



Growth Through Acquisitions

Anne Madden

Vice President Global M&A

Mark Levy

President Life Safety

Honeywell

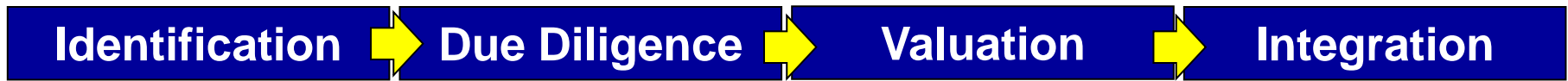
M&A Process Transformation

- **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

Disciplined Acquisitions Process

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Then: Pre-Dave Cote

- Hey, That's for Sale
- Deal is the Strategy

- Zeal for the Deal
- Ignore Findings

- Sales Synergies Incl.
- Realization Rate Low

- Joe's Retiring...
- Delayed Start

Now: Last 10 Years

- Strategy Comes First
- Constant Screening

- Functional Expertise
- Relentless Discipline

- Cost Synergies Only
- Rigorously Scoped
- Price Part of Strategy

- Best People Full-Time
- Mgmt Development
- Planning Starts at DD

Robust Pipeline

Kill Bad Deals

Never Overpay

Great Track Record

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

HON Portfolio Reshaping

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Aero

ACS

PMT

TS

Added: Higher Growth, Technology-Oriented Businesses

- Condition Based Maintenance
- Satellite Communications
- Performance-based Logistics

- Gas Detection
- AIDC
- PPE
- Building Controls
- Oil and Gas Monitoring
- Industrial Combustion
- Energy / Smart Grid

- UOP Process Technology and Catalysts
- Membrane Technology
- Strategic Upstream Supply

- *Explore Potential High Growth, High Margin, Technology Adjacencies*

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

- Consumable Solutions / Aero Fasteners

- Consumer Products (Fans, Heaters, Etc.)
- Automotive Sensors

- Plastics
- Industrial Waxes
- Nylon
- Dozens of Others...

