

# United Technologies Corp UTX (NYSE) ★★★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
89.77 USD	120.00 USD	84.00 USD	162.00 USD	Medium	Wide	Stable	Standard	Aerospace & Defense

## Near-Term Guidance Disappoints, but We Still Like UTX's Long-Term Prospects

Updated Forecasts and Estimates from 21 Jul 2015

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The primary analyst covering this company does not own its stock.

Research as of 21 Jul 2015  
Estimates as of 21 Jul 2015  
Pricing data through 02 Oct 2015  
Rating updated as of 02 Oct 2015

Currency amounts expressed with "\$" are in U.S. dollars (USD) unless otherwise denoted.

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### Investment Thesis 20 Jul 2015

Durability and balance are trademarks of United Technologies' portfolio. While the company may not boast the flashy growth prospects found in some of its diversified industrial peers, we think management's consistency and commitment to shareholders separate this wide-moat franchise from the cohort.

With strong cash-generating businesses, United Technologies is able to invest in longer-term platforms. The most recent success of this innovation has been Pratt & Whitney's re-entry into the narrow-body aircraft engine market, an industry we think supports wide moats. To successfully compete with entrenched firms like General Electric and Rolls-Royce, Pratt had to spend more than a decade developing its geared turbofan technology. By releasing an innovation that the commercial aerospace market had yet to see, Pratt was able to be the sole engine supplier on Bombardier's CSeries aircraft and an option on Airbus' re-engined A320neo. Pratt's innovation probably forced aircraft manufacturers to launch upgraded products sooner than they would have preferred to account for a new technology.

Turnaround efforts in the Carrier division also reflect management's commitment to raising operating margins and overall business execution. We think the decision to form a joint venture between Carrier's distribution arm and Watsco has proved to be mutually synergistic, allowing Carrier to devote less cash in asset-intensive and logistically intensive distribution services and invest in technology, the company's core strength. This both improves asset utilization metrics as well as the product technology pipeline. In return, Watsco's expertise in distribution allowed Carrier equipment to be sold in new markets and reach more customers, a boon to the division.

Given that roughly 20% of United Technologies' revenue comes from U.S. Department of Defense spending, the sensitivity of corporate cash flows to the military is notable. In particular, government spending cutbacks prompted the firm to agree to sign a definitive agreement in July 2015 to sell the Sikorsky helicopter business to Lockheed Martin for \$9 billion.

### Vital Statistics

Market Cap (USD Mil)	79,949
52-Week High (USD)	124.45
52-Week Low (USD)	85.50
52-Week Total Return %	-10.6
YTD Total Return %	-20.3
Last Fiscal Year End	31 Dec 2014
5-Yr Forward Revenue CAGR %	1.1
5-Yr Forward EPS CAGR %	4.8
Price/Fair Value	0.75

### Valuation Summary and Forecasts

	Fiscal Year:	2013	2014	2015(E)	2016(E)
Price/Earnings		18.2	16.9	14.5	12.0
EV/EBITDA		11.0	10.2	8.3	8.2
EV/EBIT		13.1	12.2	10.0	9.9
Free Cash Flow Yield %		5.6	5.4	9.8	10.3
Dividend Yield %		1.8	2.0	2.8	3.2

### Financial Summary and Forecasts (USD Mil)

	Fiscal Year:	2013	2014	2015(E)	2016(E)
Revenue		62,626	65,100	64,004	59,376
Revenue YoY %		8.5	4.0	-1.7	-7.2
EBIT		9,209	9,769	9,668	9,773
EBIT YoY %		19.9	6.1	-1.0	1.1
Net Income, Adjusted		5,721	6,220	5,472	6,159
Net Income YoY %		11.5	8.7	-12.0	12.6
Diluted EPS		6.25	6.82	6.17	7.45
Diluted EPS YoY %		10.5	9.1	-9.6	20.8
Free Cash Flow		6,205	4,849	14,452	7,365
Free Cash Flow YoY %		-152.7	-21.9	198.1	-49.0

Historical/forecast data sources are Morningstar Estimates and may reflect adjustments.

### Profile

United Technologies is a diversified conglomerate with 2013 revenue of \$62 billion and business operations serving primarily construction and aerospace markets. Otis elevators, Carrier air conditioners, Pratt & Whitney engines, and Sikorsky helicopters are key United Technologies product lines.

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## Morningstar Analysis

### Near-Term Guidance Disappoints, but We Still Like UTX's Long-Term Prospects 21 Jul 2015

Conceding earlier overconfidence in both UT Aerospace Systems and Otis, United Technologies decreased full-year revenue and profitability guidance, causing a market sell-off of UTX shares. While consolidated revenue (still including Sikorsky) grew a respectable 3% year over year excluding currency and other one-time effects, mounting weakness in commercial aerospace aftermarket sales and ongoing headwinds in Otis' important European and Chinese markets cast doubt on the company's ability to reach 2015 revenue goals. Soft sales in these two segments, combined with unfavorable business mix at Pratt & Whitney, culminated in nearly 50 basis points of consolidated operating margin decline to 16.6% in the quarter. Monday's Sikorsky sale prompted us to raise our fair value estimate to \$120 per share, and we stand by our belief that UTX's portfolio changes justify our valuation. In particular, we continue to believe that a more concentrated portfolio is capable of generating low-to-mid single digit organic revenue growth at higher margins.

In our opinion, the market's negative reaction to lower near-term guidance fails to take into account improving longer-term prospects at UTX, incited by new CEO Greg Hayes' sweeping review of the company's wide-moat businesses. In particular, Hayes directly addressed market share erosion at flagship business Otis, a brand we consider to be a strong intangible asset with an ability to protect pricing power. An aggressive commitment to price may have cost Otis business in regions with more price-sensitive customers, such as China; however, as Otis focuses on product innovation, we expect product differentiation can help Otis reclaim its ability to both drive demand and command price premiums simultaneously. As management talent and capital resources are increasingly funneled toward UTX's wide moat businesses on the back of Hayes' strategic review, we expect more of these kinds of opportunities to crystallize.

