| JN | $\underline{\square}$ | $E$ |  | E |  |  |  | $\begin{aligned} & \text { CENT } \\ & \text { CE } \end{aligned}$ | $1.9$ | $\begin{aligned} & \text { P/E } \\ & \text { RATI } \end{aligned}$ | $16.0$ | $9\left(\begin{array}{l} \text { Trailin } \\ \text { Mediai } \end{array}\right.$ | $\begin{aligned} & \text { ng: } 17.3 \\ & \text { an: } 16.0) \end{aligned}$ | $\begin{aligned} & \text { RELATIVE } \\ & \text { PIE RATIO } \end{aligned}$ |  | $\begin{aligned} & \text { DIV'D } \\ & \text { YLD } \end{aligned}$ | $22$ |  | $\begin{aligned} & \text { VALUE } \\ & \text { LINE } \end{aligned}$ |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| TIMELIN | ESS 3 | Raised 9 | 28/18 | High: | 77.1 41.8 | 70.9 37.4 | 79.7 62.9 | $\begin{aligned} & 91.8 \\ & 66.9 \end{aligned}$ | $\begin{aligned} & 87.5 \\ & 70.7 \end{aligned}$ | $\begin{array}{r} 113.9 \\ 83.1 \end{array}$ | $\begin{array}{r} 120.7 \\ 97.3 \end{array}$ | $\begin{array}{r} 124.4 \\ 85.5 \end{array}$ | $\begin{array}{r} 111.7 \\ 83.4 \end{array}$ | $\begin{aligned} & \hline 128.5 \\ & 106.9 \end{aligned}$ | $\begin{aligned} & \hline 144.1 \\ & 100.5 \end{aligned}$ | $\begin{aligned} & 133.4 \\ & 103.2 \end{aligned}$ |  |  | Target Pric $2022 \mid 2023$ | Range 2024 |
| SAFET | , | Raised 5 |  | LEGEN | S"Cash |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| TECHNI BETA | CAL 3 <br> (1.00 | Raised <br> Market) |  | $\begin{aligned} & \ldots 12 \\ & \text { Ontions: } \\ & \text { Ont } \\ & \text { Shaded } \end{aligned}$ | $0 x$ "Ca lative Pri Yes area indi | Flow" $p$ <br> Strength <br> tes reces |  |  |  |  |  |  |  |  |  |  |  |  |  | 320 200 |
|  | -24 PR | JECT |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 160 |
|  | rice | ain | n'I Total Return |  |  |  |  |  |  |  |  |  |  | +1 |  |  |  |  |  | 120 |
| High | $\begin{aligned} & \text { rice } \\ & 90 \end{aligned}$ | $\begin{aligned} & \text { ain } \\ & 45 \% \end{aligned}$ | $\begin{aligned} & \text { Return } \\ & \text { 11\% } \end{aligned}$ |  |  |  |  |  |  | $\pi^{\text {ulili }}$ | T1.n | $\frac{1}{1 / 1}$ |  | +1 |  |  |  |  |  | -100 |
| Low |  | 0\%) |  |  |  |  |  | TIII | 111 |  |  |  |  |  |  |  |  |  |  | 80 |
| Insider | Decisi |  |  |  |  |  | IIIIT |  |  |  |  |  |  |  |  |  |  |  |  | 60 |
|  |  | $\begin{array}{lll}0 & N\end{array}$ | $\begin{array}{lll}\text { D } & \text { J F } \\ 0 & 0 & 0\end{array}$ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 40 |
| Options <br> to Sell | $\begin{array}{llll}0 & 0 & 1 \\ 0 & 2 & 1 \\ 0 & 2 & 1\end{array}$ | $\begin{array}{lll}0 & 0 \\ 0 & 1 \\ 0 & 0\end{array}$ | (1) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Institut | ional D | cision |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | T. RETURN3/19 |  |
|  | 202018 | 302018 | 402018 | Percent |  |  |  |  |  |  |  |  |  |  |  |  |  |  | TOCK INDEX | $\underline{18}$ |
| to Buy to Sell | $\begin{aligned} & 771 \\ & 752 \end{aligned}$ | $\begin{aligned} & 777 \\ & 762 \end{aligned}$ | 983 | shares |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $\begin{array}{rr}4.8 & 2.7 \\ 38.1 & 35.5\end{array}$ |  |
| Hld's (000) | 659114 | 61529 | 693442 |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 5 yr . | $24.0 \quad 37.5$ |  |
| 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |  | UE LINE PUB. LLC | 22-24 |
| 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 | 77.19 | 89.75 | 94.35 | Reve | es per sh | 114.55 |
