



HONEYWELL CUTS 2016 SALES FORECAST ON WEAK AEROSPACE DEMAND

News / Manufacturer



Honeywell International Inc lowered its 2016 sales forecast after weak demand in the second quarter led to an unexpected drop in revenue at its aerospace division.

The company also said Britain's vote to leave European Union could weigh on economic growth in both regions long term and that it would "stay conservative" in terms of investments in the region that accounted for 22 percent of its 2015 sales.

Honeywell's shares dropped as much as 5 percent on Friday and were the third-biggest drag on the benchmark S&P 500 index.

Sales in the aerospace division, Honeywell's second-biggest revenue contributor, fell 1 percent in the quarter, while the company had expected sales to range from being flat to up 1 percent.

Honeywell said it had to pay higher incentives to commercial planemakers to select its equipment and that it was also hurt by low demand for business jets as also for helicopters due to weak energy markets.

"We saw this quarter the demand environment in business jet is lower than we anticipated and we

expect this trend to continue in the second half (of 2016)," Chief Financial Officer Tom Szlosek said on an analyst call.

Honeywell's revenue rose 2.2 percent to nearly \$10 billion, but was shy of analysts' estimates of \$10.13 billion, according to Thomson Reuters I/B/E/S.

It lowered its 2016 sales forecast to \$40.0-\$40.6 billion from \$40.3-\$40.9 billion.

Honeywell's weak aerospace sales meant the division, which makes cockpit and navigation systems among other parts, for the first time lost its rank as the top contributor to sales to the automation and control solutions (ACS) business.

Sales in the ACS business, which makes industrial safety products and controls for heating and cooling systems, rose 9 percent, helped by acquisitions.

The division contributed for 39 percent of second-quarter revenue, one percentage point more than the aerospace business.

Honeywell said it would realign the ACS business into two new divisions – home and building technologies and safety and productivity solutions – to better organize the business after the acquisitions.

Net income attributable to Honeywell rose 7.4 percent to \$1.28 billion, or \$1.66 per share, in the second quarter. That beat analysts' estimates of \$1.64 per share.

Honeywell bumped up the bottom end of its full-year earnings forecast to \$6.60 per share from \$6.55. It kept the top end at \$6.70 per share.

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SOURCE: REUTERS

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