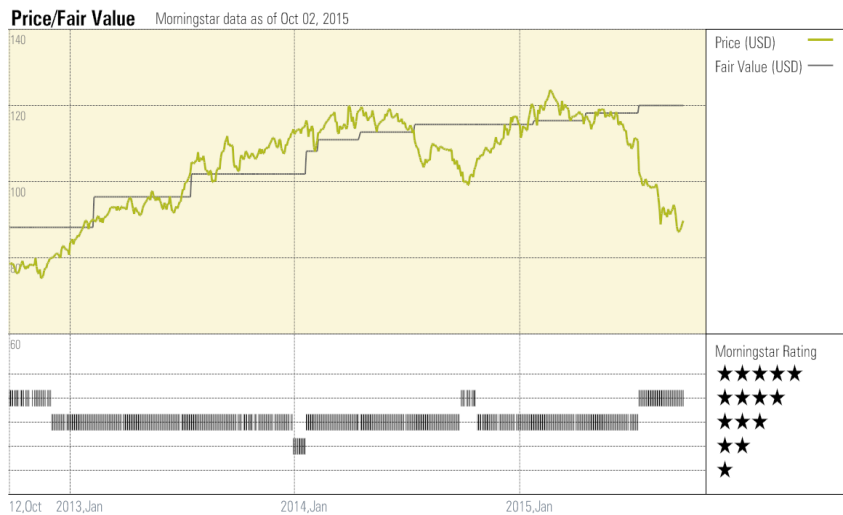
### Valuation, Growth and Profitability 20 Jul 2015

We've increased our fair value estimate for United Technologies to \$120 per share from \$118 after incorporating anticipated proceeds from the recently announced Sikorsky sale. The valuation implies approximately 13 times Sikorsky's expected 2015 EBITDA of about \$690 million, which we believe is an attractive premium for a business recently hampered by defense spending cuts and deteriorating demand from the energy sector. Structured as a 338(h)10 transaction, the deal treats a stock sale as an asset disposition for tax purposes. As such, based on our analysis of United Technologies' gross tax deductions of approximately \$460 million per year and remaining net operating losses of about \$250 million, our valuation assumes that \$1.5 billion is a reasonable estimate of the capital gains United Technologies may pay as a result of the sale. However, we plan to adjust this figure when more details are released.

Our forecast assumes that the deal will close on Dec. 31, 2015, leaving 2016 as the first full year without Sikorsky contribution. As such, we forecast that United Technologies' remaining segments will grow at an average 4% revenue CAGR, causing consolidated revenue to reach almost \$70 billion by 2019. In the near term, we expect that strength in commercial aerospace/aviation businesses will offset headwinds in climate, controls, and security, and in Pratt & Whitney. With Goodrich, UTC has added a strong aftermarket player that should give the firm another layer of profitable growth in light of the healthy aerospace cycle. Average operating margins improve to 15.9%, 80 basis points higher than our previous estimates due to the removal of the lower-margin Sikorsky business. Furthermore, average ROICs increase to about 17% from our previous average of 15.3%, supporting our belief that the deal is value-accretive.

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Limited competition, strong brand recognition, and extremely high switching costs protect the firm's Otis elevator business from competition. On the aerospace side, Pratt benefits from high switching costs and strong service revenue. The Carrier air conditioning division faces increasing competition from low-cost manufacturers, and though it is shifting manufacturing to low-cost locales and building its higher-margin service business, we do not see competition easing. Hamilton Sundstrand benefits from high switching costs, since its products enjoy entrenched positions at many aircraft manufacturers. Sikorsky continues to be a strong player in the military market, with well-regarded products and an entrenched base. Finally, the fire and security product line operates in a fragmented market where the firm's scale advantages determine profitability. Consequently, UTC's ROIC averaged 15% over the past five years.

### Scenario Analysis

The pace of global economic growth is the dominant driver of our valuation view.

Our downside scenario reflects declines in organic revenue in 2017 and 2018 driven by lower global growth. Our five-year revenue compound annual growth rate is 1.1%. Operating margins under this scenario fail to hold at current levels, dipping below 10% during a negative growth year. On average, we model 11% operating margins, about 400 basis points less than 2014 levels. Under these assumptions, our fair value estimate drops to \$83 per share.

Our more optimistic scenario is driven primarily by strong commercial construction and a healthy aerospace investment, leading to rising end market demand. We forecast 7% top-line growth over the next five years in this scenario, with operating margins expanding to 16% by 2019, reflecting 100 basis points of improvement over 2014 levels. Our fair value estimate is \$158 under these assumptions.

### Economic Moat

United Technologies' wide moat comprises several factors.

### Moat Trend

We think UTC's increasing advantages in some segments counter losses in others, and this mix results in a mostly stable moat trend. In the elevator business, Otis' competitive advantages are as stable as ever, with industry-leading operating margins. On the aerospace side, competition from GE and Rolls-Royce is intense. Pratt's footprint in commercial aerospace took a huge blow after its decision to withdraw from Boeing's 787 Dreamliner program. However, recent trends indicate Pratt's dominance in military markets is intact. Pratt is still the sole supplier to the fifth-generation F-22 and possibly the multi-billion-dollar F-35 programs. It also extended its lead in rocket engines with the acquisition of Rocketdyne Propulsion, its chief competitor.

Hamilton Sundstrand's content on the 787 platform is a testimony to its capabilities, but competition with other established players (like Honeywell) and strong buyer power of customers (like Boeing) moderate the division's competitive advantage. In the helicopter market, Sikorsky

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continues to face formidable competition from Bell, AgustaWestland, and Eurocopter. UTC's fire and security product line operates in a fragmented market where scale advantages determine profitability. Since the firm has been acquisitive in this market and increased revenue 87% during the past five years, we think it increased its competitive advantage.

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## Bulls Say/Bears Say

### Bulls Say

- ▶ Pratt & Whitney's re-entry into the narrow-body market is a noteworthy feat and gives the division a strong growth platform for several years.
- ▶ With roughly 20% exposure to the emerging markets, United Technologies has growth tailwinds, which should help it grow in the event of slower growth in developed economies.
- ▶ A number of United Technologies' businesses are still below peak revenue from 2008, with ample room to increase the top line and operating margin.

### Bears Say

- ▶ Sikorsky's woes have been exacerbated by a slowdown in oil and gas markets.
- ▶ Pratt & Whitney will see more demand than it has in some time, potentially straining internal resources and the supply chain. Profitability could be at risk if the firm is unable to execute in a faster-paced environment.
- ▶ The firm's reliance on costly commodities in manufacturing its products sustains earnings volatility.

