

# UNITED TECH. NYSE-UTX

RECENT PRICE **124.91** P/E RATIO **18.1** (Trailing: 18.8 Median: 15.0) RELATIVE P/E RATIO **0.98** DIV'D YLD **2.2%** **VALUE LINE**

**TIMELINESS** 4 Lowered 3/9/18  
**SAFETY** 1 Raised 5/9/97  
**TECHNICAL** 2 Raised 3/23/18  
**BETA** 1.00 (1.00 = Market)

High: 82.5 77.1 70.9 79.7 91.8 87.5 113.9 120.7 124.4 111.7 128.5 139.2  
 Low: 61.8 41.8 37.4 62.9 66.9 70.7 83.1 97.3 85.5 83.4 106.9 121.2

**LEGENDS**  
 — 12.0 x "Cash Flow" p sh  
 ... Relative Price Strength  
 Options: Yes  
 Shaded area indicates recession

**2021-23 PROJECTIONS**

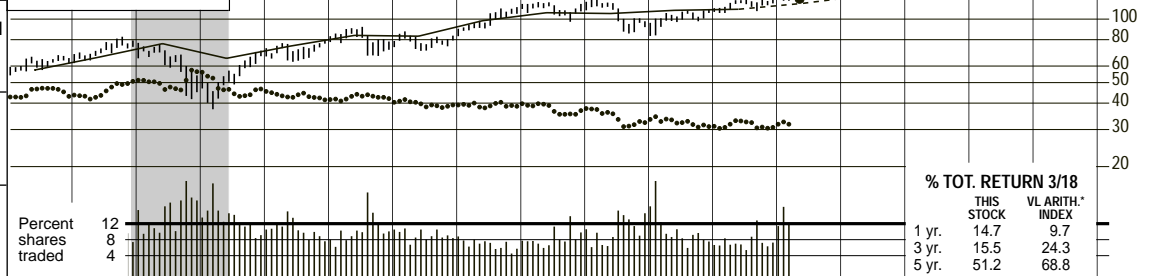
Price	Gain	Ann'l Total Return
High 180	(+45%)	11%
Low 150	(+20%)	7%

**Insider Decisions**

	J	J	A	S	O	N	D	J	F
to Buy	0	0	0	0	0	0	0	0	0
Options	0	1	0	0	0	0	3	2	9
to Sell	0	0	0	0	0	0	3	2	1

**Institutional Decisions**

	2Q2017	3Q2017	4Q2017
to Buy	681	718	666
to Sell	711	698	666
Hlds(000)	676797	685332	645814



2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	© VALUE LINE PUB. LLC	21-23
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	74.88	<b>80.30</b>	<b>85.35</b>	Revenues per sh	104.35
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	9.27	<b>9.90</b>	<b>10.80</b>	"Cash Flow" per sh	14.55
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	<b>7.05</b>	<b>7.75</b>	Earnings per sh <sup>A</sup>	11.00
.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	<b>2.84</b>	<b>3.00</b>	Div's ds Decl'd per sh <sup>B</sup>	3.60
.62	.52	.78	.92	.96	1.17	1.29	.88	.94	1.08	1.51	1.84	1.88	1.97	2.10	2.52	<b>2.55</b>	<b>2.65</b>	Cap'l Spending per sh	3.00
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	37.05	<b>40.45</b>	<b>43.80</b>	Book Value per sh <sup>C</sup>	53.85
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	799.13	<b>795.00</b>	<b>790.00</b>	Common Shs Outst'g <sup>D</sup>	780.00
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	17.7	<b>17.5</b>	<b>18.0</b>	Avg Ann'l P/E Ratio	15.0
.81	.89	.89	.91	.91	.89	.79	.89	.95	.92	.94	.90	.86	.86	.80	.88	<b>.85</b>	<b>.85</b>	Relative P/E Ratio	.85
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%	2.3%	<b>2.2%</b>	<b>2.2%</b>	Avg Ann'l Div'd Yield	2.2%

**CAPITAL STRUCTURE as of 12/31/17**  
 Total Debt \$27.5 bill. Due in 5 Yrs \$11.8 bill.  
 LT Debt \$25.0 bill. LT Interest \$1.4 bill.  
 (46% of Cap'l)

Annual Rentals Leases, uncapped \$498 mill.  
 Pension Assets-12/17 \$35.7 bill. Oblig. \$32.6 bill.

