Honeywell International (HON)

Updated February 12th, 2025 by Nathan Parsh

Key Metrics

Current Price:	$207	**5 Year CAGR Estimate:**	8.7%	**Market Cap:**	$135 B
Fair Value Price:	$185	**5 Year Growth Estimate:**	9.0%	**Ex-Dividend Date:**	02/26/25[1]
% Fair Value:	112%	**5 Year Valuation Multiple Estimate:**	-2.2%	**Dividend Payment Date:**	03/14/25[2]
Dividend Yield:	2.2%	**5 Year Price Target**	$285	**Years Of Dividend Growth:**	15
Dividend Risk Score:	B	**Retirement Suitability Score:**	B	**Rating:**	Hold

Overview & Current Events

Honeywell International is a diversified industrial company. Beginning with the first quarter of 2024, the company has four reportable segments: Aerospace Technologies, Industrial Automation, Building Automation, and Energy & Sustainability Solutions. Honeywell International has more than 99,000 employees around the world and more than 40% of sales come from international markets. The company generates about $40 billion in annual revenues.

On June 3rd, 2024, Honeywell International announced that it had completed its $4.95 billion acquisition of Global Access Solutions from Carrier Global (CARR).

On September 27th, 2024, Honeywell International announced a 4.6% increase in the quarterly dividend rate to $1.13, extending the company's dividend growth streak to 15 consecutive years.

On February 6th, 2025, Honeywell International announced fourth quarter and full year results for the period ending December 31st, 2024. For the quarter, revenue grew 7.0% to $10.1 billion, which beat estimates by $270 million. Adjusted earnings-per-share of $2.47 compared unfavorably to $2.60 in the prior year, but this was $0.15 more than expected. For the year, revenue grew 5% to $38.5 billion while adjusted earnings-per-share totaled $9.89. The settlement of a lawsuit from Bombardier, Inc. (BOMBF) over engine pricing reduced results by $0.45 per share.

Honeywell International announced that they plan to separate their businesses into three separate publicly traded companies: Honeywell Automation, Honeywell Aerospace, and Advanced Materials. The company had previously announced the planned separation of its Advanced Materials business. The transaction is expected to be completed in the second half of 2026. Organic sales were up 2% for the quarter. The segment margin decreased 350 basis points to 20.9%. Excluding the Bombardier settlement, segment margins were down 70 basis points to 23.7%. Adjusting for the settlement impact, revenue for Aerospace Technologies grew 11% organically, led by continued strength in demand for commercial aviation aftermarket services. Defense and space had its fourth consecutive quarter of double-digit growth. Industrial Automation was flat as growth in Process Solutions, Productivity Solutions and Services, and Safety and Sensing Technologies was offset weaker results for warehouse automation. Orders were up 50% for that business. Building Automation grew 8% due to demand for building solutions, especially from datacenter customers. Energy & Sustainability Solutions was up 1% due to demand for gas processing solutions and equipment.

Honeywell International provided an outlook for 2025 as well, with the company expecting adjusted earnings-per-share of $10.10 to $10.50 for the year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$6.04	$6.59	$7.11	$8.01	$8.16	$7.10	$8.06	$8.76	$9.16	$9.89	***$10.30***	***$15.85***
DPS	$2.15	$2.45	$2.74	$3.06	$3.36	$3.63	$3.77	$3.97	$4.17	$4.37	***$4.52***	***$6.95***
Shares[3]	770	761	751	740	723	710	696	677	661	651	***651***	***640***

[1] Estimated ex-dividend date

[2] Estimated dividend payment date

[3] In millions of shares

Disclosure: This analyst has a long position in the security discussed in this research report.

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While Honeywell International did see earnings decline 24% during the last recession, the company has managed to grow earnings every year since 2010 outside of 2020. The company rebounded from the worst of the COVID-19 pandemic and we expect earnings growth to continue to be strong. We are reaffirming our expected growth rate of 9% through 2030 due to a combination of organic growth, margin expansion, and share repurchases.

Honeywell International has paused, but not cut, its dividend growth several times over the past two decades, most recently in 2010. We forecast that dividend will grow in line with earnings going forward.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	16.9	17.0	18.9	18.8	20.3	23.0	25.9	24.5	22.9	22.8	***20.1***	***18.0***
Avg. Yld.	2.1%	2.2%	2.0%	2.0%	2.0%	2.2%	1.8%	1.9%	2.0%	1.9%	***2.2%***	***2.4%***

Honeywell International shares have declined $2, or 1.0%, since our October 25th, 2024 report. We are reaffirming our target P/E of 18 from 17 to better match the stock's average P/E over the last decade. Using adjusted earnings-per-share estimates for 2025, shares have a forward multiple of 20.1, implying a possible headwind from multiple reversion. If shares reverted to our target multiple by 2030 then total returns could be reduced by 2.2% per year over this period.

