

UNITED TECH. NYSE-UTX

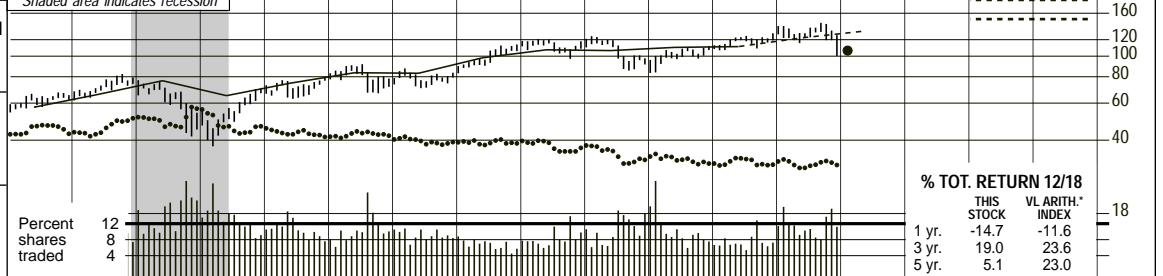
RECENT PRICE **106.48** P/E RATIO **14.2** (Trailing: 14.6; Median: 15.0) RELATIVE P/E RATIO **0.95** DIV'D YLD **2.8%**

VALUE LINE

TIMELINESS 3 SAFETY 1 TECHNICAL 2 BETA 1.00 (1.00 = Market)	Raised 9/28/18 Raised 5/9/97 Lowered 1/11/19	High: 82.5 Low: 61.8	77.1 41.8	70.9 37.4	79.7 62.9	91.8 66.9	87.5 70.7	113.9 83.1	120.7 97.3	124.4 85.5	111.7 83.4	128.5 106.9	144.1 100.5	Target Price Range 2021 2022 2023	320 200 160 120 100 80 60 40
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2021-23 PROJECTIONS

Ann'l Total	
Price	185 (+75%)
Gain	(+40%)
Return	17%
High	185
Low	150



Insider Decisions

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

Institutional Decisions

	12/2018	2/2019	3/2019
to Buy	752	771	777
to Sell	787	752	762
Hlds(000)	658681	659114	661529

Percent shares traded

12	12
8	8
4	4

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	© VALUE LINE PUB. LLC	
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	81.65	97.10	Revenues per sh	115.40
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	10.15	10.95	"Cash Flow" per sh	15.00
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	7.20	7.80	Earnings per sh ^A	11.25
.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	3.00	Div'ds Decl'd per sh ^B	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	2.40	2.50	Cap'l Spending per sh	2.80
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	41.25	45.30	Book Value per sh ^C	55.15
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	800.00	795.00	Common Shs Outst'g ^D	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	17.8		Avg Ann'l P/E Ratio	15.0
.81	.89	.89	.91	.91	.89	.79	.89	.95	.92	.94	.90	.86	.86	.80	.88	.97		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%	2.2%		Avg Ann'l Div'd Yield	2.1%

