Stock Report | **May 02, 2020** | NYSE Symbol: **RTX** | **RTX** is in the S&P 500

Raytheon Technologies Corporation

CFRA

Recommendation	Price	12-Mo. Target Price	Report Currency	Investment Style
BUY ★★★★☆	USD 61.11 (as of May 01, 2020 4:00 PM ET)	USD 71.00	USD	Large-Cap Blend

Equity Analyst Colin Scarola

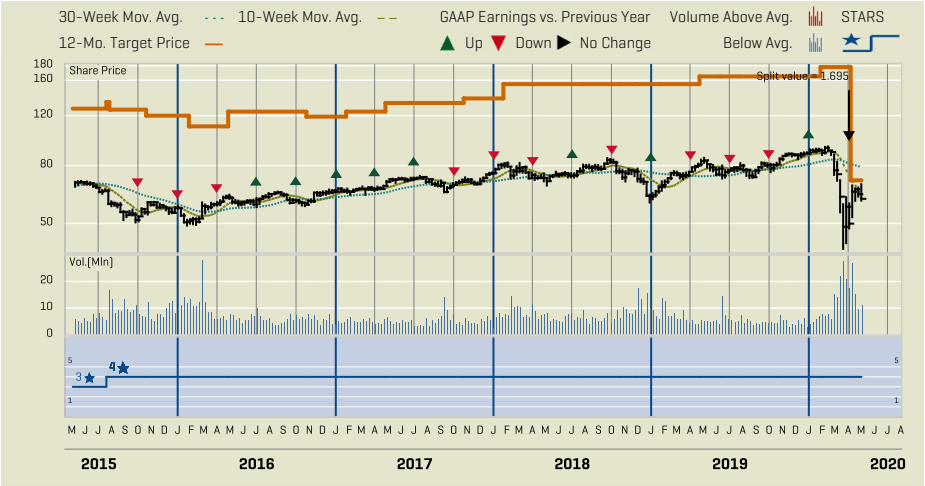
GICS Sector Industrials
Sub-Industry Aerospace & Defense

Summary RTX sells aerospace products that support commercial aviation markets, as well as Defense and Intelligence products and services to governments.

Key Stock Statistics (Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports)

52-Wk Range	**USD 93.45 - 40.71**	Oper. EPS 2020**E**	**USD 4.22**	Market Capitalization(B)	**USD 92.18**	Beta	**1.42**
Trailing 12-Month EPS	**USD 6.41**	Oper. EPS 2021**E**	**USD 4.67**	Yield (%)	**3.11**	3-Yr Proj. EPS CAGR(%)	**5**
Trailing 12-Month P/E	**9.53**	P/E on Oper. EPS 2020**E**	**14.48**	Dividend Rate/Share	**USD 1.90**	SPGMI's Quality Ranking	**A-**
$10K Invested 5 Yrs Ago	**$17,279**	Common Shares Outstg.(M)	**1,508.4**	Institutional Ownership (%)	**47**		

Price Performance



Source: CFRA, S&P Global Market Intelligence
Past performance is not an indication of future performance and should not be relied upon as such.
Analysis prepared by Equity Analyst **Colin Scarola** on Apr 07, 2020 05:29 PM, when the stock traded at **USD 57.76.**

Highlights

- In 2019, prior to the Raytheon merger, RTX revenues grew 16%, mainly due to M&A that grew Collins Aerospace to 33% of revenues from 24% in 2018. Pratt & Whitney (27% of revenue) saw strong organic growth of 8% in 2019. In early April, RTX divested its slower growing Otis (+2% in 2019) and Carrier (-2%) units, while adding Raytheon's Defense businesses, which grew revenue 8% in 2019 on strong demand for military aerospace products amid a healthy environment for U.S. Defense spending, up 9% in 2019.
- RTX is now structured as two commercial aerospace focused segments, Collins and Pratt & Whitney at 33% and 27% of revenue, respectively; and two Defense aerospace segments, Missiles & Defense and Intelligence & Space at 21% and 19% of revenue, respectively. RTX now has a valuable balance between non-cyclical government business and strong long-term growth prospects in commercial aerospace, in our view, with a roughly 50/50 split.
- Given the current distress in commercial aerospace markets from the coronavirus, we see RTX EPS falling about 12% in 2020 from pro-forma 2019 levels. We see this outperforming most industrial peers, however, due to the stability of RTX's Defense businesses through recessions.

