

Company Name: United Technologies (NYSE: UTX) Current Price: \$99.24

Beta: 1.105

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.

**Competitive Advantage:** We feel as though UTC's main competitive advantage is that it is constantly pushing boundaries with quality- new Geared Turbofan Engine has been shown to be 15% more fuel efficient and 50% quieter than existing jet engines.

**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.

Has the broadest portfolio of aerospace components among its competition. This gives them exposure to a variety of growing markets that other individual competitors do not have access to. Further, the broad portfolio products provides cross selling opportunities between UTC's different lines of business.

**Risks:** The major risk that UTC faces is the Chinese Economic slowdown. A major component of UTC's value proposition going forward is expansion into the Chinese market, especially for Otis. The economic slowdown in China provides uncertainty in that regard. Further, the devaluation of the Yuan versus the US dollar makes it harder for UTC to sell products to China. Generally speaking, the strengthening of the USD will hurt UTC's ability to expand in emerging markets in the short term.

**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 or 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

**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

**Industry Analysis:**

| Metric               | UTX   | Low     | Comp Range | High  |
|----------------------|-------|---------|------------|-------|
| Est P/E Current Yr   | 15.83 | 15.83   |            | 19.85 |
| EV/Est EBITDA Cur... | 9.68  | 9.35    |            | 12.29 |
| Sales Growth Yoy ... | 3.95  | -3.71   |            | 10.50 |
| EBITDA Margin (%)    | 17.94 | 13.25   |            | 29.28 |
| TTM Cash from Ops    | 6.35B | 185.85M |            | 6.35B |