United Technologies Corporation (NYSE: UTX)

Sector: Industrials

<table>
<thead>
<tr>
<th>Intrinsic Value</th>
<th>Current Price</th>
<th>52 Week High</th>
<th>52 Week Low</th>
<th>Beta</th>
<th>P/E</th>
<th>Market Cap</th>
<th>Dividend Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>$112.56</td>
<td>100.06</td>
<td>120.66</td>
<td>100.69</td>
<td>1.16</td>
<td>16.3</td>
<td>$91.6B</td>
<td>2.30%</td>
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Industry Trends
Urbanization has been occurring in most of the developing world and has recently been fueled by growth in India and China. This increase in urbanization has led to increased demand for building supplies and infrastructure in order to house the millions of people moving to cities. Another important trend is the increase in air travel as a growing middle-class in developing countries and increased globalization will result in an increase in revenue passenger miles. As people fly more, the airline manufacturing industry will receive more revenue for the repair, maintenance and overhaul of engines and other parts.

Investment Thesis
UTC is one of the largest and most respected aerospace and industrial companies in the U.S. They offer competitive products of high quality and also offer repair, maintenance, and overhaul services for these products. As the Green movement has grown larger the past few years, UTC has increased their focus on energy efficient products and has some of the greenest products on the market, allowing for lower energy costs and decreased emissions.

Business Summary
UTC is broken up into 2 different divisions, Building & Industrial Systems which consist of Otis and Climate, Controls, and Security and UTC Aerospace which consists of Pratt & Whitney and Sikorsky. The company receives 57% of its sales from original equipment manufacturing (OEM) and 43% from repairs and overhauls, giving UTC a consistent revenue stream in the future from maintenance and repair services of products bought today. Service margins are higher than OEM margins. UTC is also focusing on making its products more efficient and economical in order to obtain business in developing countries such as India. With the acquisition of Goodrich, a producer of airplane parts such as landing gear and controls, UTC now has a stronger Aerospace product offering which they will use to bundle with their engines in order to increase sales.

UTX 5-year stock performance vs. S&P 500:

(Yahoo Finance)

Competition:
UTC faces stiff competition in the engine industry from large rivals such as General Electric and Rolls Royce and numerous smaller rivals such as Parker Hannifin.

Pros:
- High quality products which are unique to the company that provide energy savings and efficiencies for customers
- Products are made in growing industries allowing UTC opportunity for growth
- Strong cash flow that will be returned to shareholders in the form of buybacks

Cons:
- Reliant on price of inputs in order to make a profit
- Risk of lower future revenues due to potential bubble in China bursting as China accounts for 20% of UTC’s sales
- Decrease in military spending in the future

Value Estimate:
$154.86-167.04 (2017-2019)

Estimated Real Annual Return:
7%-9%

Overall Rating: Three Stars
Expected inflation 2%
Current EPS $6.28
Forecasted EPS Growth 8.3%
Credit Quality A
ROE 19.3%
ROA 6.6%
Price/Book 2.78
Debt/Equity 56.8
Debt/Capital .37
Current Ratio 1.22
Price/Cash Flow 14.91
10 yr. Risk Free Rate 2.3%
WACC 9.25%

Report Prepared By:
Mitesh Mistry
10/09/2014

Corporate Social Responsibility:
ESG Disclosure Rating 24.79 (Ind. Avg. 21.14)
Environmental Disclosure Score 16.28 (Ind. Avg. 18.35)
Carbon Disclosure Score 87.00 (Ind. Avg. 78.50)
Social Disclosure Score 14.04 (Ind. Avg. 27.59)
Governance Disclosure Score 55.36 (Ind. Avg. 53.44)
Sources: Bloomberg, CNBC Value Line Investment Survey, Yahoo Finance,