Investment Rationale/Risk

- Our Buy rating reflects our view that RTX possesses an attractive combination of non-cyclical Defense businesses with strong long-term growth prospects in commercial aerospace, and that it is currently undervalued. We expect RTX's commercial aerospace businesses to decline during the coronavirus downturn given the stress on OEM and airline customers. Our analysis shows Defense earnings are not correlated to economic downturns or budget deficits, however, so RTX's Defense business (51% of revenue) should allow it to maintain earnings better than most industrial peers this year, in our view.
- In 2021, we expect healthy EPS growth to resume, as we see long-term drivers remaining intact after the recession. These include integration of the global economy driving increased demand for commercial aviation, and Defense & Intelligence businesses that are well aligned with a steadily growing U.S. Defense budget.
- Primary risks to our view are a deep and prolonged downturn in commercial aviation and Defense spending cuts. We feel these risks are adequately discounted with our price target set at 15x our 2021 EPS estimate, a material discount to the 17x-19x historical averages for Raytheon and United Tech.

Analyst's Risk Assessment

LOW	MEDIUM	HIGH

RTX faces risk from the increasing complexity of modern aerospace products and also cyclical demand from commercial customers. Technical errors in aircraft engines or systems can lead to major setbacks and reduce customer trust. Recessions can also sharply reduce air travel demand, negatively impacting RTX's commercial businesses. Government demand for RTX's Defense products does not fluctuate with the economy, but does face risk from political budget negotiations of the Federal government, in our view. We see RTX's near-term risks mitigated by strong long-term demand growth for commercial and Defense aerospace applications.

Revenue/Earnings Data

Revenue (Million USD)

	1Q	2Q	3Q	4Q	Year
2019	18,365	19,634	19,496	19,551	77,046
2018	15,242	16,705	16,510	18,044	66,501
2017	13,815	15,280	15,062	15,680	59,837
2016	13,357	14,874	14,354	14,659	57,244
2015	13,320	14,690	13,788	14,300	56,098
2014	14,745	--	14,613	14,980	57,900

Earnings Per Share (USD)

	1Q	2Q	3Q	4Q	Year
2021	**E** 1.19	**E** 1.07	**E** 1.13	**E** 1.28	**E** 4.67
2020	**E** 1.14	**E** 0.93	**E** 0.98	**E** 1.17	**E** 4.22
2019	1.56	2.20	1.33	1.32	6.41
2018	1.62	2.56	1.54	0.83	6.50
2017	1.73	1.80	1.67	0.50	5.70
2016	1.41	1.71	1.74	1.26	6.13

Fiscal year ended Dec 31. Next earnings report expected: Early May. EPS Estimates based on CFRA's Operating Earnings; historical GAAP earnings are as reported in Company reports.

Dividend Data

Amount (USD)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.475	Apr 30	May 14	May 15	Jun 18 '20
Stk.	--	Apr 03	--	--
0.735	Feb 03	Feb 13	Feb 14	Mar 10 '20
0.735	Oct 10	Nov 14	Nov 15	Dec 10 '19
0.735	Jun 10	Aug 15	Aug 16	Sep 10 '19
0.735	Apr 29	May 16	May 17	Jun 10 '19

Dividends have been paid since 1936. Source: Company reports.

Past performance is not an indication of future performance and should not be relied upon as such.
Forecasts are not reliable indicator of future performance.

Raytheon Technologies Corporation

CFRA

Business Summary April 07, 2020

CORPORATE OVERVIEW. RaytheonTechnologies (RTX) is a commercial aerosapce and Defense and Intelligence firm conducting business through the following segments: Collins Aerospace Systems, Pratt & Whitney, Raytheon Intelligence & Space, and Raytheon Missiles & Defense. We estimate 51% of RTX revenues are generated on government sales in the Defense and Intelligence markets, with the remaining 49% generated in commercial aerospace markets.

Collins Aerospace Systems (33% of RTX revenue) sells aerospace products and services to aircraft manufacturers, airlines and other aircraft operators, governments, maintenance, repair and overhaul providers, and independent distributors. Collins specializes in aerostructures, avionics, interiors, mechanical systems, mission systems, and power controls.

We estimate about 82% of the segment's revenue is generated in commercial markets, with the remaining 18% generated on aerospace sales to government customers, primarily the U.S. military. The segment's largest customers are Boeing and Airbus with a combined 27% of segment sales in 2019. The segment generated revenue of $26 billion in 2019, with an operating margin of 17%.

Pratt & Whitney (27% of RTX revenue) is a global supplier of aircraft engines to aircraft manufacturers, airlines and other aircraft operators, aircraft leasing companies, and governments. P&W produces families of engines for wide and narrow-body commercial aircraft, as well as smaller engines for regional aircraft. P&W's latest engine technology is the Geared Turbofan engine, which first entered service in 2016, and which has demonstrated significant reduction in fuel burn, noise levels, and environmental emissions compared to legacy engines. Most notably, the PW1100G-JM Geared Turbofan engine is offered on the popular Airbus A320neo family of aircraft. P&W also produces the F135 used to propel the F-35 line of fighter jets for the U.S. and allied militaries.

