

HONEYWELL INTERNATIONAL INC
Form 10-Q
April 19, 2013
United States
Securities and Exchange Commission
Washington, D.C. 20549

Form 10-Q

S QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2013

OR

£ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-8974

Honeywell International Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

22-2640650
(I.R.S. Employer
Identification No.)

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101 Columbia Road
Morris Township, New Jersey 07962
(Address of principal executive offices) (Zip Code)

(973) 455-2000
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See definitions of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-Accelerated filer Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

There were 786,783,943 shares of Common Stock outstanding at March 31, 2013.

Honeywell International Inc.

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This report contains “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are those that address activities, events or developments that we or our management intends, expects, projects, believes or anticipates will or may occur in the future. They are based on management’s assumptions and assessments in the light of past experience and trends, current economic and industry conditions, expected future developments and other relevant factors. They are not guarantees of future performance, and actual results, developments and business decisions may differ from those envisaged by our forward-looking statements. Our forward-looking statements are also subject to risks and uncertainties, which can affect our performance in both the near- and long-term. These forward-looking statements should be considered in the light of the information included in this report and our other filings with the Securities and Exchange Commission, including, without limitation, the Risk Factors, as well as the description of trends and other factors in Management’s Discussion and Analysis of Financial Condition and Results of Operations, set forth in our Form 10-K for the year ended December 31, 2012.

PART I. FINANCIAL INFORMATION

The financial information as of March 31, 2013 should be read in conjunction with the financial statements for the year ended December 31, 2012 contained in our Form 10-K filed on February 15, 2013.

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

	Three Months Ended March 31, 2013 2012 (Dollars in millions, except per share amounts)	
Product sales	\$7,474	\$7,377
Service sales	1,854	1,930
Net sales	9,328	9,307
Costs, expenses and other		
Cost of products sold	5,567	5,571
Cost of services sold	1,216	1,309
	6,783	6,880
Selling, general and administrative expenses	1,229	1,231
Other (income) expense	(28)	(15)
Interest and other financial charges	84	89
	8,068	8,185
Income before taxes	1,260	1,122
Tax expense	291	297
Net income	969	825
Less: Net income attributable to the noncontrolling interest	3	2
Net income attributable to Honeywell	\$966	\$823
Earnings per share of common stock- basic	\$1.23	\$1.06
Earnings per share of common stock- assuming dilution	\$1.21	\$1.04
Cash dividends per share of common stock	\$0.4100	\$0.3725

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

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HONEYWELL INTERNATIONAL INC.**Consolidated Statement of Comprehensive Income
(Unaudited)**

	Three Months Ended March 31, 2013 2012 (Dollars in millions)	
Net income	\$969	\$825
Other comprehensive income (loss), net of tax		
Foreign exchange translation adjustment	(381)	189
Prior service cost recognized during year	3	2
Actuarial losses recognized during year	6	7
Settlements and curtailments	—	2
Pension and other postretirement benefits adjustments	9	11
Unrealized gains for the period	54	43
Changes in fair value of available for sale investments	54	43
Effective portion of cash flow hedges recognized in other comprehensive income	—	25
Less: Reclassification adjustment for gains (losses) included in net income	(1)	6
Changes in fair value of effective cash flow hedges	1	19
Other comprehensive income (loss), net of tax	(317)	262
Comprehensive income	652	1,087
Less: Comprehensive income attributable to noncontrolling interest	3	4
Comprehensive income attributable to Honeywell	\$649	\$1,083

