Growth Through Acquisitions

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Honeywell
M&A Process Transformation

• M&A Critical Element of Long Term Growth Story
  - When Done Right, Value Enhancing

• Historically Mixed Track Record
  - Discipline Lost in the Zeal for the Deal

• Analyzed 10 Years of Acquisitions (1992-2002)
  - Scorecard: Poor Acquisition Performance

• Failure Modes Beyond Strategic Miss
  - Poor Ownership/Integration, Overestimated Sales Synergies

• Designed New Core Process
  - Identification → Due Diligence → Valuation → Integration

Complete M&A Process Redesign
Growth Through Acquisitions

### Disciplined Acquisitions Process

<table>
<thead>
<tr>
<th>Identification</th>
<th>Due Diligence</th>
<th>Valuation</th>
<th>Integration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Then: Pre-Dave Cote</strong></td>
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<tr>
<td>• Hey, That’s for Sale</td>
<td>• Zeal for the Deal</td>
<td>• Sales Synergies Incl.</td>
<td>• Joe’s Retiring…</td>
</tr>
<tr>
<td>• Deal is the Strategy</td>
<td>• Ignore Findings</td>
<td>• Realization Rate Low</td>
<td>• Delayed Start</td>
</tr>
<tr>
<td><strong>Now: Last 10 Years</strong></td>
<td></td>
<td></td>
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<tr>
<td>• Strategy Comes First</td>
<td>• Functional Expertise</td>
<td>• Cost Synergies Only</td>
<td>• Best People Full-Time</td>
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<tr>
<td>• Constant Screening</td>
<td>• Relentless Discipline</td>
<td>• Rigorously Scoped</td>
<td>• Mgmt Development</td>
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<tr>
<td></td>
<td></td>
<td>• Price Part of Strategy</td>
<td>• Planning Starts at DD</td>
</tr>
<tr>
<td><strong>Robust Pipeline</strong></td>
<td><strong>Kill Bad Deals</strong></td>
<td><strong>Never Overpay</strong></td>
<td><strong>Great Track Record</strong></td>
</tr>
</tbody>
</table>

Novar, Zellweger, First Tech, Metrologic, Norcross, Sperian, And UOP ...Smartly Adding To Great Positions In Good Industries
HON Portfolio Reshaping

**Added: Higher Growth, Technology-Oriented Businesses**

- Aero
  - Condition Based Maintenance
  - Satellite Communications
  - Performance-based Logistics
- ACS
  - Gas Detection
  - AIDC
  - PPE
  - Building Controls
  - Oil and Gas Monitoring
  - Industrial Combustion
  - Energy / Smart Grid
- PMT
  - UOP Process Technology and Catalysts
  - Membrane Technology
  - Strategic Upstream Supply
- TS
  - Explore Potential High Growth, High Margin, Technology Adjacencies

**Exited: Slower Growth, Low Tech, Non-Core Businesses**

- Aero
  - Consumable Solutions / Aero Fasteners
- ACS
  - Consumer Products (Fans, Heaters, Etc.)
  - Automotive Sensors
- PMT
  - Plastics
  - Industrial Waxes
  - Nylon
  - Dozens of Others…
- TS
  - CPG: Automotive Consumer Products Group

**Disciplined And Smart: ~70 Acquisitions, ~50 Divestitures...Great Track Record**
Integration Best Practices

- Full-Time Integration Leader and Cross-Functional Team
- Measuring Performance Against Detailed Written Plan
- Best of the Best Talent Selection
- Realign Personal Goals and Incentives
- Best Practices Transfer From Target
- Visibility of Senior Management
- Develop Annual Operating Plan
- Carefully Vetted IT Integration
- Institute HON Compliance Processes
- Continuous Communications – CEO Reviews

Effective Integration → Key To Acquisition Success
Life Safety – A Decade Of Transformation

Growth By Business Segment

- 22% CAGR ’01-’11
- ~$0.4B
- ~$4B
- Driven By Superior Global Footprint, Sales Synergies

Geographic Growth

- Americas
- EMEA
- AP

2001 to 2012

Honeywell Investor Conference – March 7, 2012
Attractive Life Safety Space

- Large, Growing and Fragmented Space
  - Attractive Market Opportunity – $38B by 2016
  - Growth in All Global Regions

- High Profitability Potential
  - Op Margin 15% - 25%

- Highly Regulated by Codes And Standards
  - OSHA, ANSI, NFPA, NIOSH, CSA, etc.