| 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 | 9.98 | 10.90 | 12.00 | "Cash | low" per sh | 15.70 |
| 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 | 7.61 | 7.90 | 8.70 | Earnin | per sh A | 11.60 |
| . 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 | 3.20 | Div'ds | ecl'd per sh Bn | 4.00 |
| . 52 | . 78 | . 92 | . 96 | 1.17 | 1.29 | . 88 | . 94 | 1.08 | 1.51 | 1.84 | 1.88 | 1.97 | 2.10 | 2.52 | 2.21 | 2.30 | 2.40 | Cap' | ending per sh | 2.70 |
| 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 | 44.63 | 47.65 | 53.80 | Book | lue per sh C | 74.55 |
| 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 | 861.48 | 860.00 | 855.00 | Comm | Shs Outst'g D | 825.00 |
| 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 | 16.8 | Bold figur | res are | Avg A | 'I P/E Ratio | 15.0 |
| . 89 | . 89 | . 91 | . 91 | . 89 | . 79 | . 89 | . 95 | . 92 | . 94 | . 90 | . 86 | . 86 | . 80 | . 89 | 91 | Value |  | Relati | P/E Ratio | . 85 |
| 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\% | estima | ates | Avg An | 'I Div'd Yield | 2.3\% |
| CAPITAL STRUCTURE as of $12 / 31 / 18$ <br> Total Debt $\$ 45.5$ bill. Due in 5 Yrs $\$ 17.9$ bill. <br> LT Debt $\$ 41.2$ bill. LT Interest $\$ 2.3$ bill. |  |  |  |  |  | 52920 | 54326 | 58190 | 57708 | 62626 | 65100 | 56098 | 57244 | 59837 | 66501 | 77190 | 80670 | Reve | (\$mill) | 94500 |
|  |  |  |  |  |  | 14.6\% | 15.6\% | 15.2\% | 14.3\% | 15.8\% | 16.0\% | 20.6\% | 17.0\% | 15.8\% | 15.5\% | 16.0\% | 16.5\% | Operat | g Margin | 20.5\% |
|  |  |  |  |  |  | 1258.0 | 1356.0 | 1347.0 | 1524.0 | 1821.0 | 1907.0 | 1863.0 | 1962.0 | 2140.0 | 2433.0 | 2600 | 2825 | Deprec | ation (\$mill) | 3400 |
| (52\% of Cap'l) |  |  |  |  |  | 3829.0 | 4373.0 | 4979.0 | 4840.0 | 5686.0 | 6220.0 | 5563.0 | 5462.0 | 5271.0 | 6168.0 | 6795 | 7440 | Net Pro | it (\$mill) | 9570 |
|  |  |  |  |  |  | 27.4\% | 27.9\% | 29.3\% | 24.8\% | 26.9\% | 25.5\% | 31.5\% | 22.5\% | 27.4\% | 28.6\% | 22.0\% | 22.0\% | Income | Tax Rate | 22.5\% |
| Annual Rentals Leases, uncapitalized $\$ 683$ mill. Pension Assets-12/18 $\$ 35.3$ bill. |  |  |  |  |  | 7.2\% | 8.0\% | 8.6\% | 8.4\% | 9.1\% | 9.6\% | 9.9\% | 9.5\% | 8.8\% | 9.3\% | 8.8\% | 9.2\% | Net Pro | it Margin | 10.1\% |
|  |  |  |  |  |  | 5281.0 | 5778.0 | 7142.0 | 5824.0 | 6642.0 | 6863.0 | 4088.0 | 6644.0 | 8467.0 | 4135.0 | 5000 | 6000 | Work | Cap'I (\$mill) | 9000 |
| Oblig. $\$ 37.8$ bill. |  |  |  |  |  | 8257.0 | 10010 | 9501.0 | 21597 | 19741 | 17872 | 19320 | 21697 | 24989 | 41192 | 40000 | 38000 | Long-T | rm Debt (\$mill) | 30000 |
| Preferred Stock None <br> Common Stock 861,482,000 shares |  |  |  |  |  | 20066 | 21385 | 21880 | 25914 | 31866 | 31213 | 27358 | 27579 | 29610 | 38446 | 41000 | 46000 | Shr. Eq | uity (\$mill) | 61500 |
|  |  |  |  |  |  | 14.6\% | 14.9\% | 16.6\% | 11.1\% | 11.9\% | 13.7\% | 12.7\% | 12.1\% | 10.5\% | 8.4\% | 10.0\% | 10.0\% | Return | on Total Cap'l | 11.5\% |
|  |  |  |  |  |  | 19.1\% | 20.4\% | 22.8\% | 18.7\% | 17.8\% | 19.9\% | 20.3\% | 19.8\% | 17.8\% | 16.0\% | 16.5\% | 16.0\% | Return | on Shr. Equity | 15.5\% |
| MARKET CAP: \$113.6 billion (Large Cap) |  |  |  |  |  | 12.3\% | 13.5\% | 15.4\% | 11.9\% | 11.9\% | 13.4\% | 12.4\% | 12.3\% | 10.8\% | 10.4\% | 10.5\% | 10.0\% | Retained to Com Eq All Div'ds to Net Prof |  | 10.0\% |
| CURRENT POSITION $2016 \quad 2017$ 12/31/18 |  |  |  |  |  | $35 \%$ | 34\% | 32\% | 36\% | 34\% | 33\% | 39\% | 38\% | 39\% | 35\% | 38\% | 37\% |  |  | 34\% |


