**Merger of Raytheon and United Technologies – Synergies**, from *Industry Week*, Bloomberg, news June 10, 2019

United Technologies, Raytheon to Combine as Defense Giant *By Richard Clough*

The bigger company will combine United Technologies’ Pratt & Whitney F-35 fighter jet engines with Raytheon’s Patriot missile-defense products and expertise in areas such as radars, munitions and cybersecurity….

The combination “will define the future of aerospace and defense,” United Technologies Chief Executive Officer Greg Hayes said in the statement. The bigger company will combine United Technologies’ Pratt & Whitney F-35 fighter jet engines with Raytheon’s Patriot missile-defense products and expertise in areas such as radars, munitions and cybersecurity.

Both companies’ shares stand to benefit because of the potential synergies, which could free up capital that may be deployed, Jefferies wrote in a note….

United Technologies makes both commercial and military engines, while Raytheon is focused most on defense….

Hayes [UTX] will hold the CEO job in the combined organization, while Raytheon CEO Thomas Kennedy will become the executive chairman. Hayes will ascend to both roles three years after the deal closes…

The blockbuster deal caps a dramatic revamp of United Technologies under Hayes, who took the reins at the industrial conglomerate in 2014 with a vow to pursue big transactions. Along with last year’s $23 billion acquisition of aircraft-parts supplier Rockwell Collins, the Raytheon deal remakes United Technologies as an aerospace giant with products including not only jet engines and missiles but other items like cockpit electronics and radars.

Greater heft would enhance the ability of United Technologies to withstand cost pressures from customers such as Boeing Co. and Airbus SE, said Rothacker, the Bloomberg analyst. Another crucial customer is the U.S. Department of Defense.

“Aerospace suppliers have been, and will continue to be, under immense pressure from Boeing and Airbus to cut costs,” he said. “We’ve seen consolidation in the sector as a way to counter these pricing and competitive pressures, and also to diversify to add revenue streams.”

Another wildcard in winning approval for the deal: the U.S. Department of Defense.

Hayes spurned a merger offer from Honeywell International Inc. in 2016, saying the deal undervalued his company and would face customer opposition. At the time, Wall Street analysts anticipated resistance from the Pentagon, as well as planemakers.

“We don’t expect DoD to raise strong objections to the deal,” though there may be small divestitures where there’s overlap with businesses picked up with the Rockwell Collins purchase, analyst Byron Callan of Capital Alpha Partners wrote in a note Sunday. Some of that overlap may not be readily apparent because programs are classified, he wrote.

## Financial Outlook

The companies will have combined debt of about $26 billion when the deal closes, with about $24 billion of that coming from United Technologies, the companies said in their statement. There is no change to the 2019 financial outlook for either company.

The companies said they expect to return $18 billion to $20 billion to shareholders in the first 36 months after the merger and to see about $1 billion in annual cost savings by the fourth year.

The headquarters will be in the Boston area; currently United Technologies is based on Farmington, Connecticut, while Raytheon’s headquarters is in Waltham, Massachusetts.