Sales to Airbus (P&W's largest customer) were roughly 31% of P&W segment sales in 2019. Sales to the U.S. Government were approximately 27% in 2019. The segment generated revenue of $21 billion in 2019, with an operating margin of 9%.

Raytheon Intelligence & Space (RIS, 19% of RTX revenue) specializes in developing advanced sensors, training, and cyber and software solutions for government Defense and Intelligence customers. Key customers include the U.S. Intelligence Community, the Department of Defense (DoD), the Federal Aviation Administration (FAA), the National Oceanic and Atmospheric Administration, the Department of Homeland Security, NASA, and a number of international customers. RIS revenues were $15 billion in 2019, and we estimate operating margin was 11%.

Raytheon Missiles & Defense (RMD, 21% of RTX revenue) provides the Defense industry's most advanced end-to-end solutions to detect, track, and engage threats. Key customers include the U.S. Navy, Army, Air Force, and Marine Corps, and the armed forces of more than 50 allied nations. RMD revenues were $16 billion in 2019, and we estimate operating margin was 13%.

DEMAND DRIVERS. The primary demand driver for the Collins and P&W segments is commercial air travel, in our view, as the largest end users of their products are commercial airlines. The commercial aviation industry entered an unprecedented downturn in March 2020, as the global spread of coronavirus led to government restrictions on air travel, while businesses and consumers canceled trips of their own accord to limit the spread of the virus. This has put commercial airlines into distress, with March revenues down 80%-90% YoY for major U.S. airlines. An emergency aid bill passed by the Federal government in March will backstop airlines with $50 billion worth of loans and grants, but we still see a sharp decline in earnings for Collins and P&W in 2020, as we believe the airline distress will trickle down to OEMs and also to RTX's engine and aircraft systems businesses that supply the OEMs and airlines.

Demand for RTX's Defense and Intelligence products is primarily driven by growth in U.S. Defense spending, in our view. Given the priorities of the current U.S. Presidential Administration, we see DoD spending remaining on a strong upward trend in the near term. U.S. Defense spending grew 9% in the government's FY 2019 (Sep.) and are set to grow a cumulative 8% over FY 20 and FY 21 following the two-year spending plans approved by Congress and the President in Fall 2019. Historically, Defense spending has shown no correlation to economic growth or government deficits, in our view, making the government focused side of RTX's business defensive during economic downturns that hurt the commercial aerospace side.

COMPETITIVE ADVANTAGES. Following its merger with Raytheon, closed in April 2020, we estimate RTX generates a roughly even split between government and commercial business. We think this combination provides an advantage during economic downturns, as the Defense businesses see little impact due to government customers that are not distressed during recessions the way consumers or private businesses are, in our view. This Defense backstop should allow RTX's commercial businesses to maintain more R&D investments and CAPEX for future growth during the unprecedented coronavirus downturn in commercial aerospace markets, while also avoiding massive debt increases that impair earning power on the other side of the recession. Conversely, competitors heavily focused on commercial aerospace will likely burn cash in 2020, leading to large debt increases and R&D cuts that may hurt long-term competitiveness.

FINANCIAL TRENDS. Total revenue increased from $57.2 billion in 2016 to $77.0 billion in 2019, representing a 3-year CAGR of 10%. Adjusted EPS rose from $6.61 in 2016 to $8.26 in 2019, for a 3-year CAGR of 8%. Following RTX's Raytheon merger and non-Aerospace segment spin-outs in April 2020, we estimate pro-forma 2019 EPS was $4.80. The merger was an all stock deal that required RTX to increase share count by 76%, diluting the ownership of pre-existing shareholders down to 57% vs. 43% for the legacy Raytheon owners.

Corporate Information

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Officers

President, CEO & Director
G. J. Hayes

Executive VP of Operations & Strategy
M. R. Dumais

Executive VP & General Counsel
C. D. Gill

Executive VP, CFO and Special Advisor to the Chairman & CEO
A. Johri

Chief Investment Officer & VP of Pension Investments
R. L. Diamonte

Interim Chief Technology Officer
N. Pujet

Executive Chairman
T. A. Kennedy

Board Members

B. C. Rogers
D. C. Paliwal
D. L. Ramos
E. M. Pawlikowski
F. G. Reynolds
G. J. Hayes
G. R. Oliver
J. A. Winnefeld
L. J. Austin
M. L. O'Sullivan
M. O. Larsen
R. K. Ortberg
R. O. Work
T. A. Atkinson
T. A. Kennedy

Domicile
Delaware

Employees
243,200

Stockholders
18,393

Auditor
PricewaterhouseCoopers LLP

Raytheon Technologies Corporation

CFRA

Quantitative Evaluations

Fair Value Rank 3

1	2	3	4	5
LOWEST				HIGHEST

Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation USD 61.90 — Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that RTX is fairly valued.

