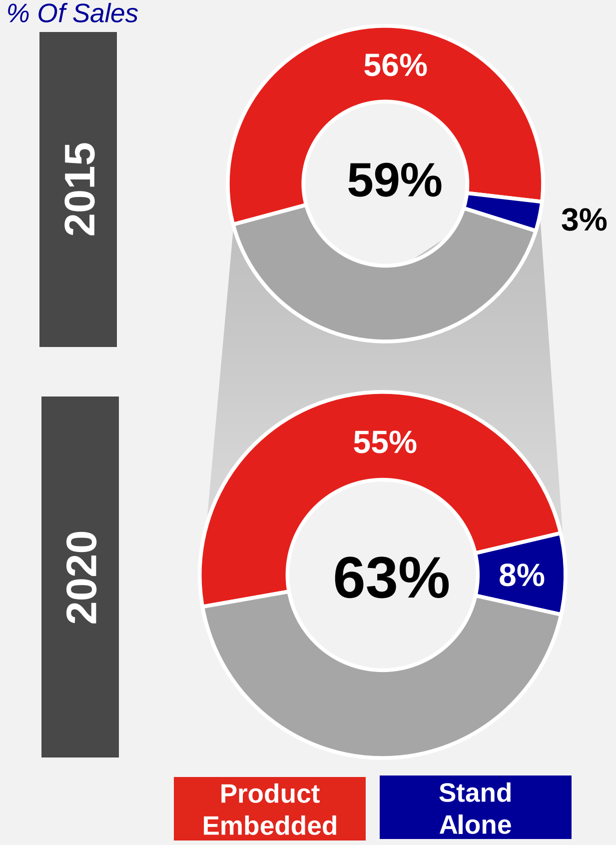

## Why It Is Different

- **Consolidates All Operational <u>Best</u> <u>Practices</u> (i.e. HOS, VPD, HUE, FT)**
  - Raise Bar On VPD And HOS Performance
- **Drives Initiatives At Enterprise Level (64 Gold Business Enterprises)**
  - Develop Bench Of New Business Leaders
- **Deeper Focus On Growth Vector Changing Breakthrough Initiatives**
  - Deliver Strong Core Organic Growth And Profitability
  - Inflect From Historical Growth Rates
  - Software A Key Driver
- **Greater Emphasis On Commercial Excellence**
- **Blends Small Cap <u>Speed And Agility</u> With Large Cap <u>Scale And Expertise</u>**

**Supporting Growth And Productivity**

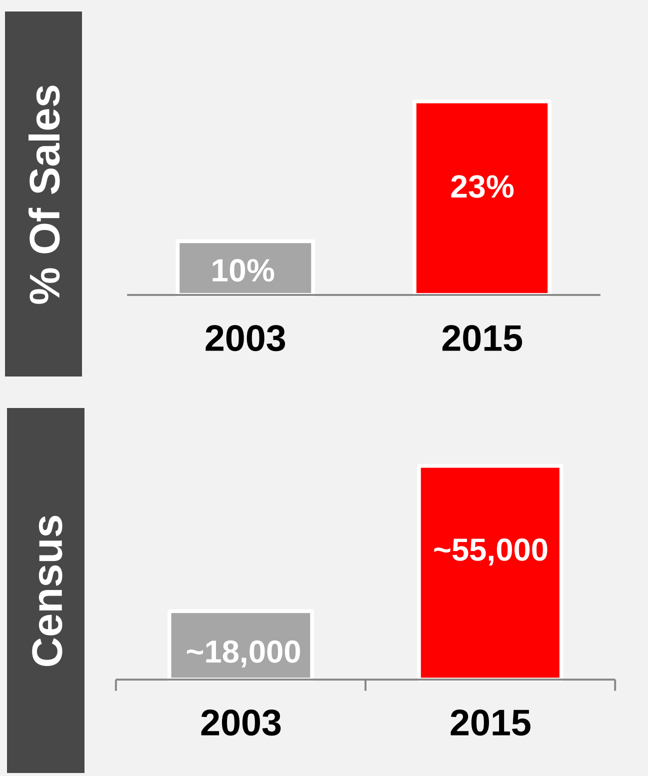
# Growth And Productivity Focus

## Broadening Software Offerings




- CMMI Level 5 Across Company
- 77% Of HOS Gold Breakthroughs
- Standalone Software Provides Growth Platform

## High Growth Region Penetration




- Becoming The Chinese Competitor (BCC)
- East-For-East And Rest
- One Honeywell Culture

## Margin Expansion Runway

**Commercial**
- Commercial Excellence, HUE
- Higher Margin New Products

**Supply Chain**
- Improved Plant Performance
- Sourcing Effectiveness

**OEF**
- Functional Transformation
- Funded Restructuring Pipeline



**Driving Profitable Growth**

# Resins And Chemicals Spin-Off

| | |
|---|---|
| **Overview** | • Tax-Free Spin-Off Into Standalone Publicly-Traded Company, AdvanSix<br>• Leading Manufacturer Of Nylon 6, Caprolactam, Ammonium Sulfate And Acetone<br>• Vertically Integrated Business – Significant Scale, Lowest Global Cost Position |
| **Strategic Rationale** | • Allows HON To Focus More On Differentiated Technologies & Software Capabilities<br>• Allows R&C Flexibility To Make Capital Investment Decisions As Standalone Entity<br>• R&C Better Positioned For Growth And Executing Strategic Plans<br>• Transaction Enhances Margin Profile Of Both PMT And HON |
| **Transaction Closing** | • Expected To Close By Early 2017<br>• Subject To Assurance Of Tax-Free Spin-Off To HON Shareowners And SEC Review<br>• No Impact To Financial Guidance |

