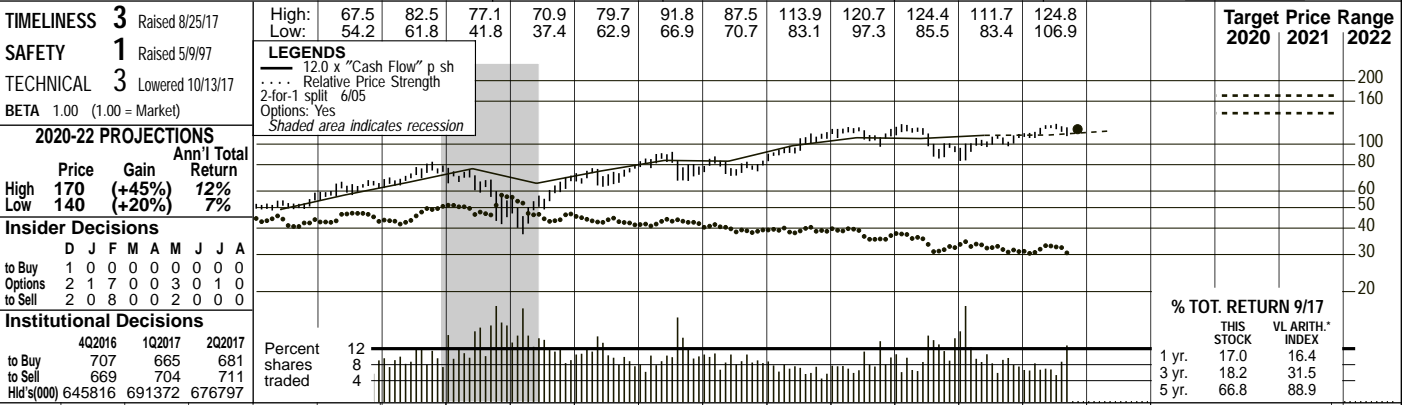


UNITED TECH. NYSE-UTX

RECENT PRICE **117.71** P/E RATIO **17.6** (Trailing: 17.7 Median: 15.0) RELATIVE P/E RATIO **0.88** DIV'D YLD **2.4%** **VALUE LINE**



2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	20-22
29.54	30.04	30.19	36.63	41.70	48.04	55.79	62.27	56.49	58.97	64.14	62.80	68.32	71.59	66.92	70.79	74.30	78.40	Revenues per sh	97.50
2.98	3.15	3.07	3.68	4.09	4.79	5.50	6.38	5.43	6.22	6.97	6.93	8.19	8.94	8.86	9.18	9.20	9.65	"Cash Flow" per sh	13.50
1.92	2.21	2.35	2.73	3.05	3.64	4.27	4.90	4.12	4.74	5.49	5.34	6.21	6.82	6.29	6.61	6.60	6.90	Earnings per sh ^A	10.25
.45	.49	.57	.70	.88	1.02	1.17	1.35	1.54	1.70	1.87	2.03	2.20	2.36	2.56	2.62	2.72	2.84	Div'ds Decl'd per sh ^B	3.46
.84	.62	.52	.78	.92	.96	1.17	1.29	.88	.94	1.08	1.51	1.84	1.88	1.97	2.10	2.25	2.30	Cap'l Spending per sh	2.45
8.53	8.90	11.39	13.70	16.76	17.37	21.76	16.89	21.42	23.21	24.12	28.20	34.76	34.32	32.63	34.10	37.50	41.20	Book Value per sh ^C	49.55
944.32	939.24	1028.1	1022.2	1013.9	995.70	981.52	942.29	936.74	921.27	907.22	918.85	916.69	909.38	838.34	808.70	800.00	800.00	Common Shs Outst'g ^D	800.00
18.1	14.8	15.6	16.9	17.0	16.9	16.8	13.1	13.4	15.0	14.6	14.7	16.0	16.4	17.0	15.3	15.0	15.0	Avg Ann'l P/E Ratio	15.0
.93	.81	.89	.89	.91	.91	.89	.79	.89	.95	.92	.94	.90	.86	.86	.80	.86	.80	Relative P/E Ratio	.95
1.3%	1.5%	1.6%	1.5%	1.7%	1.6%	1.6%	2.1%	2.8%	2.4%	2.3%	2.6%	2.2%	2.1%	2.4%	2.6%	2.4%	2.6%	Avg Ann'l Div'd Yield	2.2%