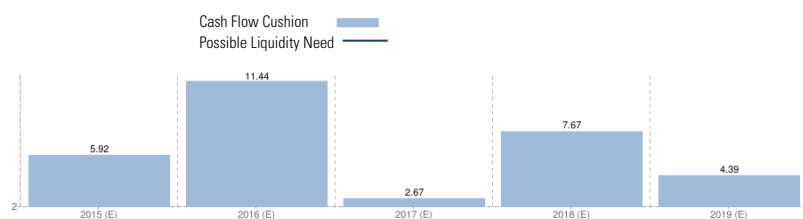
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## Five Year Adjusted Cash Flow Forecast (USD Mil)

	2015(E)	2016(E)	2017(E)	2018(E)	2019(E)
Cash and Equivalents (beginning of period)	5,235	10,952	5,697	6,927	8,122
Adjusted Available Cash Flow	13,435	6,030	4,739	4,749	4,998
Total Cash Available before Debt Service	18,670	16,982	10,436	11,676	13,120
Principal Payments	-1,796	-110	-2,518	-118	-1,570
Interest Payments	-882	-882	-882	-882	-882
Other Cash Obligations and Commitments	-478	-492	-507	-522	-538
Total Cash Obligations and Commitments	-3,156	-1,484	-3,907	-1,522	-2,990

## Cumulative Annual Cash Flow Cushion



## Adjusted Cash Flow Summary

	USD Millions	% of Commitments
Beginning Cash Balance	5,235	40.1
Sum of 5-Year Adjusted Free Cash Flow	33,951	260.0
Sum of Cash and 5-Year Cash Generation	39,186	300.1
Revolver Availability	—	—
Asset Adjusted Borrowings (Repayment)	—	—
Sum of Cash, 5-Year Cash Generation, Revolver and Adjustments	39,186	300.1
Sum of 5-Year Cash Commitments	-13,059	—

## Financial Health

United Technologies' capital structure is fairly straightforward, with long-term debt of \$22 billion consisting almost exclusively of senior unsecured bonds that mature from 2015 to 2042. The firm also supplements its short-term needs through a commercial paper program of up to \$4.35 billion, which is backstopped by its \$5.85 billion revolving credit agreements. Maturities are staggered, with sizable amounts due in 2015 (\$1.8 billion), 2017 (\$2.5 billion), and 2019 (\$1.6 billion). Liquidity is strong. The firm held cash of \$5.3 billion as of Mar. 31, 2015, although almost all of this balance resides overseas and is subject to taxation if repatriated.

## Enterprise Risk

We assign a medium uncertainty rating to United Technologies, as product and end market diversification is mitigated somewhat by the cyclical nature of this business. United Technologies derives around 61% of its sales from international markets, which subjects the firm to significant currency risk. Another key risk is the firm's exposure to the cyclical nature of construction and aerospace segments.

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## Management & Ownership

### Management Activity

Name	Position	Shares Held	Report Date*	InsiderActivity
GEORGE DAVID	Director	1,609,056	15 Dec 2009	—
GERAUD DARNIS		151,191	13 Mar 2015	—
GREGORY J. HAYES	Director	76,539	09 Feb 2015	—
THOMAS I ROGAN		44,561	16 Mar 2015	—
CHARLES D. GILL		30,614	09 Feb 2015	—
ELIZABETH B. AMATO		18,720	16 Mar 2015	—
MICHAEL B. MAURER		16,989	13 Mar 2015	—
MICHAEL R. DUMAIS		16,110	09 Feb 2015	—
MR. PETER F. LONGO		14,531	23 Nov 2014	—
MS. JAMIE S. GORELICK	Director	12,835	06 Nov 2014	—

\*Represents the date on which the owner's name, position, and common shares held were reported by the holder or issuer.

### Fund Ownership

Top Owners	% of Shares Held	% of Fund Assets	Change (k)	Portfolio Date
Vanguard Total Stock Mkt Idx	1.67	0.36	-71	31 Aug 2015
Vanguard Five Hundred Index Fund	1.09	0.43	118	31 Aug 2015
VA CollegeAmerica Washington Mutual	0.84	1.11	—	30 Jun 2015
Vanguard Institutional Index Fund	1.00	0.43	38	31 Aug 2015
SPDR® S&P 500® ETF Trust	0.86	0.45	—	31 Jul 2015
Concentrated Holders				
Fidelity® Select Defense & Aero Port	0.15	15.27	-71	31 Jul 2015
Fidelity® Select Industrial Equip Port	0.01	8.50	8	31 Jul 2015
iShares US Aerospace & Defense	0.05	7.68	5	23 Sep 2015
Dakota Inv. Financieras SICAV	—	5.96	0	31 Mar 2015
Fidelity Advisor® Industrials Fund	0.05	5.75	-36	31 Jul 2015

### Institutional Transactions

Top 5 Buyers	% of Shares Held	% of Fund Assets	Shares Bought/Sold (k)	Portfolio Date
Adage Capital Partners Gp LLC	0.48	1.18	1,948	30 Jun 2015
Boston Co Asset Management LLC	0.38	0.77	1,739	30 Jun 2015
J.P. Morgan Investment Management Inc.	1.96	0.83	1,620	30 Jun 2015
Morgan Stanley & Co Inc	0.27	0.36	1,462	30 Jun 2015
Grantham, Mayo, Van Otterloo & Co., LLC	0.15	0.48	1,098	30 Jun 2015
Top 5 Sellers				
Goldman, Sachs & Co.	0.18	0.08	-4,782	30 Jun 2015
Fidelity Management and Research Company	1.72	0.24	-3,374	30 Jun 2015
State Street Corp	11.10	1.17	-2,178	30 Jun 2015
Citadel Advisors Llc	0.13	0.11	-1,693	30 Jun 2015
T. Rowe Price Associates, Inc.	1.32	0.27	-1,422	30 Jun 2015

### Management 22 Apr 2015

United Technologies' corporate-governance policies are solid, and we think management and the board will act in the best interests of the common shareholder. In November 2014, CFO Greg Hayes replaced outgoing CEO Louis Chenevert. Hayes' tenure at UTC has spanned about 25 years. We believe UTC's directors are well-qualified because they have wide-ranging industry experience. The executive leadership group, comprising the most senior management, is required to own 3-6 times base salary in company stock. We believe this group's holding meaningful stock ownership in the firm aligns the goals of management with shareholders' interests. The only criticism that we have is related to management goals and incentives. While executive pay is tied to short-term and long-term objectives, the lack of return-based metrics in the incentive plan may affect decision-making, though links to total shareholder returns offset this somewhat.

Historically, the company has made returning capital to shareholders a priority and has paid nearly 70% of its free cash flows to investors over the past seven years. We anticipate that metric will deteriorate in the next couple of years as the firm works to pay down debt associated with the Goodrich transaction, but we suspect the long-run trend toward repurchases and dividend growth remains intact.