Volatility | LOW | AVERAGE | HIGH |

Technical Evaluation NEUTRAL — Since April, 2020, the technical indicators for RTX have been NEUTRAL.

Insider Activity | UNFAVORABLE | NEUTRAL | FAVORABLE |

Expanded Ratio Analysis

	2019	2018	2017	2016
Price/Sales	0.99	0.77	1.00	0.93
Price/EBITDA	5.43	4.65	5.85	5.32
Price/Pretax Income	9.26	6.14	7.75	7.49
P/E Ratio	13.78	9.66	13.20	10.55
Avg. Diluted Shares Outsg.(M)	864	810	799	826

Figures based on fiscal year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years
Sales	15.86	10.41	5.88
Net Income	5.09	3.08	-2.30
Ratio Analysis (Annual Avg.)			
Net Margin (%)	NM	NM	NM
% LT Debt to Capitalization	41.59	NA	NA
Return on Equity (%)	13.99	NA	NA

Company Financials Fiscal year ending Dec. 31

Per Share Data (USD)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Tangible Book Value	-37.75	-42.36	-17.98	-19.03	-18.83	-13.14	-13.12	-18.94	0.02	-0.44
Free Cash Flow	7.34	5.02	4.10	2.19	4.92	5.72	5.09	4.15	6.34	5.58
Earnings	6.41	6.50	5.70	6.13	4.53	6.65	5.75	5.35	5.33	4.54
Earnings (Normalized)	5.82	5.38	5.20	5.00	4.82	5.47	4.56	4.24	4.70	4.02
Dividends	2.94	2.84	2.72	2.62	2.56	2.36	2.19	2.03	1.86	1.70
Payout Ratio (%)	44	41	46	41	29	33	33	34	32	34
Prices: High	89.10	85.02	75.79	65.87	73.40	71.17	67.20	51.61	54.16	47.01
Prices: Low	60.89	59.26	63.02	49.18	50.43	57.39	49.02	41.71	39.44	37.09
P/E Ratio: High	13.9	13.1	13.3	10.7	16.2	10.7	11.7	9.6	10.2	10.4
P/E Ratio: Low	9.5	9.1	11.1	8.0	11.1	8.6	8.5	7.8	7.4	8.2
Income Statement Analysis (Million USD)										
Revenue	77,046	66,501	59,837	57,244	56,098	57,900	56,600	57,708	55,754	52,275
Operating Income	10,273	8,516	8,145	8,078	8,215	9,225	7,919	7,481	7,930	7,122
Depreciation + Amortization	3,783	2,433	2,140	1,962	1,863	1,820	1,735	1,524	1,263	1,300
Interest Expense	1,773	1,225	1,017	997	945	1,099	1,032	893	673	724
Pretax Income	8,243	8,280	7,763	7,133	6,467	8,712	7,654	6,911	7,350	6,248
Effective Tax Rate	27.8	31.7	36.6	23.8	32.6	25.8	26.1	24.8	29.0	27.6
Net Income	5,537	5,269	4,552	5,055	7,608	6,220	5,721	5,130	4,979	4,373
Net Income (Normalized)	5,032	4,361	4,155	4,131	4,259	4,991	4,173	3,840	4,261	3,707
Balance Sheet and Other Financial Data (Million USD)										
Cash	7,378	6,152	8,985	7,157	7,075	5,229	4,619	4,819	5,960	4,083
Current Assets	37,497	35,503	32,858	28,550	26,706	31,483	29,442	29,610	25,758	23,510
Total Assets	139,716	134,211	96,920	89,706	87,484	91,206	90,594	89,409	61,452	58,493
Current Liabilities	34,586	31,368	24,391	21,906	22,618	23,475	22,800	23,786	18,616	17,732
Long Term Debt	37,704	41,120	24,963	21,697	19,320	17,784	19,741	21,597	9,501	10,010
Total Capital	90,662	86,256	59,037	53,366	49,391	52,405	53,571	50,528	33,438	32,938
Capital Expenditures	2,256	1,902	2,014	1,699	1,652	1,594	1,569	1,389	929	838
Cash from Operations	8,883	6,322	5,631	3,880	6,383	7,321	6,877	6,646	6,590	5,906
Current Ratio	1.08	1.13	1.35	1.30	1.18	1.34	1.29	1.24	1.38	1.33
% Long Term Debt of Capitalization	41.6	47.7	42.3	40.7	39.1	33.9	36.9	42.7	28.4	30.4
% Net Income of Revenue	7.19	7.92	7.61	8.83	13.56	10.74	10.11	8.89	8.93	8.37
% Return on Assets	4.69	4.61	5.46	5.70	5.75	6.34	5.50	6.20	8.26	7.79
% Return on Equity	14.0	15.6	16.1	18.6	14.1	19.6	18.7	20.6	22.8	20.5

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Sub-Industry Outlook

Our fundamental outlook for the Aerospace & Defense (A&D) sub-industry over the next 12-months is neutral. On the positive side, we expect higher Department of Defense (DoD) spending to drive growth for Defense businesses that make up roughly 60% of sub-industry revenues. This growth is likely to be mostly offset by a general downturn for commercial aviation businesses, in our view, though, as the global spread of coronavirus drastically reduces air travel demand and straps many airline customers. We expect an emergency relief law passed to be passed by Congress, however, which will mitigate some of the commercial downturn by backstopping airline customers.