**~$1.3B Annual Sales**

**Lowest Cost Position Globally**

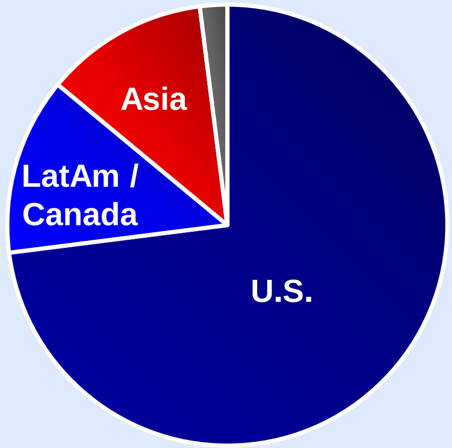
**More Focused Business**

**Aligning HON Portfolio Around Great Positions In Good Industries**

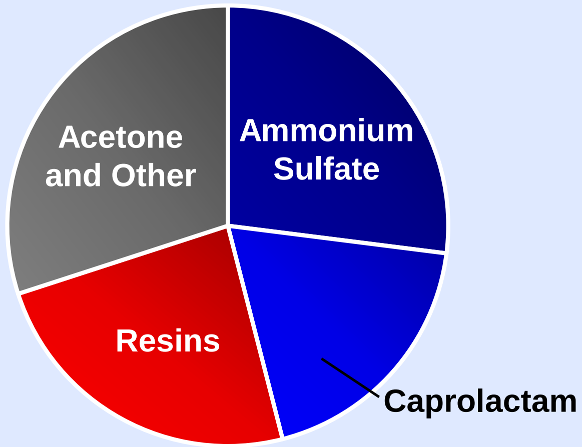
# AdvanSix Overview

- **Global Leader In Manufacturing Of Nylon 6 Intermediate**
  - Used To Produce Carpets, Sports Apparel, Automotive And Electronic Components, And Many Other Applications
  - Largest Single-Site Producer Of Caprolactam
  - Diverse Revenue Sources From Sale Of Fertilizer, Acetone And Other
- **Low Cost Position Creates Competitive Advantage**
  - Favorable Geographical Location
  - Integrated Manufacturing Footprint And High Utilization Rates
  - Cost Advantage Enhanced By North America Natural Gas Infrastructure
- **Global Reach And Technical Know-How**
  - ~1,100 Employees
- **2015 Financials**
  - Sales $1.3B, Income Before Taxes $107M, Net Income $68M

## Geographies




## Products




**Favorably Positioned To Continue Achieving Global Growth**

# Summary

- **Honeywell Performance Continues**
  - Strong Q1
  - Reaffirming 2016 Guidance
- **HOS Gold Enables Continued Outperformance**
  - Accelerated Growth Via Breakthrough Initiatives
  - Raise Bar On Productivity
- **Software Key Growth Focus – IoT**
- **Balance Sheet Enables Portfolio Optimization**

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# *Appendix*

## *Reconciliation of non-GAAP Measures to GAAP Measures*

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# Reconciliation of Segment Profit to Operating Income and Calculation of Segment Profit and Operating Income Margins

| ($M) | 1Q15 | 2Q15 | 2015 | 1Q16 |
|---|---|---|---|---|
| Aerospace | $752 | $777 | $3,218 | $798 |
| Automation and Control Solutions | 516 | 567 | 2,313 | 530 |
| Performance Materials and Technologies | 503 | 509 | 1,935 | 441 |
| Corporate | (50) | (50) | (210) | (49) |
| Segment Profit | $1,721 | $1,803 | $7,256 | $1,720 |
| Stock Based Compensation (1) | (52) | (39) | (175) | (53) |
| Repositioning and Other (1, 2) | (139) | (137) | (576) | (131) |
| Pension Ongoing Income (1) | 100 | 103 | 430 | 150 |
| Pension Mark-to-Market Adjustment (1) | - | - | (67) | - |
| OPEB (Expense) Income (1) | (9) | (11) | (40) | 9 |
| Operating Income | $1,621 | $1,719 | $6,828 | $1,695 |
| | | | | |
| Segment Profit | $1,721 | $1,803 | $7,256 | $1,720 |
| ÷ Sales | $9,213 | $9,775 | $38,581 | $9,522 |
| Segment Profit Margin % | 18.7% | 18.4% | 18.8% | 18.1% |
| | | | | |
| Operating Income | $1,621 | $1,719 | $6,828 | $1,695 |
| ÷ Sales | $9,213 | $9,775 | $38,581 | $9,522 |
| Operating Income Margin % | 17.6% | 17.6% | 17.7% | 17.8% |

(1) Included in cost of products and services sold and selling, general and administrative expenses.

(2) Includes repositioning, asbestos, environmental expenses and equity income adjustment.

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# Reconciliation of Core Organic Sales Growth

| Honeywell | 1Q16 |
|---|---|
| Reported Sales Growth | 3% |
| Less: Foreign Currency Translation, Acquisitions, Divestitures and Other | 3% |
| Less: Raw Materials Pricing in R&C | (1%) |
| Core Organic Sales Growth | 1% |

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# Reconciliation of Cash Provided by Operating Activities to Free Cash Flow

| ($M) | 2015 |
|---|---|
| Cash Provided by Operating Activities | $5,454 |
| Expenditures for Property, Plant and Equipment | (1,073) |
| Free Cash Flow | $4,381 |

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# Reconciliation of EPS to EPS, Excluding Pension Mark-to-Market Adjustment

| | 2015[1] |
|---|---|
| EPS | $6.04 |
| Pension Mark-to-Market Adjustment | 0.06 |
| EPS, Excluding Pension Mark-to-Market Adjustment | $6.10 |

(1) Utilizes weighted average shares of 789.3 million. Mark-to-market uses a blended tax rate of 36.1%.

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