Preferred Stock None  
 Common Stock 799,778,295 shares

**MARKET CAP: \$99.9 billion (Large Cap)**

58681	52920	54326	58190	57708	62626	65100	56098	57244	59837	<b>63850</b>	<b>67410</b>	Revenues (\$mill)	81400
15.2%	14.6%	15.6%	15.2%	14.3%	15.8%	16.0%	20.6%	17.0%	15.8%	<b>17.5%</b>	<b>18.0%</b>	Operating Margin	22.0%
1321.0	1258.0	1356.0	1347.0	1524.0	1821.0	1907.0	1863.0	1962.0	2140.0	<b>2255</b>	<b>2400</b>	Depreciation (\$mill)	2750
4689.0	3829.0	4373.0	4979.0	4840.0	5686.0	6220.0	5563.0	5462.0	5271.0	<b>5605</b>	<b>6125</b>	Net Profit (\$mill)	8580
27.1%	27.4%	27.9%	29.3%	24.8%	26.9%	25.5%	31.5%	22.5%	27.4%	<b>22.0%</b>	<b>22.0%</b>	Income Tax Rate	22.5%
8.0%	7.2%	8.0%	8.6%	8.4%	9.1%	9.6%	9.9%	9.5%	8.8%	<b>8.8%</b>	<b>9.1%</b>	Net Profit Margin	10.5%
4665.0	5281.0	5778.0	7142.0	5824.0	6642.0	6863.0	4088.0	6644.0	8467.0	<b>8970</b>	<b>9400</b>	Working Cap'l (\$mill)	11300
9337.0	8257.0	10010	9501.0	21597	19741	17872	19320	21697	24989	<b>24500</b>	<b>23500</b>	Long-Term Debt (\$mill)	21000
15917	20066	21385	21880	25914	31866	31213	27358	27579	29610	<b>32150</b>	<b>34600</b>	Shr. Equity (\$mill)	42000
19.8%	14.6%	14.9%	16.6%	11.1%	11.9%	13.7%	12.7%	12.1%	10.5%	<b>11.0%</b>	<b>11.5%</b>	Return on Total Cap'l	14.5%
29.5%	19.1%	20.4%	22.8%	18.7%	17.8%	19.9%	20.3%	19.8%	17.8%	<b>17.5%</b>	<b>17.5%</b>	Return on Shr. Equity	20.5%
21.9%	12.3%	13.5%	15.4%	11.9%	11.9%	13.4%	12.4%	12.3%	10.8%	<b>10.5%</b>	<b>11.0%</b>	Retained to Com Eq	14.0%
26%	35%	34%	32%	36%	34%	33%	39%	38%	39%	<b>40%</b>	<b>39%</b>	All Div'ds to Net Prof	33%

**CURRENT POSITION**

	2015	2016	12/31/17
Cash Assets	7075	7157	8985
Receivables	10653	11481	12595
Inventory (Avg Cst)	8135	8704	9881
Other	843	1208	1397
Current Assets	26706	28550	32858
Accts Payable	6875	7483	9579
Debt Due	1105	2204	2496
Other	14638	12219	12316
Current Liab.	22618	21906	24391

**BUSINESS:** United Technologies Corp. operates in four business segments: *Pratt & Whitney* (revenues of \$16.2 billion in '17) makes and services commercial and military aircraft engines; *Otis* (\$12.3 billion) the world's largest manufacturer and servicer of elevators and escalators; *UTC Climate* (\$17.8 billion) makes heating, ventilating, and air-conditioning (HVAC) equipment; *UTC Aerospace*

(\$15.0 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, 11.3%; Vanguard, 7.2%; BlackRock, 5.9% (3/18 proxy). Employees: 205,000. CEO: Gregory J. Hayes. Inc.: DE. Addr.: 1 Financial Plaza, Hartford, CT 06101. Tel.: 860-728-7000. Web: www.utc.com.

