

“We see customers moving towards digitization”

Tim Lee, Vice President and General Manager Honeywell Thermal Solutions, talks with heat processing about acquisitions, globalization and the future of digitization.

Honeywell Thermal Solutions has acquired Elster. What was the intention of this acquisition?

Tim Lee: Right now, we are into our third year at Honeywell Thermal Solutions as a combined business of several brands, including Elster / Kromschroder. The big driver for the acquisition was that the Elster business filled gaps in the Honeywell portfolio. It makes us to the number one combustion company in the world – from products to a complete engineered-to-order combustion solution.

Can you give us a short overview of the brands belonging to Honeywell Thermal Solutions?

Tim Lee: In the past, the company had been big in residential and commercial combustion, but did not have a big footprint in the industrial combustion market. Ten years ago, Honeywell acquired Maxon, which enhanced our industrial combustion portfolio. Two years ago, we acquired Elster and with that acquisition Eclipse, Hauck, Kromschroder, Exothermics and Honeywell Combustion Safety. The company is now composed of seven different portfolio brand offerings, but we have actually narrowed the brands down to four: Honeywell, which is the commercial combustion business; Honeywell Eclipse, which represents the legacy Eclipse business burners, most specifically low-temperature and high-temperature; Honeywell Kromschroder, which is burner controls, valves, and also high-temperature burners; and Honeywell Maxon, which has industrial shut-up valves and a large portfolio of low-temperature burners.

Honeywell is a worldwide business. What is your business strategy for the European market?

Tim Lee: Honeywell's traditional strength has been in the

Americas. The Elster acquisition gives us a stronger presence in Germany and across Europe.

One of the elements we are excited about is that Kromschroder has a strong portfolio across fuel delivery and burner controls. Honeywell has great expertise in industrial software and brings the Industrial Internet of Things to that traditional Kromschroder base. We want to become a globally connected combustion business by applying more and more software in our portfolio. Thermal IQ is our first launch in this space and will be available to European customers later this year. It is a remote monitoring solution that connects our burner control management systems to the cloud, making thermal process data available anytime and anywhere on a smart device. Remote management systems can monitor everything from firing rates to various outputs from that system, drive preventative maintenance and optimization.

“The Elster acquisition filled gaps in the Honeywell portfolio”

What business areas are becoming more important for the future?

Tim Lee: From Honeywell's perspective we can now leverage the power of a con-

connected combustion business and move from just selling discrete products to selling complete solutions. That allows us to provide diagnostics, analytics, and also outcome-based solutions, such as emissions control or efficiency gains, to our customers.

Our portfolio includes over 250 different product families. The differentiator going forward will be the service we can provide around these products. Many of our customers are no longer able to monitor, maintain and adjust their combustion systems. We can do the monitoring, diagnostics and analytics remotely via connected combustion and offer them services based on their level of expertise.

We see our combustion knowledge and our hardware

Interview: Thomas Schneidewind, Lena Langenkämper and Martha Schmelz

as the vehicle to deploy this unique Honeywell approach. There are over 1 Mio. burners globally controlled by a Honeywell controller. That is a great opportunity for our customers to use our software and upgrade their performance.

What is your unique selling proposition in combustion controls compared to your competitors?

Tim Lee: Our biggest differentiator in Honeywell Thermal Solutions is our portfolio of thermal transfer solutions, which is the most versatile, innovative and comprehensive in the world, covering from commercial to heavy industrial applications, and backed by unparalleled expertise in process automation.

Most of our competitors are either on the burner side or on the valve, control or flame management side. Very few do both. Whether it is high-temperature and low-temperature burner management systems or commercial boiler type applications – our portfolio covers it.

Furthermore, the domain expertise of our highly trained and skilled thermal process experts and application engineers as well as our extensive channel partner portfolio set us apart from other suppliers. We look into the customers' applications and requirements, and finally offer them a turnkey solution for their individual process.

What is your preferred management strategy?

Tim Lee: Within Honeywell, we are constantly developing our people, for example through special mentoring programs, to reach their next management level or leadership position. Leaders within Honeywell need to manage various functions to support customers and fulfill their requirements. The challenge is to work cross-functionally, across all these different teams, having one vision of how to serve our customers and move our business forward. It is crucial to drive the alignment of all enablers and processes for the business to perform. The supply chain, the factories

or research & development – all need alignment between the different functions, because, ultimately, we need one vision, and one goal, with everyone lined up to execute.

What's the growth strategy of Honeywell?

Tim Lee: We do not want to be a "me too" provider, but a leading company and a technology driver. So we are continuously looking for opportunities to develop and expand our existing portfolio. We want to address key industry trends such as globalization and IIoT in the industrial combustion area; growing demand for end-user trainings; and aftermarket services due to aging workforce.

We are also continuously looking for opportunities to reinvent ourselves, so there is a lot more to come.

How does your company deal with globalization?

Tim Lee: The market is becoming more and more global, but there are still regional and local differences, with different codes and standards from one country to the next, and even within different regions of the same country. From a development standpoint, we look for platform portfolios across the globe and then leverage the wider Honeywell group to drive those global efforts while maintaining local expertise.

As former President of IHEA, can you give us some insights into the US market?

