

The Seeking Alpha logo, with the text 'Seeking Alpha' in white and a gold Greek letter alpha symbol to the right, all on a dark red background.

## Honeywell International 2009 Guidance Call Transcript

### Question-and-Answer Session

---

#### Operator

(Operator Instructions) Your first question comes from Jeff Sprague – Citi

#### Jeff Sprague – Citi

Could you share with us your thoughts on capital allocation looking into '09? Obviously you and others have kind have been in hunker down mode, paying down debt, holding share repurchase, how do we think about that as we move into '09 and does the fact that you're using equity in the pension plan color your view on repurchase in '09?

#### Dave Anderson

A little more color on what we discussed at the end of third quarter. As we said at that time, we would anticipate reducing our Commercial Paper balance by about \$800 million over the course of the fourth quarter and we're on track to do that. That would bring the CP balance down to approximately \$1.4 to \$1.5 billion at year end. We think that's a smart thing to do in this environment.

One of the things we've emphasized obviously is the strength of our balance sheet and our credit rating. Those are dear to us and I think particularly important and it's played out as being very important in this environment.

With respect to the capital allocation, our priority is going to be on maintaining our credit ratios, number one, number two, as we just announced the 10% increase in the dividend which is our fifth consecutive 10% annual increase. Number three, the financial flexibility I think from the share contribution to the pension plan is going to be important although this is proactive no mandatory funding required gives us additional flexibility in an environment where frankly we think that there will be assets that will be available that will be attractive.

I think at this time it's difficult to really know what is an attractive property but I think as time unfolds and as the economy, the downturn begins to stabilize, I think we'll see properties that will be available. We're clearly looking at this also as an opportunity where we want to be prepared on the acquisition front. We would see that as really the priorities that we see for 2009 in terms of capital allocation.

#### Jeff Sprague – Citi

Getting underneath that a little bit if you could give us a little bit more color on free cash flow solidly above net earnings but CapEx is not down and I think some of the below the line cash calls like on

restructuring are similar. Is it working capital or taxes or what are you working on to drive the cash flow in '09?

Copyright © 2008 CNET Networks, Inc. All Rights Reserved.