DoD spending is the primary driver for the sub-industry, in our view, as we estimate government contracts comprise roughly 60% of aggregate revenues for A&D firms, with the vast majority being Defense related. In 2018 and 2019, U.S. Defense spending grew 6% and 9%, respectively, well above the 10-year average growth rate of 1%. This put the sub-industrys Defense businesses on sound footing to start 2020, in our view.

Our outlook for Defense remains positive, even with the recent threat of a coronavirus recession. In March 2020 the Congressional Budget Office forecast U.S. Defense spending to grow another 5% and 3% in 2020 and 2021, respectively. We expect no negative impact to this spending growth from the coronavirus. Actually, we see potential for spending to grow faster as the national health emergency increases military asset utilization. This healthy Defense environment should deliver strong earnings growth for U.S. Defense contractors in the coming year.

Beyond Defense, we estimate nearly 40% of sub-industry revenues come from commercial aerospace applications, and we see demand in this area experiencing a downturn for much of the next year. The coronavirus has led to government and business travel restrictions that have virtually shut down international commercial flights and drastically reduced domestic air travel as well. This has created a crisis for the airline industry, with most major airlines planning to park at least half their aircraft this Spring, and potentially longer if the dire demand conditions persist.

With their end-users in crisis mode, we expect commercial aerospace businesses to see significant revenue declines over the next year. Cash flow problems at airlines are likely to cause postponements or cancellations of new aircraft deliveries, hurting original equipment manufacturers like Boeing and United Technologies, as well as their suppliers. Further, the sharp drop in air travel will reduce aircraft utilization, reducing demand for aerospace businesses that focus on replacement parts and maintenance.

Although our current outlook for commercial aerospace is grim, we expect eventual passage of a large government relief package that will backstop airline customers. In late March the Administration was negotiating with Congress to pass an approximate $2 trillion coronavirus relief bill, and we expect it will include at least $50 billion in government loan guarantees and payroll grants for U.S. airlines. This money should allow the airlines to avoid failure and help them meet most of their commitments to equipment suppliers in the A&D sub-industry, softening the blow from the general downturn in demand for commercial aerospace products, in our view.

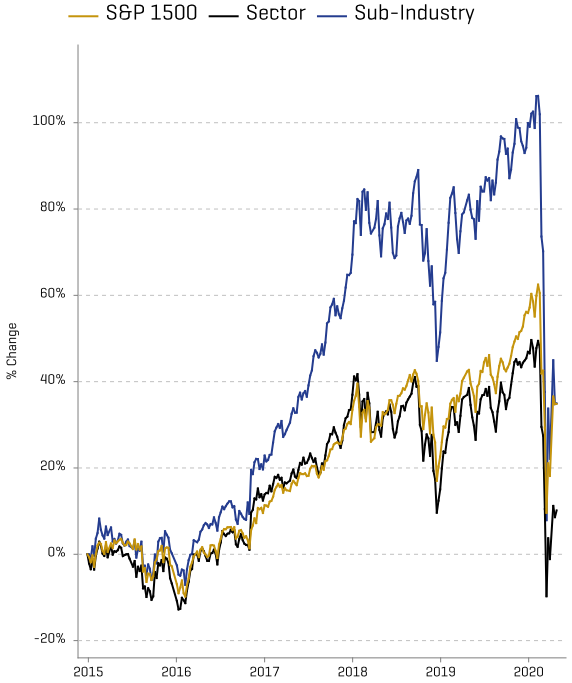
Year to date through March 20, the S&P Aerospace & Defense index fell 43.9% versus a 29.6% decline for the S&P Composite 1500.