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## Analyst Notes

### Sikorsky Sale Creates Value for United Technologies Shareholders 20 Jul 2015

We're increasing our fair value estimate for United Technologies to \$120 per share from \$118 after adjusting our forecast to reflect the recently announced sale of its Sikorsky helicopter business to Lockheed Martin for \$9 billion in cash. The valuation implies approximately 13 times Sikorsky's expected 2015 EBITDA of approximately \$690 million, which we believe is an attractive premium for a business hampered by defense spending cuts and deteriorating demand from the energy sector. Structured as a 338(h)10 transaction, the deal treats a stock sale as an asset disposition for tax purposes, which insinuates that proceeds will be reduced by capital gains in an amount yet to be specified by the company. Nevertheless, with oil and gas budgets still in flux and U.S. military spending expected to remain weak in the near term, we believe securing a good price for the value of Sikorsky's brand name, technology, and customer relationships was the right move at the right time.

Despite selling a moaty business, we do not expect to alter United Technologies' wide moat. We believe that Sikorsky benefits from strong switching costs and intangible assets; however, it is structurally constrained by a platform-based business model, which generates roughly half of the operating profit margins that United Technologies' scalable, systems-based segments enjoy. We believe that aligning with wide-moat peer Lockheed Martin will improve Sikorsky's operating efficiency, especially by streamlining costs related to shared Lockheed/Sikorsky programs such as the VH-92 Presidential and the MH-60 Special Operations Command helicopters. In turn, United Technologies will benefit from shifting resources toward its other moaty businesses, such as Pratt & Whitney, UTC Buildings & Industrial, and Otis.

### United Technologies Under Review in Light of \$9 Billion Sikorsky Sale 20 Jul 2015

On Monday, wide-moat United Technologies announced that it will sell its Sikorsky business to wide-moat peer Lockheed Martin for \$9 billion. At first glance, the deal price appears to represent an attractive premium for the helicopter maker, which recently experienced lagging sales due to cutbacks in U.S. defense spending, and the move is consistent with new United Technologies CEO Greg Hayes' commitment to repositioning the portfolio to focus on core assets, such as Otis elevators and UTC Aerospace. We're placing our fair value estimates for both companies under review as we assess the impact of this deal.

### United Technologies Confirms Pursuit of Exit Options for Sikorsky 15 Jun 2015

United Technologies on June 15 confirmed its intention to separate from its Sikorsky helicopter business. An ongoing review of exit options will determine whether the firm will spin off the unit or sell it outright, a decision that should be made sometime in the third quarter. The announcement coincided with a reduction in 2015 earnings guidance, as Sikorsky continues to experience pressure from a weakened oil and gas market and reduced military spending. Furthermore, management expects \$0.10-\$0.20 per share of one-time separation charges to hit the income statement in 2015. Although we plan to trim our earnings forecast for the year based on this news, we do not expect a material impact to our fair value estimate of \$118 per share at this time. We plan to assess the impact of the Sikorsky separation on our fair value estimate once the exit method is announced. In our opinion, shedding Sikorsky will help wide-moat United Technologies focus management attention and capital resources toward growing the parts of its portfolio (such as Otis, Carrier, and Pratt & Whitney) that exhibit clear competitive advantages.



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## Analyst Notes

### UTX's Plans to Separate Sikorsky Still Underway Amid 1Q Slowdown; Climate Business Sees Momentum

21 Apr 2015

After United Technologies' first-quarter earnings report, we are increasing our fair value estimate to \$118 per share from \$116, reflecting the time value of money since our last update. Currency took a bite out of reported revenue growth in the first quarter, as sales declined over 1% year over year to \$14.5 billion. This masked an underlying organic revenue growth rate of 3%, as outperformance in building and industrial markets offset lighter sales in aerospace markets. For example, Sikorsky's commercial business suffered from spending pullbacks on offshore oil rigs that rely on helicopters, causing underlying sales in this specific segment to plummet 26%. This marred otherwise healthy organic revenue growth coming out of United's commercial aerospace segment. Businesses exposed to commercial infrastructure markets reported broad-based strength, with commercial refrigeration and HVAC, in particular, reporting healthy order growth.

When adjusted for restructuring and other one-time gains, segment operating profit improved 20 basis points year over year to 15.6%. Operating leverage led to nearly 120 basis points of margin expansion in the Climate, Controls, and Security segment, which offset margin weakness within Otis and Sikorsky. Otis continues to experience pricing pressure in its European service business, which crimped margins 50 basis points year over year, whereas lower volumes at Sikorsky compressed margins by 30 basis points.

Amid ongoing portfolio restructuring that seeks to better align the firm's operations with its core competitive advantages, wide-moat United Technologies continues to seek options to separate Sikorsky. With Sikorsky's operations facing weakness in two key end markets, obtaining a fair price in the open market for these assets

may be challenging; as such, spinning off the assets may be a more attractive way of unlocking value from this segment for shareholders.

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## Morningstar Analyst Forecasts

### Financial Summary and Forecasts

Fiscal Year Ends in December

	3-Year Hist. CAGR	Forecast					5-Year Proj. CAGR
		2012	2013	2014	2015	2016	
Growth (% YoY)							
Revenue	5.3	3.5	8.5	4.0	-1.7	-7.2	1.1
EBIT	7.6	-2.1	19.9	6.1	-1.0	1.1	1.3
EBITDA	8.3	0.2	19.8	5.9	-0.6	1.2	1.4
Net Income	7.7	3.0	11.5	8.7	-12.0	12.6	1.2
Diluted EPS	7.5	3.1	10.5	9.1	-9.6	20.8	4.8
Earnings Before Interest, after Tax	7.9	13.1	3.9	6.7	4.9	1.0	2.3
Free Cash Flow	-2.9	-322.3	-152.7	-21.9	198.1	-49.0	5.7

	3-Year Hist. Avg						5-Year Proj. Avg
		2012	2013	2014	2015	2016	
Profitability							
Operating Margin %	14.3	13.3	14.7	15.0	15.1	16.5	15.7
EBITDA Margin %	17.2	16.0	17.6	17.9	18.1	19.8	18.9
Net Margin %	9.2	8.9	9.1	9.6	8.6	10.4	9.7
Free Cash Flow Margin %	-1.0	-20.4	9.9	7.5	22.6	12.4	12.7
ROIC %	31.6	31.7	31.4	31.8	30.6	32.5	33.3
Adjusted ROIC %	14.9	14.9	14.8	15.1	15.7	17.2	17.0
Return on Assets %	6.7	6.8	6.4	6.8	6.7	7.2	7.2
Return on Equity %	20.3	21.5	19.8	19.7	20.1	23.3	23.0

	3-Year Hist. Avg						5-Year Proj. Avg
		2012	2013	2014	2015	2016	
Leverage							
Debt/Capital	0.42	0.47	0.39	0.39	0.40	0.46	0.42
Total Debt/EBITDA	2.02	2.52	1.84	1.70	1.70	1.68	1.65
EBITDA/Interest Expense	12.48	11.91	12.30	13.24	13.16	13.32	13.64

### Valuation Summary and Forecasts

	2013	2014	2015(E)	2016(E)
Price/Fair Value	1.12	1.00	—	—
Price/Earnings	18.2	16.9	14.5	12.0
EV/EBITDA	11.0	10.2	8.3	8.2
EV/EBIT	13.1	12.2	10.0	9.9
Free Cash Flow Yield %	5.6	5.4	9.8	10.3
Dividend Yield %	1.8	2.0	2.8	3.2

### Key Valuation Drivers

Cost of Equity %	9.0
Pre-Tax Cost of Debt %	5.8
Weighted Average Cost of Capital %	8.3
Long-Run Tax Rate %	26.3
Stage II EBI Growth Rate %	6.0
Stage II Investment Rate %	40.0
Perpetuity Year	20

Additional estimates and scenarios available for download at <http://select.morningstar.com>.