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

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

	March 31, 2013	December 31, 2012
	(Dollars in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$4,539	\$ 4,634
Accounts, notes and other receivables	7,585	7,429
Inventories	4,297	4,235
Deferred income taxes	672	669
Investments and other current assets	588	631
Total current assets	17,681	17,598
Investments and long-term receivables	738	623
Property, plant and equipment - net	4,948	5,001
Goodwill	12,386	12,425
Other intangible assets - net	2,384	2,449
Insurance recoveries for asbestos related liabilities	654	663
Deferred income taxes	1,842	1,889
Other assets	1,167	1,205
Total assets	\$41,800	\$ 41,853
LIABILITIES		
Current liabilities:		
Accounts payable	\$4,444	\$ 4,736
Short-term borrowings	86	76
Commercial paper	1,200	400
Current maturities of long-term debt	626	625
Accrued liabilities	6,755	7,208
Total current liabilities	13,111	13,045
Long-term debt	5,787	6,395
Deferred income taxes	683	628
Postretirement benefit obligations other than pensions	1,338	1,365
Asbestos related liabilities	1,300	1,292
Other liabilities	5,896	5,913
Redeemable noncontrolling interest	152	150
SHAREOWNERS' EQUITY		
Capital - common stock issued	958	958
- additional paid-in capital	4,446	4,358
Common stock held in treasury, at cost	(8,748)	(8,801)
Accumulated other comprehensive income (loss)	(1,656)	(1,339)

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Retained earnings	18,442	17,799
Total Honeywell shareowners' equity	13,442	12,975
Noncontrolling interest	91	90
Total shareowners' equity	13,533	13,065
Total liabilities, redeemable noncontrolling interest and shareowners' equity	\$41,800	\$ 41,853

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

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

	Three Months Ended March 31, 2013 2012 (Dollars in millions)	
Cash flows from operating activities:		
Net income attributable to Honeywell	\$966	\$823
Adjustments to reconcile net income attributable to Honeywell to net cash provided by operating activities:		
Depreciation and amortization	248	230
Repositioning and other charges	128	122
Net payments for repositioning and other charges	(98)	(104)
Pension and other postretirement expense	1	36
Pension and other postretirement benefit payments	(171)	(289)
Stock compensation expense	54	51
Deferred income taxes	27	132
Excess tax benefits from share based payment arrangements	(24)	(12)
Other	(33)	(7)
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:		
Accounts, notes and other receivables	(142)	(40)
Inventories	(51)	(108)
Other current assets	18	(28)
Accounts payable	(295)	(203)
Accrued liabilities	(287)	(407)
Net cash provided by operating activities	341	196
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(148)	(152)
Proceeds from disposals of property, plant and equipment	—	1
Increase in investments	(174)	(84)
Decrease in investments	166	92
Cash paid for acquisitions, net of cash acquired	(122)	(1)
Other	(33)	22
Net cash used for investing activities	(311)	(122)
Cash flows from financing activities:		
Net increase in commercial paper	800	349
Net increase in short-term borrowings	8	7
Proceeds from issuance of common stock	164	90
Proceeds from issuance of long-term debt	7	2
Payments of long-term debt	(600)	—
Excess tax benefits from share based payment arrangements	24	12
Repurchases of common stock	(139)	—
Cash dividends paid	(322)	(291)
Net cash (used for)/provided by financing activities	(58)	169

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Effect of foreign exchange rate changes on cash and cash equivalents	(67)	47
Net (decrease)/increase in cash and cash equivalents	(95)	290
Cash and cash equivalents at beginning of period	4,634	3,698
Cash and cash equivalents at end of period	\$4,539	\$3,988

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

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Honeywell International Inc.

Notes to Financial Statements

(Unaudited)

(Dollars in millions, except per share amounts)

Note 1. Basis of Presentation

In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position of Honeywell International Inc. and its consolidated subsidiaries (the "Company") at March 31, 2013 and the results of operations for the three months ended March 31, 2013 and 2012 and cash flows for the three months ended March 31, 2013 and 2012. The results of operations for the three months ended March 31, 2013 should not necessarily be taken as indicative of the results of operations that may be expected for the entire year. We have evaluated subsequent events through the date of issuance of our consolidated financial statements.

