
Target Price: $154.12 Market Cap: $88.03B

52 Week H/L: $124.45/$85.50 P/E: 15.33 Dividend Yield: 2.05%

Company Background: United Technologies and its subsidiaries provide technology products and services in the aerospace and building industries all around the world. They make aircraft engines, elevators, escalators, heating/air conditioning equipment, helicopters, and fire/safety equipment.

Investment Thesis: We feel as though UTC is a viable long term investment due to its strong market share in multiple sustainable and growing industries. The company has a strong market share in a growing elevator/escalator market, as well as exposure to the growing airline industry through its jet engine production. It’s HVAC and Fire/Safety business helps to provide a diversified product portfolio that separates UTC from its competitors. Given its attractive valuation at this time, we recommend buying stake in this company at the market price.

Business Segments:

1. Otis- the world’s biggest elevator and escalator producer, installer, and Service Company. They make passenger and freight elevators, as well as vertical and horizontal escalators.
2. Carrier- the world’s largest manufacturer/distributor of HVAC (heating, ventilating, and air conditioning) systems for businesses and homeowners.
3. UTC Fire and Safety- design and install electronic security and fire detection systems for governments, building owners, and residences.
4. Pratt & Whitney- one of the world’s biggest suppliers of commercial and military aircraft engines. Also provide spare parts and fleet management services for the engines it builds. Hamilton Sundstrand- makes aerospace and industrial products such as power generation systems, and propeller systems. Primary contractor for NASA’s space suit/life-support systems

Industry Analysis:

Valuation Assumptions:

WACC: 10%
Terminal Growth Rate: 3.00%

Key Financials:

ROA: 6.84
Net Income Margin: 9.55
5 Year CAGR- Revenue: 3.68%
5 Year CAGR- Operating Income: 6.33%
5 Year CAGR- FCF: 2.22%

Corporate Social Responsibility:

ESG Disclosure Score: 28.10 (Avg: 20.77 )
Environmental Disclosure Score: 17.83 (Avg: 16.28 )
Governance Disclosure Score: 55.36 (Avg: 53.41)
% Women on the Board: 18.18% (Avg: 15.90%)
ESG Linked to Compensation: Yes
Human Rights Policy: Yes
Water Intensity/Sales: 98.85 (Avg:111.65)
Equal Opportunity Policy: Yes

SMF Analysts: Brian Wilczynski and Anthony Mancini 10/28/2015