CAPITAL STRUCTURE as of 6/30/17																							
Total Debt \$26.6 bill. Due in 5 Yrs \$10.0 bill.																		Revenues (\$mill)		78000			
LT Debt \$23.9 bill. LT Interest \$1.3 bill.																		Operating Margin		21.8%			
																		Depreciation (\$mill)		2600			
																		Net Profit (\$mill)		8200			
																		Income Tax Rate		28.5%			
Annual Rentals Leases, uncapped \$462 mill.																		Net Profit Margin		10.5%			
Pension Assets-12/16 \$30.6 bill.																		Working Cap'l (\$mill)		11250			
																		Long-Term Debt (\$mill)		20000			
Preferred Stock None																		Shr. Equity (\$mill)		39650			
Common Stock 798,772,783 shares																		Return on Total Cap'l		14.5%			
MARKET CAP: \$94.0 billion (Large Cap)																		Return on Shr. Equity		20.5%			
CURRENT POSITION				2015	2016	6/30/17															Retained to Com Eq		13.5%
				2015	2016	6/30/17															All Div'ds to Net Prof		34%
Cash Assets				7075	7157	9345																	
Receivables				10653	11481	12597																	
Inventory (Avg Cst)				8135	8704	9860																	
Other				843	1208	1027																	
Current Assets				26706	28550	32829																	
Accts Payable				6875	7483	8542																	
Debt Due				1105	2204	2743																	
Other				14638	12219	12634																	
Current Liab.				22618	21906	23919																	

BUSINESS: United Technologies Corp. operates in four business segments: *Pratt & Whitney* (revenues of \$14.9 billion in '16) makes and services commercial and military aircraft engines; *Otis* (\$11.9 billion) the world's largest manufacturer and servicer of elevators and escalators; *UTC Climate* (\$16.9 billion) makes heating, ventilating, and air-conditioning (HVAC) equipment; *UTC Aerospace* (\$14.5 billion) produces aerospace and industrial products. Acquired Goodrich (aerospace) 7/12, sold Sikorsky (helicopters) in 2015. Dirs. & offs. own less than 1% of common; State Street, 11.8%; Vanguard, 6.5%; BlackRock, 5.4% (3/17 proxy). Employees: 201,600. CEO: Gregory J. Hayes. Inc.: DE. Addr.: 1 Financial Plaza, Hartford, CT 06101. Tel.: 860-728-7000. Web: www.utc.com.

United Technologies is beefing up its aerospace position in a big way. After an elongated period of whispers and speculation, the industrial conglomerate and Dow-30 component has agreed to buy airplane equipment maker Rockwell Collins (COL) for about \$30 billion including debt, the largest aerospace deal ever. UTX will pay \$140 a share, with \$93.33 in cash and the remaining \$46.67 in company stock. Both boards have approved the marriage, and the combination should create one of the largest aerospace suppliers in the world with annual revenues in the vicinity of \$38 billion and Boeing as a sizable client. However, skeptics came out of the woodwork immediately. The largest complaint was that the price tag was too lofty, while the synergies/value creation was not worth the price. On the day the news broke, UTX stock fell as much as 6%.

We are not expecting any earnings growth from this company in 2017. The campaign has already been labeled a transition year, and now with Rockwell coming into the fold, restructuring and integration costs should be even larger. Note that we are not including any impact from the COL agreement at this time, as it is not yet finalized (*Value Line* policy). Management is still pouring funding into programs that will reap rewards down the line, jet engines being a top priority. Elsewhere, coverage concerns at Otis have led to further capital outlays that will pinch EPS. In that vein, and in light of the aforementioned sizable purchase, executives have stated that buybacks will likely be halted for the next three or four years. That should save about \$2 billion. Also, any additional M&A activity will be limited for the foreseeable future.

Out to early next decade, United Technologies should be in a much-better position for annual gains. The foundation for more success is being firmly laid for segments that are already doing fairly well. Earnings should surpass the \$10-a-share mark by 2020-2022. **The income component is the leading characteristic from an investment perspective.** Patient investors should be content to pocket this stipend while awaiting greener pastures ahead for this neutrally ranked selection.

Erik M. Manning October 13, 2017

(A) Diluted EPS. Excludes discontinued operations: '04, 15¢, '05, 6¢, '12, 32¢, '13, 4¢, '16, 49¢. Quarterly figures may not sum due to rounding and/or changes in share count. Next earnings report due between October 23rd and 27th.	(B) Dividends historically paid in early March, June, September, and December. ■ Dividend reinvestment plan available.	(C) Includes intangibles. In 2016: \$42.7 billion, \$52.80 a share.	(D) In millions, adjusted for stock split.	Company's Financial Strength	A++
				Stock's Price Stability	100
				Price Growth Persistence	55
				Earnings Predictability	90