- Great Synergy: Sales and Distribution
  - Cross Selling in Vertical End Markets

- Ability to Drive Innovation
  - Extending Portfolio From Products to Software and Services

Expanded Addressable Market From $3B To $38B
# Going After New Spaces

## Diligence
- Deep Understanding of Core Fire Customers
- Evaluated Larger Adjacent Spaces with Higher Growth Potential
- Sought Complementary Portfolio Offerings
- Identified Potential Disruptive Technologies
- Focused on Ability to Differentiate with Innovation
- Assessed 15-25% Operating Margin Potential
- Ensured Cost, Sales and Global Distribution Synergies

## Gas
- Legacy Fire Business Maturity
- Gas Detection a Key Customer Priority → Complemented Legacy Product Portfolio
- No Clear Gas Leader
- Technology Differentiation → Gas Sensors an Art
- Identified Leading Gas Providers
- Zellweger: Industrial Gas Detection, Global Footprint, New Channels and Verticals → Oil and Gas, Semiconductors
- First Technology: Portable Gas Detection, Complementary Fit with Zellweger, Lens to Protective Safety Gear
- Scale in Gas Sensors → HON Leader

## PPE
- Gas Channels Selling Protective Safety Gear
- Highly Fragmented Space → No One Player >5% Market Share
- Identified 2 Potential Candidates → Norcross, Sperian
- Norcross: Fire Service, Utility, Industrial Safety and Agriculture
- Sperian: Respiratory, Hearing, Clothing, Fall Protection
- Combination Created First Head-to-Toe Product Portfolio
- Adding Key Bolt-ons: King’s Safety Footwear
- Scale in PPE → HON Leader
- Cross-Selling, Vertical and Global Expansion Opportunities

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**Extending Into Well-Known, Attractive Adjacencies**
World Class Integration Expertise

Integration Model Powered By Honeywell Toolkit


Model Execution

• Align Goals with Strategic Plan
• Set Expectations, One HON Culture
• Deploy Full-time Integration Team
• Align Processes, Systems, Branding
• Focus on Innovation, Customers and Globalization
• Retain Best Practices From Both Sides
• Assess “Best of Both” Talent
• Operational Report Outs - CEO 360 Day Reviews

Achievements

• Highly Profitable Global Leader
• Growth > Industry – All Businesses
• World-Class “Expert” Organizations
• Integrations on Time / on Budget
• Operational Performance Enhanced By HOS Silver/Bronze Certifications
• Improved Supply Chain Metrics: DOS, OTTR, Cycle Time
• Cost Synergies Achieved Early
• Satisfied Customers, Increased Interest in End-to-End Offerings
• Technology Innovation Creating New Global Customer Opportunities

Proven, Repeatable Model
Gas Detection Performance

- Global Leader
- 2X Industry Growth
- Highly Profitable, Cash Follows
- Sustainable Factory Productivity
- Robust Technology Platform

Sales

- 2005*
- 2011

Segment Profit

- 2005*
- 2011

*Management Estimate

Outstanding Financial Performance
# HLS Transformation

## Results

- Unprecedented Growth: 10X Since 2000
- Expanded Margins Faster Than Sales
- Far Exceeding Acquisition Model Synergy Assumptions
- Increased R&D Investment Across All Acquired Businesses
- Integration Best Practices Driving Cost Synergies
- Best in Class Organizational Model
- Unified Powerful Brands Under Honeywell Umbrella
- Real Traction on Sales Synergies
- Broad Cross-SBG Selling Program → On Track to Overdrive $200M+
Disciplined Acquisition Framework

- Attractive Sub-Industries
- Aligns to Favorable Macro Trends
- Build Upon Leading Franchises
- Achieve 6-8% Cost Synergies
- Accretive “All-In” Year 2
- ROI > 10% 5th Year

Disciplined Acquisition Process Yields Above Average Growth, Margin Expansion and Double-Digit ROI

What We’ve Demonstrated...What You Should Expect
Summary

• Consistent Deployment of Process Disciplines

• Successful Execution Driven by Business Strategy

• Integrating Lessons Learned Across Portfolio

• World Class Integration Yielding Impressive Results

• While Nothing Individually Transformative…