Safety, Quality, Competitive Advantage, & Recession Resiliency

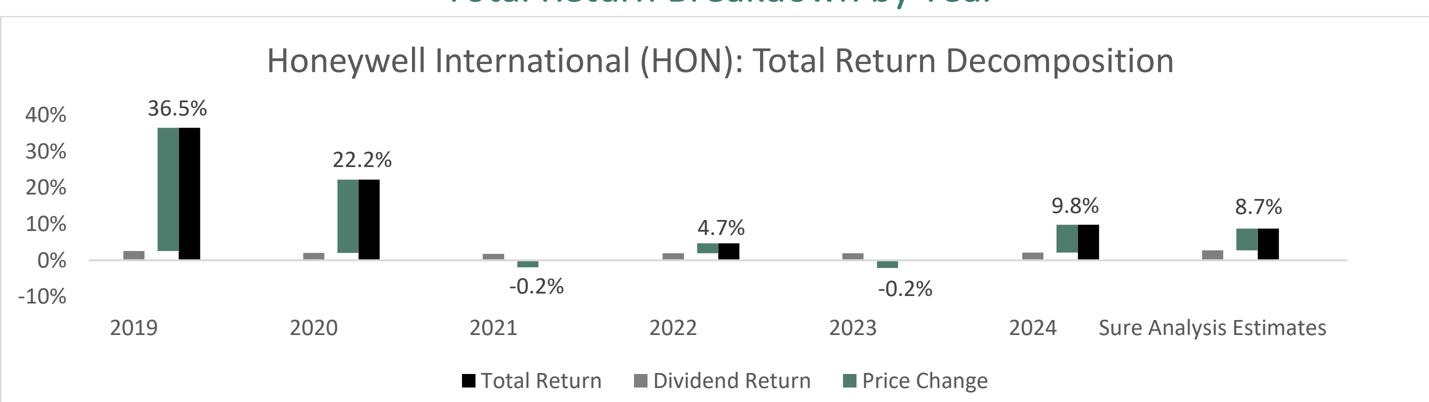
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	36%	37%	39%	38%	41%	51%	47%	45%	46%	44%	***44%***	***44%***

Industrial companies tend to perform very well when the economy is strong, but struggle in weak economic climates. As with most industrial companies, Honeywell International saw earnings decline in 2020, but results improved greatly over the last two years. Honeywell International divested two lower margin businesses in the form of spin offs recently. This should allow the company to focus on its higher margin businesses, particularly in Aerospace, where military products and aftermarket services should see growth as well. With a strong economy, the company's other products, such as Intelligrated and industrial products like Solstice, should perform well. We see Honeywell's strong position in these markets as its competitive advantage.

Final Thoughts & Recommendation

Honeywell International is expected to return 8.7% annually through 2030. Our projected return stems from a 9% earnings growth rate and a 2.2% starting yield, partially offset by a low single-digit headwind from multiple reversion. Honeywell is a clear leader in the areas that it operates. The announced separation of businesses into standalone companies could help unlock value for shareholders. We have raised our five-year price target $3 to $285, but we continue to view shares of Honeywell International as a hold due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	38,581	39,302	40,534	41,802	36,709	32,637	34,392	35,466	36,662	38,498
Gross Profit	11,834	11,625	12,390	12,756	12,370	10,468	12,331	13,119	13,667	14,662
Gross Margin	30.7%	29.6%	30.6%	30.5%	33.7%	32.1%	35.9%	37.0%	37.3%	38.1%
SG&A Exp.	5,006	5,574	6,087	6,051	5,519	4,772	4,798	5,214	5,127	5,466
D&A Exp.	883	1,030	1,115	1,116	1,088	1,002	1,223	1,204	1,176	1,334
Operating Profit	6,828	6,051	6,303	6,705	6,851	5,696	6,200	6,427	7,084	7,660
Op. Margin	17.7%	15.4%	15.5%	16.0%	18.7%	17.5%	18.0%	18.1%	19.3%	19.9%
Net Profit	4,768	4,812	1,545	6,765	6,143	4,779	5,542	4,966	5,658	5,705
Net Margin	12.4%	12.2%	3.8%	16.2%	16.7%	14.6%	16.1%	14.0%	15.4%	14.8%
Free Cash Flow	4,446	4,403	4,935	5,606	6,058	5,302	5,143	4,508	4,301	4,933
Income Tax	1,739	1,603	5,362	659	1,329	1,147	1,625	1,412	1,487	1,473

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	49,316	54,146	59,470	57,773	58,679	64,586	64,470	62,275	61,525	75,196
Cash & Equivalents	5,455	7,843	7,059	9,287	9,067	14,275	10,959	9,627	7,925	10,567
Acc. Receivable	7,901	8,177	8,866	7,508	7,493	6,827	6,830	7,440	7,530	7,819
Inventories	4,420	4,366	4,613	4,326	4,421	4,489	5,138	5,538	6,178	6,442
Goodwill & Int.	20,472	22,341	22,773	19,685	19,297	19,618	21,369	20,719	21,280	28,481
Total Liabilities	30,608	34,596	42,800	39,408	39,966	46,789	45,221	44,949	45,084	56,035
Accounts Payable	5,580	5,690	6,584	5,607	5,730	5,750	6,484	6,329	6,849	6,880
Long-Term Debt	12,068	15,775	17,882	16,214	16,002	22,384	19,599	19,570	20,443	31,099
Total Equity	18,283	19,369	16,502	18,180	18,494	17,549	18,569	16,697	15,856	19,154
LTD/E Ratio	0.66	0.81	1.08	0.89	0.87	1.28	1.06	1.17	1.29	1.62

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	10.1%	9.3%	2.7%	11.5%	10.6%	7.8%	8.6%	7.8%	9.1%	8.3%
Return on Equity	26.0%	25.2%	8.5%	38.6%	33.1%	26.2%	29.9%	27.2%	33.5%	32.0%
ROIC	16.6%	14.6%	4.4%	19.6%	17.7%	12.8%	14.0%	13.1%	15.3%	13.1%
Shares Out.	770	761	751	740	723	710	696	677	661	651
Revenue/Share	48.88	50.69	52.50	55.51	50.27	45.89	49.10	51.92	54.87	58.75
FCF/Share	5.63	5.68	6.39	7.44	8.30	7.46	7.34	6.60	6.44	7.53

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.