### Discounted Cash Flow Valuation

	USD Mil	Firm Value (%)	Per Share Value
Present Value Stage I	33,202	26.4	38.50
Present Value Stage II	41,500	33.1	48.12
Present Value Stage III	50,865	40.5	58.98
<b>Total Firm Value</b>	<b>125,567</b>	<b>100.0</b>	<b>145.60</b>
Cash and Equivalents	5,235	—	6.07
Debt	-19,794	—	-22.95
Preferred Stock	—	—	—
Other Adjustments	-11,619	—	-13.47
<b>Equity Value</b>	<b>99,389</b>	<b>—</b>	<b>115.24</b>

Projected Diluted Shares 862

Fair Value per Share (USD) —

The data in the table above represent base-case forecasts in the company's reporting currency as of the beginning of the current year. Our fair value estimate may differ from the equity value per share shown above due to our time value of money adjustment and in cases where probability-weighted scenario analysis is performed.

# United Technologies Corp UTX (NYSE) ★★★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
89.77 USD	120.00 USD	84.00 USD	162.00 USD	Medium	Wide	Stable	Standard	Aerospace & Defense

## Morningstar Analyst Forecasts

### Income Statement (USD Mil)

Fiscal Year Ends in December

	2012	2013	2014	Forecast	
				2015	2016
<b>Revenue</b>	<b>57,708</b>	<b>62,626</b>	<b>65,100</b>	<b>64,004</b>	<b>59,376</b>
Cost of Goods Sold	42,153	45,321	47,447	46,648	43,275
<b>Gross Profit</b>	<b>15,555</b>	<b>17,305</b>	<b>17,653</b>	<b>17,356</b>	<b>16,101</b>
Selling, General & Administrative Expenses	6,452	6,718	6,500	6,391	5,928
Research & Development	2,371	2,529	2,635	2,240	2,078
Other Operating Expense (Income)	-952	-1,151	-1,251	-943	-1,678
Depreciation & Amortization (if reported separately)	—	—	—	—	—
<b>Operating Income (ex charges)</b>	<b>7,684</b>	<b>9,209</b>	<b>9,769</b>	<b>9,668</b>	<b>9,773</b>
Restructuring & Other Cash Charges	—	—	—	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
<b>Operating Income (incl charges)</b>	<b>7,684</b>	<b>9,209</b>	<b>9,769</b>	<b>9,668</b>	<b>9,773</b>
Interest Expense	773	897	882	882	882
Interest Income	—	—	—	—	—
<b>Pre-Tax Income</b>	<b>6,911</b>	<b>8,312</b>	<b>8,887</b>	<b>8,786</b>	<b>8,891</b>
Income Tax Expense	1,711	2,238	2,264	2,284	2,312
Other After-Tax Cash Gains (Losses)	290	35	—	—	—
Other After-Tax Non-Cash Gains (Losses)	—	—	—	—	—
(Minority Interest)	-360	-388	-403	-420	-420
(Preferred Dividends)	—	—	—	—	—
<b>Net Income</b>	<b>5,130</b>	<b>5,721</b>	<b>6,220</b>	<b>6,081</b>	<b>6,159</b>
Weighted Average Diluted Shares Outstanding	907	915	912	887	827
<b>Diluted Earnings Per Share</b>	<b>5.66</b>	<b>6.25</b>	<b>6.82</b>	<b>6.85</b>	<b>7.45</b>
Adjusted Net Income	5,130	5,721	6,220	5,472	6,159
<b>Diluted Earnings Per Share (Adjusted)</b>	<b>5.66</b>	<b>6.25</b>	<b>6.82</b>	<b>6.17</b>	<b>7.45</b>
Dividends Per Common Share	2.03	2.20	2.36	2.56	3.09
<b>EBITDA</b>	<b>9,208</b>	<b>11,030</b>	<b>11,676</b>	<b>11,610</b>	<b>11,752</b>
<b>Adjusted EBITDA</b>	<b>9,208</b>	<b>11,030</b>	<b>11,676</b>	<b>11,610</b>	<b>11,752</b>

# United Technologies Corp UTX (NYSE) | ★★★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
89.77 USD	120.00 USD	84.00 USD	162.00 USD	Medium	Wide	Stable	Standard	Aerospace & Defense

