TWO AEROSPACE GIANTS HELD MERGER TALKS

News / Manufacturer

Aerospace component suppliers HoneywellInternational and United Technologies have held talks about a merger, CNBC reported on Monday, citing people familiar with the situation.

A deal would create a company with combined sales of more than $90 billion, combining a maker of jet engines with a supplier of airplane cockpits.

United Tech's shares, part of the Dow Jones industrial average, jumped 6.6% to $93.90 in afternoon trading, while Honeywell's dipped 1.2% after earlier rising to an all-time high of $111.86. The Dow was up 1.5%.

The discussions occurred within the last two weeks and focused on a deal in which Honeywell offered a premium, largely in stock with some cash, for United Technologies, CNBC said.

United Technologies, which has been hurt by a strong dollar, unveiled a $1.5 billion restructuring plan to cut costs in December, citing slowing growth in China and weak growth in Latin America and Europe.

Honeywell, which counts Boeing BA 1.94% and Bombardier among its customers, has also cut jobs and sold or merged businesses to reduce costs.

United Technologies, which makes Pratt & Whitney aircraft engines and Otis elevators, had a

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market value of $73.80 billion as of Friday's close UTX 4.69% .

Honeywell, a maker of aerospace parts and climate control systems, had a market value of $82.55 billion HON -1.93% .

CNBC said there was no assurance that the talks would lead to a deal, adding that there could be significant concerns on the part of United Technologies over whether a deal could clear antitrust scrutiny.

Honeywell initiated the latest talks, the report said.

United Technologies spokesman John Moran declined comment. Honeywell also declined to comment.

Last year, United Technologies had approachedHoneywell about the possibility of merging the two companies, CNBC said. However, talks broke down as United Technologies' stock price suffered significant declines.

A merger then would have had United Technologies' management in control, according to CNBC.

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