/Colin Scarola

Industry Performance

GICS Sector: Industrials
Sub-Industry: Aerospace & Defense

Based on S&P 1500 Indexes
Five-Year market price performance through May 02, 2020



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.
Source: S&P Global Market Intelligence

Sub-Industry: Aerospace & Defense Peer Group*: Aerospace & Defense

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price	Stk. Mkt. Cap. (M)	30-Day Price Chg. (%)	1-Year Price Chg. (%)	P/E Ratio	Fair Value Calc.	Yield (%)	Return on Equity (%)	LTD to Cap (%)
Raytheon Technologies Corporation	**RTX**	**NYSE**	**USD**	**61.11**	**92,176**	**13.4**	**-26.8**	**10**	**61.90**	**3.1**	**14.0**	**41.6**
Airbus SE	EADS.Y	OTCPK	USD	15.93	49,812	11.7	-53.5	NM	NA	2.9	-33.7	85.4
BAE Systems plc	BAES.F	OTCPK	USD	6.220	20,272	6.5	-3.6	2	NA	Nil	27.5	29.3
General Dynamics Corporation	GD	NYSE	USD	127.80	36,577	0.3	-27.5	11	142.94	3.4	27.5	32.9
L3Harris Technologies, Inc.	LHX	NYSE	USD	189.46	41,093	6.9	5.4	24	254.00	1.8	NA	21.9
Lockheed Martin Corporation	LMT	NYSE	USD	383.47	107,539	13.3	15.6	17	284.85	2.5	NM	67.4
Northrop Grumman Corporation	NOC	NYSE	USD	328.06	54,688	6.9	13.4	NM	258.35	1.6	26.4	52.6
Safran SA	SAFR.Y	OTCPK	USD	23.18	39,348	26.7	-36.5	13	NA	Nil	20.1	15.7
Teledyne Technologies Incorporated	TDY	NYSE	USD	319.83	11,726	15.4	30.4	29	308.02	Nil	16.3	20.2
The Boeing Company	BA	NYSE	USD	133.37	75,264	2.0	-64.6	NM	NA	Nil	16.1	90.1
TransDigm Group Incorporated	TDG	NYSE	USD	349.45	18,761	28.2	-26.8	27	174.73	Nil	-35.8	116.8

*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.
NA-Not Available NM-Not Meaningful.
Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

Analyst Research Notes and other Company News

April 07, 2020
02:16 pm ET... CFRA Maintains Buy Opinion on Shares of Raytheon Technologies Corporation (57.56****): Following the merger of Raytheon into United Technologies, United (former ticker UTX) changed its name and ticker to Raytheon Technologies (RTX). We estimate RTX, as now organized following merger share issuance and spin-outs of Otis and Carrier, would have earned around $4.80 per share in 2019. But with current coronavirus turmoil in commercial aerospace markets (estimated 49% of RTX revenue), we forecast 2020 EPS down 12% to $4.22. RTX's non-cyclical Defense units (51%) should allow it to outperform the Industrials sector, however, where consensus estimates indicate a 19% EPS drop in 2020. RTX should return to healthy EPS growth in 2021, too, as positive long-term drivers for commercial aviation will be intact following the coronavirus recession, in our view. We set our price target for the restructured firm at $71, 15x our 2021 EPS estimate (started at $4.67) -- a material discount to the 17x-19x historical averages of Raytheon and United Tech on the risk of a prolonged downturn in commercial aerospace. /Colin Scarola

January 28, 2020
01:31 pm ET... CFRA Keeps Buy Opinion On Shares Of United Technologies Corp. (154.2****): We raise our 12-month target price to $178 from $165, 20.5x our '20 EPS estimate of $8.69 (cut from $8.77), above industrial peers but below pure aerospace peers. We expect UTX to be rewarded with a higher valuation as it spins off assets and focuses on aerospace & defense. Fourth-quarter adjusted EPS of $1.94 versus $1.95 beat our $1.91 estimate and the S&P Capital IQ Consensus Estimate of $1.84. Revenues rose 8% and were about 1% better than we were expecting, while EBITDA rose 17% and was about in line with our target. UTX sees spinoff of Otis and Carrier businesses likely to be complete in Q2. For 2020, UTX sees Pratt & Whitney sales up mid single digits and Collins Aerospace sales down low single digits, impacted by 5 percentage points by 737-MAX grounding. We expect the 737-MAX grounding to be lifted by mid-year, which should help Collins sales growth in the second half of 2020. We remain positive on the merger with Raytheon, which significantly grows UTX's presence in military. /Jim Corridore

October 24, 2019
03:22 pm ET... CFRA Keeps Buy Opinion on Shares of Raytheon Company (212.23****): We raise our 12-month target price to $240 from $215, 18.6x our '20 EPS estimate of $12.91 (cut from $13.02), below RTN's 3-year average forward P/E of 19.3x but above the peer average, reflecting our positive view of demand drivers and RTN's upcoming merger with United Technologies (UTX 143 ****). We raise our '19 EPS estimate to $11.97 from $11.89. Q3 adjusted EPS of $3.08 versus $2.25 beat our $2.91 estimate and the consensus of $2.84. Revenues rose 9% and were 2% better than we were expecting, reflecting strength in four of five business groups, with Integrated Defense (+18%) and Space (+14%) the strongest. Book-to-bill was strong at 1.27x. Backlog grew 7% to $44. 6 billion. RTN guides to '19 EPS of $11.70-$11.80 versus prior $11.50-$11.70 guidance. We like the combination with UTX, which would make the combination the second largest military contractor (RTN is currently 5th) and see the deal as likely to be approved due to the very little overlap between the two companies. /Jim Corridore