## Morningstar Analyst Forecasts

### Balance Sheet (USD Mil)

Fiscal Year Ends in December

	2012	2013	2014	Forecast	
				2015	2016
Cash and Equivalents	4,819	4,619	5,235	10,952	5,697
Investments	—	—	—	—	—
Accounts Receivable	11,099	11,458	11,317	11,126	10,322
Inventory	9,537	10,330	9,865	9,074	8,418
Deferred Tax Assets (Current)	1,611	1,964	1,931	1,931	1,931
Other Short Term Assets	2,544	1,071	1,410	1,410	1,410
<b>Current Assets</b>	<b>29,610</b>	<b>29,442</b>	<b>29,758</b>	<b>34,493</b>	<b>27,778</b>
Net Property Plant, and Equipment	8,518	8,866	9,276	9,751	9,992
Goodwill	27,801	28,168	27,796	21,296	22,296
Other Intangibles	15,189	15,521	15,560	14,842	14,124
Deferred Tax Assets (Long-Term)	1,599	1,236	1,494	1,494	1,494
Other Long-Term Operating Assets	5,542	6,205	6,427	6,427	6,427
Long-Term Non-Operating Assets	1,150	1,156	978	978	978
<b>Total Assets</b>	<b>89,409</b>	<b>90,594</b>	<b>91,289</b>	<b>89,282</b>	<b>83,089</b>
Accounts Payable	6,431	6,965	6,967	6,850	6,354
Short-Term Debt	1,624	500	1,922	1,922	1,922
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	15,731	15,335	14,006	14,006	14,006
<b>Current Liabilities</b>	<b>23,786</b>	<b>22,800</b>	<b>22,895</b>	<b>22,778</b>	<b>22,282</b>
Long-Term Debt	21,597	19,741	17,872	17,872	17,872
Deferred Tax Liabilities (Long-Term)	—	—	—	—	—
Other Long-Term Operating Liabilities	9,199	11,279	11,135	11,135	11,135
Long-Term Non-Operating Liabilities	7,520	3,444	6,683	6,683	6,683
<b>Total Liabilities</b>	<b>62,102</b>	<b>57,264</b>	<b>58,585</b>	<b>58,468</b>	<b>57,972</b>
Preferred Stock	—	—	—	—	—
Common Stock	—	—	—	—	—
Additional Paid-in Capital	13,976	14,764	15,300	15,300	15,300
Retained Earnings (Deficit)	36,776	40,539	44,611	48,421	52,024
(Treasury Stock)	-19,251	-20,431	-21,922	-27,622	-36,922
Other Equity	-5,587	-3,006	-6,776	-6,776	-6,776
<b>Shareholder's Equity</b>	<b>25,914</b>	<b>31,866</b>	<b>31,213</b>	<b>29,323</b>	<b>23,626</b>
Minority Interest	1,393	1,464	1,491	1,491	1,491
<b>Total Equity</b>	<b>27,307</b>	<b>33,330</b>	<b>32,704</b>	<b>30,814</b>	<b>25,117</b>

# United Technologies Corp UTX (NYSE) ★★★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
89.77 USD	120.00 USD	84.00 USD	162.00 USD	Medium	Wide	Stable	Standard	Aerospace & Defense

## Morningstar Analyst Forecasts

### Cash Flow (USD Mil)

Fiscal Year Ends in December

	2012	2013	2014	Forecast	
				2015	2016
Net Income	5,200	6,074	6,623	6,501	6,579
Depreciation	977	1,111	1,189	1,225	1,261
Amortization	547	710	718	718	718
Stock-Based Compensation	210	275	240	236	219
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	120	242	376	—	—
Other Non-Cash Adjustments	—	-708	-563	—	—
(Increase) Decrease in Accounts Receivable	-165	-531	7	191	804
(Increase) Decrease in Inventory	-539	-1,096	-1,091	791	656
Change in Other Short-Term Assets	-4	74	-123	—	—
Increase (Decrease) in Accounts Payable	811	1,354	-40	-117	-495
Change in Other Short-Term Liabilities	-552	—	—	—	—
<b>Cash From Operations</b>	<b>6,605</b>	<b>7,505</b>	<b>7,336</b>	<b>9,544</b>	<b>9,743</b>
(Capital Expenditures)	-1,389	-1,688	-1,711	-1,700	-1,502
Net (Acquisitions), Asset Sales, and Disposals	-17,144	687	-58	6,500	-1,000
Net Sales (Purchases) of Investments	—	—	—	—	—
Other Investing Cash Flows	-262	-463	-536	—	—
<b>Cash From Investing</b>	<b>-18,795</b>	<b>-1,464</b>	<b>-2,305</b>	<b>4,800</b>	<b>-2,502</b>
Common Stock Issuance (or Repurchase)	—	-822	-1,313	-5,700	-9,300
Common Stock (Dividends)	-1,752	-1,908	-2,048	-2,271	-2,557
Short-Term Debt Issuance (or Retirement)	-214	-113	-346	—	—
Long-Term Debt Issuance (or Retirement)	10,057	-2,770	-206	—	—
Other Financing Cash Flows	-70	-327	-346	-656	-639
<b>Cash From Financing</b>	<b>8,021</b>	<b>-5,940</b>	<b>-4,259</b>	<b>-8,627</b>	<b>-12,495</b>
Exchange Rates, Discontinued Ops, etc. (net)	3,028	-301	-156	—	—
<b>Net Change in Cash</b>	<b>-1,141</b>	<b>-200</b>	<b>616</b>	<b>5,717</b>	<b>-5,255</b>

# United Technologies Corp UTX (NYSE) ★★★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
89.77 USD	120.00 USD	84.00 USD	162.00 USD	Medium	Wide	Stable	Standard	Aerospace & Defense

## Comparable Company Analysis

These companies are chosen by the analyst and the data are shown by nearest calendar year in descending market capitalization order.

### Valuation Analysis

Company/Ticker	Price/Fair Value	Price/Earnings			EV/EBITDA			Price/Free Cash Flow			Price/Book			Price/Sales		
		2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)
General Electric Co GE USA	0.85	15.3	19.4	17.0	14.6	53.1	16.2	12.7	62.2	20.4	2.0	2.3	2.6	1.7	2.0	1.9
Boeing Co BA USA	0.96	15.1	15.9	13.9	9.7	8.4	7.7	13.8	13.8	13.7	10.6	13.2	10.1	1.0	0.9	0.9
Honeywell International Inc HON USA	0.90	18.0	15.9	14.5	11.4	9.7	8.8	19.9	14.4	15.2	4.4	3.9	3.5	1.9	1.9	1.8
Average		16.1	17.1	15.1	11.9	23.7	10.9	15.5	30.1	16.4	5.7	6.5	5.4	1.5	1.6	1.5
<b>United Technologies Corp UTX US</b>	<b>0.75</b>	<b>16.9</b>	<b>14.5</b>	<b>12.0</b>	<b>10.2</b>	<b>8.3</b>	<b>8.2</b>	<b>18.6</b>	<b>10.2</b>	<b>9.7</b>	<b>3.4</b>	<b>2.7</b>	<b>3.4</b>	<b>1.6</b>	<b>1.2</b>	<b>1.3</b>

### Returns Analysis

Company/Ticker	Last Historical Year Total Assets (Mil)	ROIC %			Adjusted ROIC %			Return on Equity %			Return on Assets %			Dividend Yield %		
		2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)
General Electric Co GE USA	648,349 USD	7.5	1.8	8.0	5.6	1.3	5.8	11.9	-2.5	11.9	2.4	-0.5	2.0	3.5	3.5	3.4
Boeing Co BA USA	99,198 USD	—	—	—	21.0	25.8	28.6	46.3	73.8	80.4	5.7	5.8	6.4	2.3	2.9	3.0
Honeywell International Inc HON USA	45,451 USD	28.1	31.2	30.3	15.8	17.3	16.7	24.1	25.8	25.2	9.3	10.2	10.3	1.9	2.3	2.5
Average		17.8	16.5	19.2	14.1	14.8	17.0	27.4	32.4	39.2	5.8	5.2	6.2	2.6	2.9	3.0
<b>United Technologies Corp UTX US</b>	<b>91,289 USD</b>	<b>31.8</b>	<b>30.6</b>	<b>32.5</b>	<b>15.1</b>	<b>15.7</b>	<b>17.2</b>	<b>19.7</b>	<b>20.1</b>	<b>23.3</b>	<b>6.8</b>	<b>6.7</b>	<b>7.2</b>	<b>2.0</b>	<b>2.8</b>	<b>3.2</b>