- CPG: Automotive Consumer Products Group

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

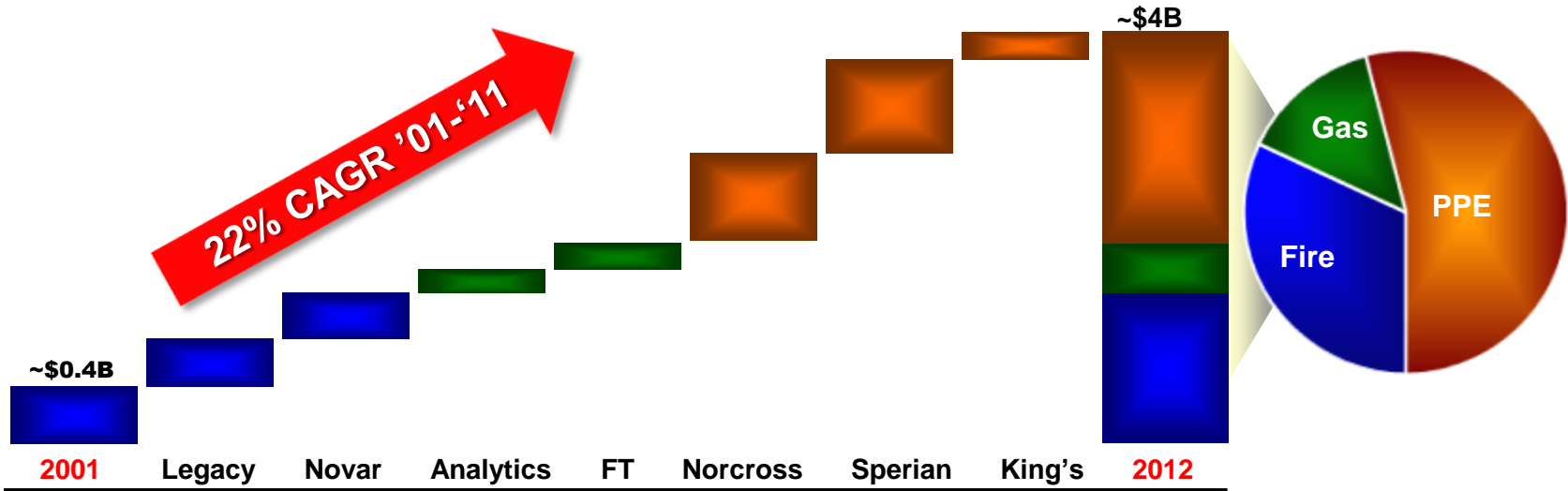
Integration Best Practices

- **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**

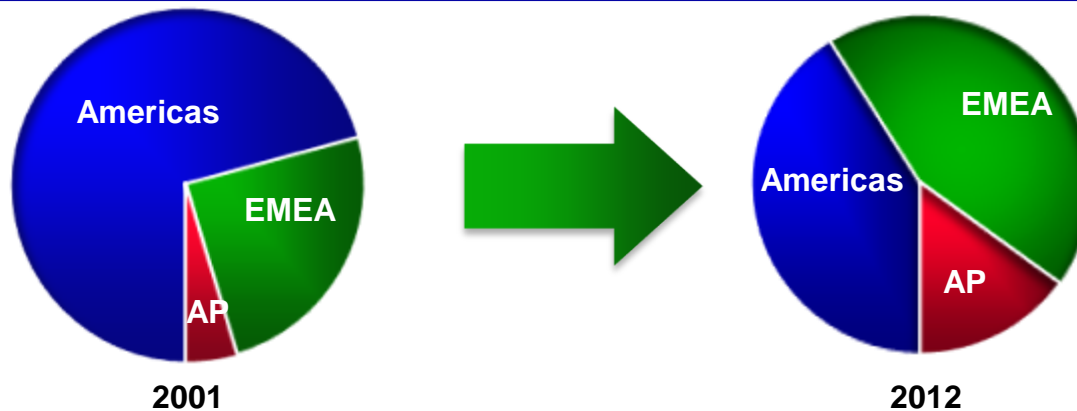
Effective Integration → Key To Acquisition Success

Life Safety – A Decade Of Transformation

Growth By Business Segment



Geographic Growth



Driven By Superior Global Footprint, Sales Synergies

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

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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

Extending Into Well-Known, Attractive Adjacencies

World Class Integration Expertise

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Integration Model Powered By Honeywell Toolkit

STRAP – AOP – MRR – NPI – ISC Dashboard – HOS

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

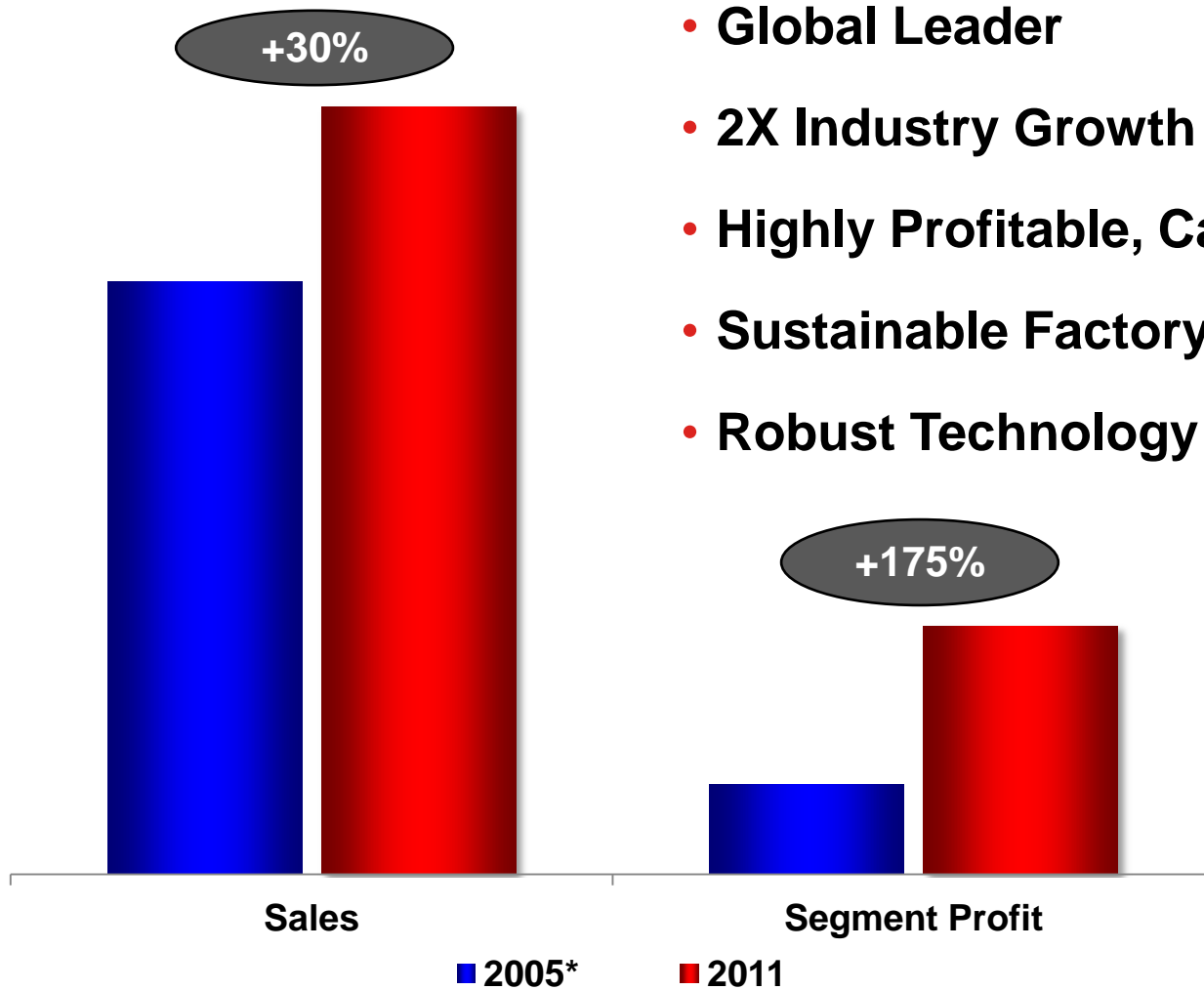
Achievements

- 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

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

*Management Estimate

Outstanding Financial Performance

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+

Winning With Global Customers, Extending Portfolio

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

- **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...**

When Taken Together, We've Transformed Over Time