Honeywell 2Q Earnings Fall 38 Percent

STEPHEN MANNING AP Business Writer - July 27, 2009
WASHINGTON (AP) — Honeywell International Inc. said Monday its second quarter earnings dropped 38 percent as the company's businesses in troubled sectors like automobiles and construction continued to drag down its results.

The company said it doesn't expect any recovery this year from the recession, as customers such as airlines are expected to keep holding off on the purchase of Honeywell parts as they struggle with their own financial problems.

The Morristown, N.J.-based diversified manufacturer earned $450 million, or 60 cents per share, in the three months ended June 30, down from $723 million, or 96 cents per share, a year ago but matched the expectations of analysts polled by Thomson Reuters.

Revenue fell 22 percent to $7.56 billion from $9.67 billion a year ago. Analysts were expecting revenue of $7.73 billion.

The company expects 2009 earnings of $2.85 per share on revenue of $31.5 billion, at the low end of its previous guidance. Analysts foresee $2.83 per share and revenue of $32.61 billion.

Honeywell shares fell 24 cents to $33.75 in morning trading.

"We are executing very well. Unfortunately, it is a very tough economic environment," said Dave Cote, Honeywell's chief executive.

Honeywell has felt the sting of the recession this year, as its broad exposure to battered down sectors like aerospace and automakers reduced profits during the first half of 2009.

Analysts have applauded the company for its cost-cutting measures before the economic downturn hit and Honeywell still makes more than half of its money overseas, providing it somewhat of a hedge against the U.S. woes. Honeywell said it expects to reduce costs through restructuring by about $110 million this year with steps like plant shutdowns and furloughs, actions it expects will save $200 million next year.

But the company warned that this would still be a difficult year, and it cut its forecast when it released its first quarter earnings in April.

The second quarter demonstrates that pain continues.

Sales in the aerospace unit, which makes radar systems and other aviation equipment, dropped 17 percent to $2.7 billion. Much lower results in the company's work outfitting business jets weighed heavily on the segment, while it said many of its airline customers were choosing to use parts from their own idled plans for repairs rather than buying new Honeywell parts.

The transportation systems unit, where Honeywell makes products like turbo chargers for car engines, saw sales plunge 41 percent to $786 million. The sharp decline in auto sales has hammered the company division in recent quarters, though Honeywell said it expects some stabilization in its work on turbo engines next year as manufacturers build back inventories after making deep reductions.

Automation and control systems, which includes climate and fire control systems for buildings, posted a 17 percent sales drop to $3 billion, while Honeywell's unit that makes specialty chemicals reported a 28 percent sales drop to $1 billion.

Honeywell said many of the same trends from the first half will likely continue during the last six months of the year. Demand in business jet markets will remain weak, the company said. The continued decline in commercial real estate is also expected to impact Honeywell's building controls work.

One of the few growth areas is military sales, where Honeywell expects a 3 percent growth in sales. Dave Anderson, the company's chief financial officer, said Honeywell could also see orders worth several hundred millions of dollars in the second half of the year from stimulus work in areas like energy efficiency for buildings.