We report our quarterly financial information using a calendar convention; that is, the first, second and third quarters are consistently reported as ending on March 31, June 30 and September 30, respectively. It has been our practice to establish actual quarterly closing dates using a predetermined "fiscal" calendar, which requires our businesses to close their books on a Saturday in order to minimize the potentially disruptive effects of quarterly closing on our business processes. The effects of this practice are generally not significant to reported results for any quarter and only exist within a reporting year. In the event that differences in actual closing dates are material to year-over-year comparisons of quarterly or year-to-date results, we provide appropriate disclosures. Our actual closing dates for the three months ended March 31, 2013 and 2012 were March 30, 2013 and March 31, 2012, respectively.

The financial information as of March 31, 2013 should be read in conjunction with the financial statements for the year ended December 31, 2012 contained in our Form 10-K filed on February 15, 2013.

Certain prior year amounts have been reclassified to conform to current year presentation.

Note 2. Recent Accounting Pronouncements

Changes to accounting principles generally accepted in the United States of America (U.S. GAAP) are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASU's) to the FASB's Accounting Standards Codification.

The Company considers the applicability and impact of all ASU's. ASU's not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial position or results of operations.

In June 2011, the FASB issued amendments to disclosure requirements for presentation of comprehensive income. This guidance, effective retrospectively for the interim and annual periods beginning on or after December 15, 2011 (early adoption is permitted), requires presentation of total comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In December 2011, the FASB issued an amendment to defer the presentation on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for annual and interim financial statements. The implementation of the amended accounting guidance has not had a material impact on our consolidated financial position or results of operations. In February 2013, the FASB issued amendments to disclosure requirements for presentation of comprehensive income. The standard requires presentation (either in a single note or parenthetically on the face of the financial statements) of the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source and the income statement line items affected by the reclassification. If a component is not required to be reclassified to net income in its entirety, a cross reference to the related footnote for additional information will be required. The amendments are effective prospectively for reporting

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Notes to Financial Statements

(Unaudited)

(Dollars in millions, except per share amounts)

periods beginning after December 15, 2012. The implementation of the amended accounting guidance has not had a material impact on our consolidated financial position or results of operations.

In July 2012, the FASB issued amendments to the indefinite-lived intangible asset impairment guidance which provides an option for companies to use a qualitative approach to test indefinite-lived intangible assets for impairment if certain conditions are met. The amendments are effective for annual and interim indefinite-lived intangible asset impairment tests performed for fiscal years beginning after September 15, 2012. The implementation of the amended accounting guidance has not had a material impact on our consolidated financial position or results of operations.

In February 2013, the FASB issued amendments to guidance for obligations resulting from joint and several liability arrangements. The amended guidance requires an entity to measure obligations resulting from joint and several liability arrangements for which the sum of (1) the amount of the obligation within the scope of this guidance is fixed at the reporting date, as the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and (2) any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. The amendments should be applied retrospectively to all prior periods presented for obligations within the scope of guidance that exist at the beginning of an entity's fiscal year of adoption. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 (early adoption is permitted). The implementation of the amended accounting guidance is not expected to have a material impact on our consolidated financial position or results of operations.

In March 2013, the FASB issued amendments to address the accounting for the cumulative translation adjustment when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. The amendments are effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013 (early adoption is permitted). The initial adoption has no impact on our consolidated financial position and results of operations.

Note 3. Acquisitions

In December 2012, the Company entered into a definitive agreement to acquire Intermec, Inc. (Intermec) a leading provider of mobile computing, radio frequency identification solutions (RFID) and bar code, label and receipt printers for use in warehousing, supply chain, field service and manufacturing environments for \$10 per share in cash, or an aggregate purchase price of approximately \$600 million, net of cash acquired. Intermec is a U.S. public company which operates globally and had reported 2012 revenues of approximately \$790 million. The transaction is expected to close by the end of the second quarter of 2013, pending regulatory review by the United States and the European Commission. The acquisition is expected to be funded with available cash and the issuance of commercial paper. Intermec will be integrated into our Automation and Control Solutions segment.

Honeywell International Inc.

Notes to Financial Statements

(Unaudited)

(Dollars in millions, except per share amounts)