| (\$MILL.) | 7157 | 8985 | 6152 |
| :---: | :---: | :---: | :---: |
| Receivables | 11481 | 12595 | 14271 |
| Inventory (Avg Cst) | 8704 | 9881 | 10083 |
| Other | 1208 | 1397 | 4997 |
| Current Assets | 28550 | 32858 | 35503 |
| Accts Payable | 7483 | 9579 | 11080 |
| Debt Due | 2204 | 2496 | 4345 |
| Other | 12219 | 12316 | 15943 |
| Current Liab. | 21906 | 24391 | 31368 |


| ANNUAL RATES | Past | Past | Est'd '16-'18 |
| :--- | ---: | :---: | :---: |
| of change (per sh) | 10 Yrs. | 5 Yrs. | to'22-'24 |
| Revenues | $3.0 \%$ | $2.5 \%$ | $7.5 \%$ |
| "Cash Flow" | $5.5 \%$ | $5.0 \%$ | $9.0 \%$ |
| Earnings | $5.0 \%$ | $4.0 \%$ | $9.0 \%$ |
| Dividends | $9.0 \%$ | $6.0 \%$ | $6.5 \%$ |
| Book Value | $7.5 \%$ | $6.0 \%$ | $12.0 \%$ |


| Cal- <br> endar | QUARTERLY REVENUES (\$ mill.) <br> Mar.31 |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| 2016 | 13357 | 14874 | 14354 | 14659 | 57244 |
| 2017 | 13815 | 15280 | 15062 | 15680 | 59837 |
| Yull |  |  |  |  |  |
| 2018 | 15242 | 16705 | 16510 | 18044 | 66501 |
| 2019 | 18010 | 19630 | 19650 | 19900 | 77190 |
| 2020 | 18850 | 20600 | 20400 | 20820 | 80670 |
| Cal- <br> endar | EARNINGS PER SHARE A |  |  |  | Full |
| 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 | 1.95 | 7.61 |
| 2019 | 1.75 | 2.10 | 2.00 | 2.05 | 7.90 |
| 2020 | 1.95 | 2.30 | 2.20 | 2.25 | 8.70 |
| Cal- | QUARTERLY DIVIDENDS PAID Ba | Full |  |  |  |
| endar | Mar.31 | Jun.30 | Sep.30 | Dec.31 | 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 |
| 2019 |  |  |  |  |  |

BUSINESS: United Technologies Corp. operates in four business segments: Pratt \& Whitney (revenues of $\$ 19.4$ billion in '18) makes and services commercial and military aircraft engines; Otis (\$12.9 billion) the world's largest manufacturer and servicer of elevators and escalators; Carrier ( $\$ 18.9$ billion) makes heating, ventilating, and air-conditioning (HVAC) equipment; Collins Aerospace (\$16.6
United Technologies stock is up roughly 20\% in price thus far in 2019. The investment community clamored for some time for this industrial conglomerate to break into several pieces. The General Electric story has convinced many parties that the broadly diversified approach across businesses that do not overlap is no longer the way for a company to conduct itself. That said, after UTX completed the Rockwell Collins deal in November of 2018, the news broke that leadership would enact a plan to spinout the Otis elevator arm and the Carrier HVAC segment. Immediately following the disclosure, the stock headed lower by a noticeable percentage. The consensus belief was that the negative response stemmed from the time line for these moves to shake out. Originally, we were only told that 2020 was the target, and the assumption was that many in the investment field did not want to park funding here in wait for a split that far away. But, at the time of UTX's fourth-quarter earnings release, which beat expectations by a handsome margin, a bit more color was provided on the time frame. The word

[^0] tinued operations: '04, 15c, '05, 6¢, '12, 32¢, due between April 22nd and 26th.
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, 10.4\%; Vanguard, 7.6\%; BlackRock, 6.3\% (3/19 proxy). Employees: 240,200. CEO: Gregory J. Hayes. Inc.: DE. Addr:: 1 Financial Plaza, Hartford, CT 06101. Tel.: 860-728-7000. Web: www.utc.com.

## "mid" was attached to 2020 and that

 seemed to spark investor enthusiasm. Since then, some pundits have hinted that the spinoffs could even happen in early 2020. With this, a rush into the stock was underway and a bounce in price from just over $\$ 100$ to near $\$ 130$ took place.Earnings this year are pegged to reach the $\$ 7.90$-a-share mark. Such a figure, which represents less than a 5\% year-over-year advance, is tied to integration expenses and spending on the setup of next year's split. Even still, the markets that UTX serves are performing just fine. The aerospace arm, now called Collins Aerospace, is a juggernaut, and will be combined with the Pratt \& Whitney division to form the new United Technologies. This combination had 2018 revenues of \$36 billion.
At recent price levels, the primary draw here would be the dividend yield. Investors are now on board for the split, so discounted entry points are unlikely. Total return potential is subpar, but the income component is in line with the Value Line median.
Erik M. Manning
April 12, 2019


[^0]:    A) Diluted EPS. Excludes charges and discon- changes in share count. Next earnings report reinvestment plan available.