**ANNUAL RATES**

of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '15-'17 to '21-'23
Revenues	4.0%	2.5%	6.5%
"Cash Flow"	6.5%	6.5%	8.0%
Earnings	6.0%	4.5%	9.0%
Dividends	10.0%	7.0%	5.5%
Book Value	6.5%	6.5%	7.5%

**United Technologies shares have been moving of late on management bringing up the topic of a breakup.** CEO Gregory Hayes, who initially seemed to be against such a move, appears to have weakened his stance and is more inclined to consider some options, given his recent commentary. The considerable Rockwell Collins (RC) acquisition, coupled with the sizable benefit of tax relief, head the list of reasons why leadership could be more apt to separate its various segments at this time. Exactly how the three-way split would be executed has not been laid out in concrete terms, but the sizable aerospace arm, which will be even bigger once the RC pact closes in June or July, would clearly be its own entity. **Activist investors have begun getting on board in the hopes that some value creation will be in the near-term cards.** Money managers look at the elevator business with \$12.3 billion in annual revenues in 2017 and the climate arm with \$17.8 billion in yearly receipts and see great potential from a split. Dan Loeb and his activist fund Third Point have begun initiating a position here fol-

lowing suit with Bill Ackman's Pershing Square Capital. Just how large these investments are has not yet been disclosed, but we think they are barking up the wrong tree. Splits and spinouts are great when a particular branch is being neglected, however, that does not look to be the case with UTX. Yes, GE has brought a noticeable amount of disdain on the conglomerate setup. Still, United is securely positioned as an industrial diversified and its breakup could result in a bevy of synergies and one-time costs that would further cloud the picture of what we view as a brightening future. **In the meantime, earnings are expected to ramp up in the next few years, assuming the current portfolio remains constant.** Tax relief and the favorable impact of adding RC to an already strong aerospace platform should push EPS past the \$7.00 mark this year, and then to \$7.75 in 2019, in our view. **We like these untimely shares from a longer-term view.** Appreciation potential and an above average dividend yield combine for a good total return story. *Erik M. Manning* April 13, 2018

**QUARTERLY REVENUES (\$mill.)**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2015	13320	14690	13788	14300	56098
2016	13357	14874	14354	14659	57244
2017	13815	15280	15062	15680	59837
2018	<b>14630</b>	<b>16230</b>	<b>16195</b>	<b>16795</b>	<b>63850</b>
2019	<b>15500</b>	<b>17125</b>	<b>17100</b>	<b>17685</b>	<b>67410</b>

**EARNINGS PER SHARE <sup>A</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2015	1.58	1.73	1.61	1.37	6.29
2016	1.47	1.82	1.76	1.56	6.61
2017	1.48	1.85	1.73	1.60	6.60
2018	<b>1.50</b>	<b>1.90</b>	<b>1.90</b>	<b>1.75</b>	<b>7.05</b>
2019	<b>1.65</b>	<b>2.10</b>	<b>2.05</b>	<b>1.95</b>	<b>7.75</b>

**QUARTERLY DIVIDENDS PAID <sup>B</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2014	.59	.59	.59	.59	2.36
2015	.64	.64	.64	.64	2.56
2016	.64	.66	.66	.66	2.62
2017	.66	.66	.70	.70	2.72
2018	.70				

(A) Diluted EPS. Excludes charges and discontinued operations: '04, 15c; '05, 6c; '12, 32c; '13, 4c; '16, 49c; '17, 90c. Quarterly figures may not sum due to rounding and/or changes in share count. Next earnings report due between April 24th and 30th.

(B) Dividends historically paid in early March, June, September, and December. ■ Dividend reinvestment plan available. (C) Includes intangibles. In 2017: \$43.8 billion, \$54.81 a share. (D) In millions.

**Company's Financial Strength** A++  
**Stock's Price Stability** 100  
**Price Growth Persistence** 55  
**Earnings Predictability** 90