### Growth Analysis

Company/Ticker	Last Historical Year Revenue (Mil)	Revenue Growth %			EBIT Growth %			EPS Growth %			Free Cash Flow Growth %			Dividend/Share Growth %		
		2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)
General Electric Co GE USA	148,589 USD	1.7	-15.3	7.3	2.1	-103.8	-2,466.4	0.7	-20.7	14.5	-50.2	-105.6	-1,003.9	15.0	5.2	—
Boeing Co BA USA	90,762 USD	4.8	4.9	7.2	13.9	14.4	9.9	21.7	-2.8	14.2	-2.4	8.6	1.5	50.3	27.0	10.0
Honeywell International Inc HON USA	40,306 USD	3.2	-2.1	7.6	6.9	10.4	9.2	11.9	9.0	9.7	27.6	-87.2	667.5	11.9	14.9	9.7
Average		3.2	-4.2	7.4	7.6	-26.3	-815.8	11.4	-4.8	12.8	-8.3	-61.4	-111.6	25.7	15.7	9.9
<b>United Technologies Corp UTX US</b>	<b>65,100 USD</b>	<b>4.0</b>	<b>-1.7</b>	<b>-7.2</b>	<b>6.1</b>	<b>-1.0</b>	<b>1.1</b>	<b>9.1</b>	<b>-9.6</b>	<b>20.8</b>	<b>-21.9</b>	<b>198.1</b>	<b>-49.0</b>	<b>7.3</b>	<b>8.5</b>	<b>20.8</b>

# United Technologies Corp UTX (NYSE) ★★★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
89.77 USD	120.00 USD	84.00 USD	162.00 USD	Medium	Wide	Stable	Standard	Aerospace & Defense

## Comparable Company Analysis

These companies are chosen by the analyst and the data are shown by nearest calendar year in descending market capitalization order.

### Profitability Analysis

Company/Ticker	Last Historical Year Net Income (Mil)	Gross Margin %			EBITDA Margin %			Operating Margin %			Net Margin %			Free Cash Flow Margin %		
		2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)
General Electric Co GE USA	16,723 USD	34.5	22.9	27.0	19.9	5.7	17.4	12.5	-0.6	12.5	11.3	10.2	10.6	13.5	3.3	9.3
Boeing Co BA USA	5,446 USD	15.4	16.5	16.8	10.3	11.2	11.4	8.2	9.0	9.2	6.0	6.0	6.2	7.3	6.8	6.4
Honeywell International Inc HON USA	4,422 USD	28.2	31.5	31.8	17.5	19.8	20.1	15.2	17.2	17.4	11.0	12.1	12.2	9.8	13.3	11.7
Average		26.0	23.6	25.2	15.9	12.2	16.3	12.0	8.5	13.0	9.4	9.4	9.7	10.2	7.8	9.1
<b>United Technologies Corp UTX US</b>	<b>6,220 USD</b>	<b>27.1</b>	<b>27.1</b>	<b>27.1</b>	<b>17.9</b>	<b>18.1</b>	<b>19.8</b>	<b>15.0</b>	<b>15.1</b>	<b>16.5</b>	<b>9.6</b>	<b>8.6</b>	<b>10.4</b>	<b>8.6</b>	<b>12.3</b>	<b>13.9</b>

### Leverage Analysis

Company/Ticker	Last Historical Year Total Debt (Mil)	Debt/Equity %			Debt/Total Cap %			EBITDA/Interest Exp.			Total Debt/EBITDA			Assets/Equity		
		2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)
General Electric Co GE USA	272,203 USD	212.4	245.0	277.7	68.0	71.0	73.5	18.7	4.6	14.8	9.2	38.1	11.8	5.1	5.7	6.3
Boeing Co BA USA	9,070 USD	104.7	119.9	93.6	51.1	54.5	48.4	28.2	30.9	35.4	1.0	0.8	0.7	11.4	14.2	11.2
Honeywell International Inc HON USA	8,683 USD	49.2	52.1	53.3	33.0	34.2	34.8	22.2	25.4	23.7	1.2	1.3	1.3	2.6	2.5	2.4
Average		122.1	139.0	141.5	50.7	53.2	52.2	23.0	20.3	24.6	3.8	13.4	4.6	6.4	7.5	6.6
<b>United Technologies Corp UTX US</b>	<b>19,794 USD</b>	<b>63.4</b>	<b>67.5</b>	<b>83.8</b>	<b>38.8</b>	<b>40.3</b>	<b>45.6</b>	<b>13.2</b>	<b>13.2</b>	<b>13.3</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>	<b>2.9</b>	<b>3.0</b>	<b>3.5</b>

### Liquidity Analysis

Company/Ticker	Market Cap (Mil)	Cash per Share			Current Ratio			Quick Ratio			Cash/Short-Term Debt			Payout Ratio %		
		2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)
General Electric Co GE USA	257,156 USD	8.91	7.10	6.64	1.98	1.87	1.84	1.90	1.78	1.76	1.26	0.97	0.89	57.7	-302.2	70.4
Boeing Co BA USA	90,074 USD	15.90	13.53	17.39	1.20	1.13	1.16	0.37	0.33	0.38	12.63	10.19	10.78	38.8	45.0	43.3
Honeywell International Inc HON USA	75,471 USD	8.75	6.58	7.30	1.50	1.38	1.44	1.20	1.10	1.15	2.64	1.97	2.15	35.6	36.0	36.0
Average		11.19	9.07	10.44	1.56	1.46	1.48	1.16	1.07	1.10	5.51	4.38	4.61	44.0	-73.7	49.9
<b>United Technologies Corp UTX US</b>	<b>79,949 USD</b>	<b>5.74</b>	<b>12.34</b>	<b>6.89</b>	<b>1.30</b>	<b>1.51</b>	<b>1.25</b>	<b>0.87</b>	<b>1.12</b>	<b>0.87</b>	<b>2.72</b>	<b>5.70</b>	<b>2.96</b>	<b>34.6</b>	<b>37.4</b>	<b>41.5</b>

## Research Methodology for Valuing Companies

### Components of Our Methodology

- ▶ Economic Moat™ Rating
- ▶ Moat Trend™ Rating
- ▶ Moat Valuation
- ▶ Three-Stage Discounted Cash Flow
- ▶ Weighted Average Cost of Capital
- ▶ Fair Value Estimate
- ▶ Scenario Analysis
- ▶ Uncertainty Ratings
- ▶ Margin of Safety
- ▶ Consider Buying/Selling
- ▶ Stewardship Rating

We believe that a company's intrinsic worth results from the future cash flows it can generate.

