

The logo for Seeking Alpha, 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 Inc. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Stephen Whittaker - Sanford Bernstein.

Stephen Whittaker - Sanford Bernstein

My first question is around guidance for the second half of the year that you started to get into. If my numbers are right, I think it implies to hit the low end of your guidance you've got to hit about \$0.88 on average between each of the last two quarters. Operating deleverage in the first quarter was about 2.5 times, which implies for the second half it's going to be a lot lower. And I know you started to talk about it, but what has to go right in order for something that might be perceived as a hockey stick to really take place in the back half of this year?

Dave Cote

Well, let me start and I'll turn it over to Dave, but we're counting on no market improvement in any of this other than I suppose you could point to the inventory correction in autos that should be done as we get towards the June/July timeframe, so production finally starts to match the anemic sales level.

The biggest driver - two big drivers, I guess - the first one is all the repositioning that we talked about. Much of the benefit of that occurs more in the second half than it does the first. And that was pretty extensive, as you know. Over a 15-month period we allocated over \$400 million to it and we did more in the first quarter.

The second one that you end up seeing is the impact of purchasing. We've been doing, I'd say, pretty well on that in the first quarter, so we have a good sense of how that's going to flow through, but it's got to work its way through inventory first and that's why you'll see the bigger benefit of that in the second half than you will the first half.

So we're really counting on no market improvement, but the cost actions that we've already taken and seen some of the benefits of will show up significantly more in the second half.

Dave?

Dave Anderson

I think that's right. I think overall the restructuring is going to contribute somewhere between \$150 million and \$200 million, Steve, of incremental benefit to age comparative to the first half. On

the direct materials it's in the range of \$100 to \$135 million, call it about \$120 million, of incremental benefit year-over-year. Other cost actions are going to be a positive contributor.

Copyright © 2009 CBS Interactive, Inc. All Rights Reserved.