CAPITAL STRUCTURE as of 9/30/18

Total Debt \$39.9 bill. Due in 5 Yrs \$16.0 bill. LT Debt \$38.3 bill. LT Interest \$2.1 bill. (54% of Cap'l)	58681	52920	54326	58190	57708	62626	65100	56098	57244	59837	65300	77200	Revenues (\$mill)	90000
	15.2%	14.6%	15.6%	15.2%	14.3%	15.8%	16.0%	17.0%	17.0%	15.8%	16.8%	17.0%	Operating Margin	20.0%
	1321.0	1258.0	1356.0	1347.0	1524.0	1821.0	1907.0	1863.0	1962.0	2140.0	2355	2510	Depreciation (\$mill)	2925
	4689.0	3829.0	4373.0	4979.0	4840.0	5686.0	6220.0	5563.0	5462.0	5271.0	5760	6200	Net Profit (\$mill)	8775
	27.1%	27.4%	27.9%	29.3%	24.8%	26.9%	25.5%	31.5%	22.5%	27.4%	22.0%	22.5%	Income Tax Rate	22.5%
Annual Rentals Leases, uncapped \$498 mill. Pension Assets-12/17 \$35.7 bill. Oblig. \$32.6 bill.	8.0%	7.2%	8.0%	8.6%	8.4%	9.1%	9.6%	9.9%	9.5%	8.8%	8.8%	8.0%	Net Profit Margin	9.8%
	4665.0	5281.0	5778.0	7142.0	5824.0	6642.0	6863.0	4088.0	6644.0	8467.0	14000	14500	Working Cap'l (\$mill)	16000
	9337.0	8257.0	10010	9501.0	21597	19741	17872	19320	21697	24989	38000	37500	Long-Term Debt (\$mill)	32000
	15917	20066	21385	21880	25914	31866	31213	27358	27579	29610	33000	36000	Shr. Equity (\$mill)	43000
Preferred Stock None Common Stock 800,984,201 shares	19.8%	14.6%	14.9%	16.6%	11.1%	11.9%	13.7%	12.7%	12.1%	10.5%	9.5%	10.0%	Return on Total Cap'l	13.0%
	29.5%	19.1%	20.4%	22.8%	18.7%	17.8%	19.9%	20.3%	19.8%	17.8%	17.5%	17.0%	Return on Shr. Equity	20.5%
MARKET CAP: \$85.3 billion (Large Cap)	21.9%	12.3%	13.5%	15.4%	11.9%	11.9%	13.4%	12.4%	12.3%	10.8%	10.5%	10.5%	Retained to Com Eq	14.0%
CURRENT POSITION (SMILL.)	26%	35%	34%	32%	36%	34%	33%	39%	38%	39%	39%	38%	All Div'ds to Net Prof	32%

Annual Rates

	Past 10 Yrs.	Past 5 Yrs.	Est'd '15-'17 to '21-'24
Change (per sh)	4.0%	2.5%	8.5%
Revenues	6.5%	6.5%	8.5%
"Cash Flow"	6.0%	4.5%	9.5%
Earnings	10.0%	7.0%	5.5%
Dividends	6.5%	6.5%	8.0%

Quarterly Revenues

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	15242	16705	16510	16843	65300
2019	17830	19700	19700	19970	77200

Earnings per Share

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	1.77	1.97	1.93	1.53	7.20
2019	1.92	2.12	2.08	1.68	7.80

Quarterly Dividends

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2015	.64	.64	.64	.64	2.56
2016	.64	.66	.66	.66	2.62
2017	.66	.66	.70	.70	2.72
2018	.70	.70	.70	.735	2.84

United Technologies, one of America's last industrial conglomerates, is breaking up. In late November, management announced a series of moves. The company plans to spin off its Otis elevator arm as well as its Carrier building systems unit. What remains will be an entity laser focused on aviation. Jet engine maker Pratt & Whitney, coupled with the recently acquired portions of Rockwell Collins, will be the backbone of the new UTX. Clearly, investors have soured on the conglomerate model, a movement that was greatly exacerbated by the myriad of problems currently being experienced by General Electric. United shares slipped by 6% on the day these maneuvers were disclosed, as the investment community seemed somewhat befuddled that the breakup will not happen until 2020. One caveat, this selection will likely be removed from the Dow 30 once the separation is completed.

Shares of United Technologies have fallen nearly 25% in price since our October coverage. September-period results were fine, but some investors are unhappy with the elongated period before the breakup, and the ongoing broader selloff in the Dow, has given this equity quite a pullback. Strangely, two items that many pundits believed would be the next catalysts to propel the stock higher, the Rockwell closing and the announcement of the spinoffs, has had the exact opposite effect.

Our earnings expectations for 2018 and 2019 remain, for the most part, intact. The global economy remains sturdy enough to support our calls for share net of \$7.20 for last year (report due at the end of this month) and \$7.80 for this year. Tax relief will be a welcome boost, as will the synergy savings generated by having Rockwell fully under the UTX umbrella.

We like this neutrally ranked blue chip as a total return play three to five years hence. The stock's quotation has been beaten down recently, as part of the broader market selloff. With that, capital appreciation potential for the stretch to 2021-2023 has improved. When combined with the growing dividend payout, and factoring in UTX's rock-solid financials, we like the long-term risk-adjusted possibilities here.

Erik M. Manning January 11, 2019

(A) Diluted EPS. Excludes charges and discontinued operations: '04, 15¢, '05, 6¢, '12, 32¢, '13, 4¢, '16, 49¢; '17, 90¢. Quarterly figures may not sum due to rounding and/or changes in share count. Next earnings report due between January 22nd and 28th.
(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 50
Earnings Predictability 90

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