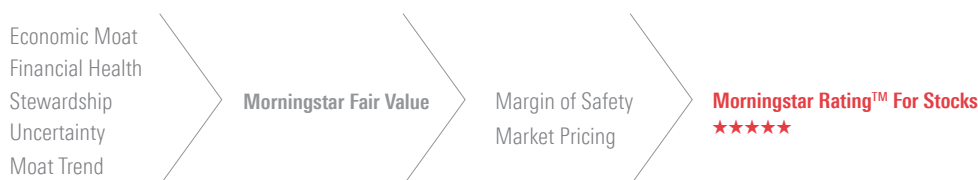
The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk-adjusted discount to their fair values, whereas 1-star stocks trade at premiums to their intrinsic worth. Four key components drive the Morningstar rating: our assessment of the firm's economic moat, our estimate of the stock's fair value, our uncertainty around that fair value estimate and the current market price. This process ultimately culminates in our single-point star rating. Underlying this rating is a fundamentally focused methodology and a robust, standardized set of procedures and core valuation tools used by Morningstar's equity analysts.

The concept of the Morningstar Economic Moat™ Rating plays a vital role not only in our qualitative assessment of a firm's investment potential, but also in our actual calculation of our fair value estimates. We assign three moat ratings—none, narrow, or wide—as well as the Morningstar Moat Trend™ Rating—positive, stable, or negative—to each company we cover. Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns on invested capital over at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for

10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. The assumptions that we make about a firm's economic moat play a vital role in determining the length of "economic outperformance" that we assume in the terminal sections of our valuation model. To assess the sustainability of excess profits, analysts perform ongoing assessments of what we call the moat trend. A firm's moat trend is positive in cases where we think its sources of competitive advantage are growing stronger; stable where we don't anticipate changes to competitive advantages over the next several years; or negative when we see signs of deterioration.

At the heart of our valuation system is a detailed projection of a company's future cash flows. The first stage of our three-stage discounted cash flow model can last from 5 to 10 years and contains numerous detailed assumptions about various financial and operating items. The second stage of our model—where a firm's return on new invested capital (RONIC) and earnings growth rate implicitly fade until the perpetuity year—can last anywhere from one year (for companies with no economic moat) to 10-15 years (for wide-moat companies). In our third stage, we assume the firm's RONIC equals its weighted average cost of capital, and we calculate a continuing value using a standard perpetuity formula. In deciding on the rate at which to discount future cash flows, we use a building block approach,

### Morningstar Research Methodology for Valuing Companies



Source: Morningstar, Inc.



**Detailed Methodology Documents and Materials\***

- ▶ Comprehensive Equity Research Methodology
- ▶ Uncertainty Methodology
- ▶ Cost of Equity Methodology
- ▶ Morningstar DCF Valuation Model
- ▶ Stewardship Rating Methodology

\*Please contact a sales representative for more information.

which takes into account expectations for market real return, inflation, country risk premia, corporate credit spread, and any additional systematic risk.

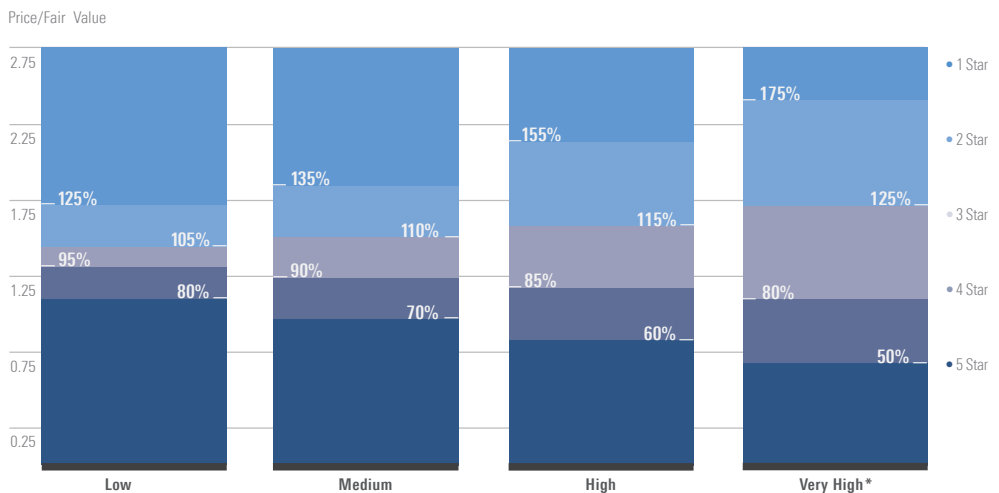
We also employ a number of other tools to augment our valuation process, including scenario analysis, where we assess the likelihood and performance of a business under different economic and firm-specific conditions. Our analysts model three scenarios for each company we cover, stress-testing the model and examining the distribution of resulting fair values.

The Morningstar Uncertainty Rating captures the range of likely potential fair values and uses it to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating represents the analysts’ ability to bound the estimated value of the shares in a company around the Fair Value Estimate, based on the characteristics of the business underlying the stock, including

operating and financial leverage, sales sensitivity to the overall economy, product concentration, pricing power, and other company-specific factors.

Our corporate Stewardship Rating represents our assessment of management’s stewardship of shareholder capital, with particular emphasis on capital allocation decisions. Analysts consider companies’ investment strategy and valuation, financial leverage, dividend and share buyback policies, execution, compensation, related party transactions, and accounting practices. Corporate governance practices are only considered if they’ve had a demonstrated impact on shareholder value. Analysts assign one of three ratings: “Exemplary,” “Standard,” and “Poor.” Analysts judge stewardship from an equity holder’s perspective. Ratings are determined on an absolute basis. Most companies will receive a Standard rating, and this is the default rating in the absence of evidence that managers have made exceptionally strong or poor capital allocation decisions. ■■■

**Morningstar Margin of Safety and Star Rating Bands**



\* Occasionally a stock’s uncertainty will be too high for us to estimate, in which case we label it Extreme.

Source: Morningstar, Inc.

# United Technologies Corp UTX (NYSE) ★★★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
89.77 USD	120.00 USD	84.00 USD	162.00 USD	Medium	Wide	Stable	Standard	Aerospace & Defense



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