October 22, 2019
08:54 am ET... CFRA Keeps Buy Opinion On Shares Of United Technologies (138. 35****): We keep our 12-month target price at $165, valuing the shares at 18. 8x our '20 EPS estimate of $8.77 (raised from $8.69), below UTX's three-year average P/E of 22.4x, but above the three-year average forward P/E of 17.2x. We raise our '19 EPS estimate to $8.23 from $8.14. UTX third-quarter adjusted EPS of $2.21 versus $1.93 beat our $2.04 estimate and the consensus of $2.03. Revenues rose 18%, 1% better than we expected, and included 5% organic growth. Strength at Collins Aerospace more than offset weakness at Carrier for the second consecutive quarter. We remain positive on UTX's business transformation plan, which moves it away from slower-growing super cyclical areas and increases exposure to aerospace and defense. We think the planned merger with Raytheon (RTN 202 ****) will close in mid-2020. UTX guides to '19 adjusted EPS of $8.05-$8.15, which we think is conservative; we note UTX beat consensus EPS targets for 11 consecutive quarters with rising EPS over that time. /Jim Corridore

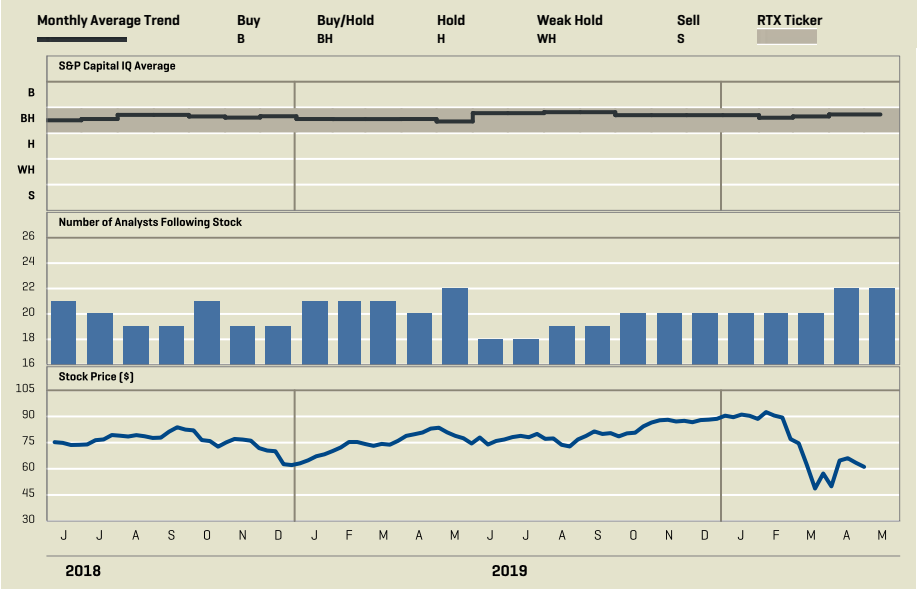
September 16, 2019
09:15 am ET... CFRA Maintains Positive Fundamental Outlook On Aerospace & Defense Sub-Industry (384.86*****): Given heightened geopolitical tensions in the wake of the bombing of Saudi Arabian oil facilities on Saturday, which has increased strife between the U.S. and Iran, we see increased investor interest in defense companies. We think the possibility of some military action against Iran has increased. We think demand for U.S. military hardware, already strong, could strengthen further. We also think defense stocks offer a safe haven for investors unsure where to rotate given global economic risks, trade wars and slowing economies in Europe and also the U.S. U.S. defense companies are already seeing strong predictable revenue streams and have been growing operating margins and lowering share counts through stock buybacks. We maintain our Strong Buy opinions on Lockheed Martin and Northrop Grumman (NOC 364 ****), and Buys on Boeing (BA 371 ****) Huntington Ingalls (HII 218 ****) L3 Harris Technologies (LHX 207 ****), Raytheon (RTN 199 ****) and United Technologies (UTX 138 ****). /Jim Corridore