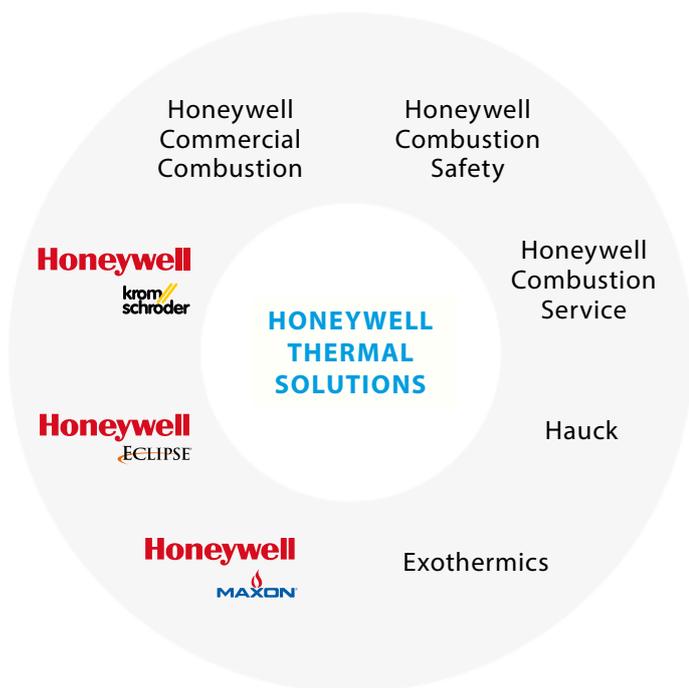
Tim Lee: We see great opportunities in the US market. The falling US dollar will help OEMs in the US because it makes them more competitive overseas. The industry itself is pretty optimistic about the future over the next few years.



“Stricter emission standards will continue to be a big driver for our business”

Honeywell Thermal Solutions (HTS)

Honeywell Thermal Solutions offers from commercial to heavy industrial applications, backed by expertise in process automation. HTS is a part of Honeywell Process Solutions.



Comparing the US and the European markets, there is very little difference in the combustion technology. The difference comes to the codes and standards, whether you are in the US, Europe or various parts of Asia. The certifications required on the equipment are usually different as well, as are the emission standards.

There are global efforts to align on a single set of standards, but we will see how that works out.

How do you evaluate the latest economic developments in China?

Tim Lee: China remains one of the regions with the biggest growth in many markets, and a strong presence there is a key enabler of growth.

We have been in China as a Thermal Solutions business for over 20 years now and we have seen and continue to see significant growth opportunities. One of the big movers in China is that they are looking for stricter emission standards because of pollution. That will continue to be a big driver for our business.

As China continues to look for pollution control and abatement strategies, one strategy is to move the industrial companies, which are major polluters, out of the large cities into more rural areas. That opens opportunities for us because they are going to need more ovens, furnaces, dryers, and so on. That is where our products fit in, and it actually will potentially benefit not only Honeywell, but the entire thermal solutions market.

How will production change due to digitization of the economy?

Tim Lee: The Smart Factory movement is driven by companies looking for productivity gains and to improve their processes, be more productive and raise their quality. Those are drivers for this differentiation and for these smart factories.

We see more and more customers moving towards digitization. At some point in the future, it will become the standard. Almost all companies will move that way, but they are not going to have the expertise on staff to do all these different things, and they have to rely on third parties to provide it. That is where we come in.

Will energy efficiency be more important in the future – and what will be the consequences for the heat treatment industry?

Tim Lee: Energy efficiency is a kind of regional issue. It used to be tied entirely to the cost of energy, and as the price declined, efficiency lost its appeal for companies.

What we can see now is that, especially in some regions, due to global warming, companies are beginning to say that they need to become better stewards of our planet, and they are asking what we offer to do help with that.

From an energy efficiency standpoint one of the biggest problems in energy usage is poor air-fuel-ratio control on the burner itself. From this perspective the burner is a metal with several holes in it. The air-fuel-ratio control system maintains a precise air-fuel-ratio, which has a real impact on not only the emissions but also on the efficiency.

And so there are opportunities through a connective strategy again. We can take over the air-fuel-ratio control for a customer as an outcome-based solution to make sure that it is always using an optimized amount of fuel no matter what changes. For example ambient temperature changes, plugged air filters or anything that has an impact on the efficiency of a burner system.

Can you specify the different requirements concerning energy efficiency in Europe and the US?

Tim Lee: I think there are differences; as we already said it is a global world in general but there are a lot of regional differences within the structure of the global marketplace.

The US is not as heavily regulated as Europe would be, including around energy efficiency. But what we are finding is that being green and energy efficient is part of large multinational corporations' marketing strategies, and they do this globally. This means that, no matter where they are in the world, they want to be green. .

The small, privately held companies on the other hand, in areas where they do not have to, from a regulation standpoint, tend to go a different way because they are in a situation where they have to consider the costs to be competitive. Still, while it is a question of individual compa-

nies and specific regions, in general the global movement is towards emission sensitivity and energy efficiency.

In short what is the vision of Honeywell Thermal Solutions?

Tim Lee: The vision of Honeywell Thermal Solutions is to be a global, industrial and commercial combustion provider with leading technology solutions, including software and cloud-based connected strategies.

Thank you for the interview.