July 23, 2019
09:17 am ET... CFRA Keeps Buy Opinion on Shares of United Technologies Corporation (132.95****): We keep our 12-month target price at $165, valuing the shares at 19x our '20 EPS estimate of $8.69 (trimmed from $8.76), below UTX's three-year average P/E of 22.4x, but above its three-year average forward P/E of 17.2x. We raise our '19 EPS estimate to $8.14 from $8.10. UTX second-quarter adjusted EPS of $2.20 versus $1.97 beat our $2.07 estimate and the consensus of $2.05. Revenues rose 18%, better than we expected, and included 6% organic growth. Strength at Collins Aerospace more than offset weakness at Carrier. Both Carrier and Otis are on track to be spun-off in the first half of 2020 and we think its likely the merger with Raytheon will close in mid 2020. We remain positive on UTX's business transformation plan, which moves it away from slower growing super cyclical areas and increases exposure to aerospace and defense. We note several high profile investors who are against the Raytheon merger, but think it will ultimately pass regulatory scrutiny and close. /Jim Corridore

Note: Research notes reflect CFRA's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect CFRA's current view on the company.

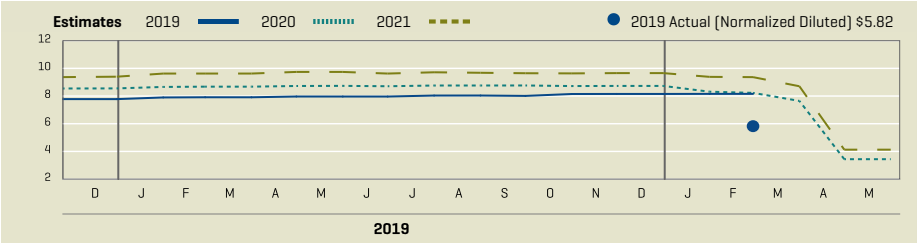
Raytheon Technologies Corporation

Analysts' Recommendations



	No. of Recommendations	% of Total	1 Mo.Prior	3 Mos.Prior
Buy	12	55	12	10
Buy/Hold	5	23	5	4
Hold	4	18	4	5
Weak Hold	0	0	0	0
Sell	1	5	1	1
No Opinion	0	0	0	0
Total	**22**	**100**	**22**	**20**

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est	Low Est.	# of Est.	Est. P/E
2021	4.13	5.26	2.44	13	14.8
2020	3.44	4.41	2.15	12	17.8
2021 vs. 2020	▲20%	▲19%	▲13%	▲ 8%	▼-17%
Q1'21	0.84	1.07	0.35	5	72.6
Q1'20	1.05	1.40	0.81	9	58.1
Q1'21 vs. Q1'20	▼ -20%	▼ -24%	▼ -57%	▼ -44%	▲25%

Forecasts are not reliable indicator of future performance.
Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.

Wall Street Consensus Opinion

BUY/HOLD

Wall Street Consensus vs. Performance

For fiscal year 2020, analysts estimate that RTX will earn USD $3.44. For fiscal year 2021, analysts estimate that RTX's earnings per share will grow by 20% to USD $4.13.

Glossary

STARS
Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Global Market Intelligence's Quality Ranking
(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to capsulize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

EPS Estimates
CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

12-Month Target Price
The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

CFRA Equity Research
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Abbreviations Used in Equity Research Reports
CAGR - Compound Annual Growth Rate
CAPEX - Capital Expenditures
CY - Calendar Year
DCF - Discounted Cash Flow
DDM - Dividend Discount Model
EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation & Amortization
EPS - Earnings Per Share
EV - Enterprise Value
FCF - Free Cash Flow
FFO - Funds From Operations
FY - Fiscal Year
P/E - Price/Earnings
P/NAV - Price to Net Asset Value PEG Ratio - P/E-to-Growth Ratio PV - Present Value
R&D - Research & Development ROCE - Return on Capital Employed ROE - Return on Equity
ROI - Return on Investment
ROIC - Return on Invested Capital
ROA - Return on Assets
SG&A - Selling, General & Administrative Expenses
SOTP - Sum-of-The-Parts
WACC - Weighted Average Cost of Capital

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).

Qualitative Risk Assessment
Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:
★★★★★ **5-STARS (Strong Buy):**
Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.
★★★★☆ **4-STARS (Buy):**
Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.
★★★☆☆ **3-STARS (Hold):**
Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.
★★☆☆☆ **2-STARS (Sell):**
Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price is not anticipated to show a gain.
★☆☆☆☆ **1-STAR (Strong Sell):**
Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:
In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

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Quantitative Stock Reports:

Quantitative recommendations are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative recommendations refer to the Glossary section of the report for detailed methodology and the definition of Quantitative rankings.

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STARS Stock Reports:

Global STARS Distribution as of December 31, 2019

Ranking	North America	Europe	Asia	Global
Buy	33.4%	29.0%	41.1%	33.5%
Hold	56.1%	54.8%	46.4%	54.6%
Sell	10.5%	16.2%	12.5%	11.9%
Total	100.0%	100.0%	100.0%	100.0%

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