Raytheon Technologies Corp. (RTX)

Updated January 28th, 2025, by Nathan Parsh

Key Metrics

Current Price:	$127	**5 Year CAGR Estimate:**	4.8%	**Market Cap:**	$170 B
Fair Value Price:	$103	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date:**	02/24/25[1]
% Fair Value:	123%	**5 Year Valuation Multiple Estimate:**	-4.0%	**Dividend Payment Date:**	03/24/25[2]
Dividend Yield:	2.0%	**5 Year Price Target**	$145	**Years Of Dividend Growth:**	30
Dividend Risk Score:	A	**Retirement Suitability Score:**	B	**Rating:**	Hold

Overview & Current Events

Raytheon Technologies (RTX) was created on April 3rd, 2020, after the completion of the merger between Raytheon (previous ticker: RTN) and United Technologies (previous ticker: UTX), following United Technologies' spin-offs of its Carrier (CARR) and Otis (OTIS) businesses. The combined business, trading with a $170 billion market cap and headquartered in Waltham, MA, is one the largest aerospace and defense companies in the world with ~$79 billion in annual sales and a global team of 182,000 employees, including 60,000 engineers and scientists. The company now has three segments: Collins Aerospace Systems, Pratt & Whitney, and Raytheon, which is composed of the former Raytheon Intelligence & Space and Raytheon Missiles & Defense businesses.

On May 2nd, 2024, Raytheon Technologies increased its quarterly dividend 6.3% to $0.63.

On January 28th, 2025, Raytheon Technologies announced fourth quarter and full year results for the period ending December 31st, 2024. For the quarter, revenue grew 8.5% to $21.6 billion, which beat estimates by $1.1 billion. Adjusted earnings-per-share of $1.54 compared to $1.29 in the prior year and was $0.16 better than expected. For the year, revenue grew 9% to $80.8 billion while adjusted earnings-per-share of $5.73 compared to $5.06 in 2024.

Organic sales increased 11% for the period when adjusting for divestitures. For the quarter, organic revenue was higher by 18%, 10%, and 8% for the Pratt & Whitney, Raytheon, and Collins Aerospace segments, respectively. Raytheon Technologies' backlog at the end of the quarter was a new record $218 billion, compared to a quarterly record $221 billion in the third quarter of 2024, of which $125 billion was from commercial aerospace and $93 billion was from defense. The company ended the year $112 billion in new awards and a book-to-bill ratio of 1.39.

Raytheon Technologies provided guidance for 2025 as well. The company expects revenue to grow 4% to 6% while adjusted earnings-per-share are projected to be in a range of $6.00 to $6.15 for the year. We have initiated our forecast accordingly.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$6.29	$6.61	$6.60	$7.61	$8.26	$2.73	$4.27	$4.78	$5.06	$5.73	***$6.08***	***$8.53***
DPS	$2.56	$2.62	$2.72	$2.84	$2.94	$2.16	$2.01	$2.16	$2.36	$2.48	***$2.52***	***$3.53***
Shares[3]	838	809	799	861	864	1,515	1,509	1,476	1,362	1,349	***1,349***	***1,330***

Note that we have elected to show United Technologies' history through 2019, as ~57% of the new business is now owned by legacy UTX shareholders. However, the company is much different today with the merger and spin-offs. With that being said, both United Technologies and Raytheon have put together solid operating records. In the last decade the company's earnings-per-share fell by an average rate of 1%, though this is misleading due to the spinoff. Moving forward, we anticipate solid growth to continue, forecasting 7% growth over the intermediate term. This takes into account the strong history of the underlying operating businesses, along with the idea of growth becoming more difficult

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[1] Estimated ex-dividend date.
[2] Estimated dividend payment date.
[3] In millions.

Disclosure: This analyst has a long position in the security discussed in this research report.

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given the size of the business along with the recent uncertainty related to the worldwide COVID-19 pandemic. The company has raised its dividend for 30 years.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	17.0	15.3	17.7	16.8	16.1	22.0	18.4	21.1	16.6	20.2	***20.9***	***17.0***
Avg. Yld.	2.4%	2.6%	2.3%	2.2%	2.2%	3.6%	2.6%	2.1%	2.8%	2.1%	***2.0%***	***2.4%***

Shares of Raytheon Technologies have gained $1, or 0.8%, since our October 22nd, 2024 update. The stock has traded with an average P/E ratio of close to 18 times earnings over the past decade. We believe fair value to be closer to 17 times earnings. With shares trading at nearly 21 times estimated earnings, this implies a valuation headwind. Reverting to our target valuation would reduce annual returns by 4.0% through 2030.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	41%	40%	41%	37%	36%	79%	47%	45%	47%	43%	***41%***	***41%***

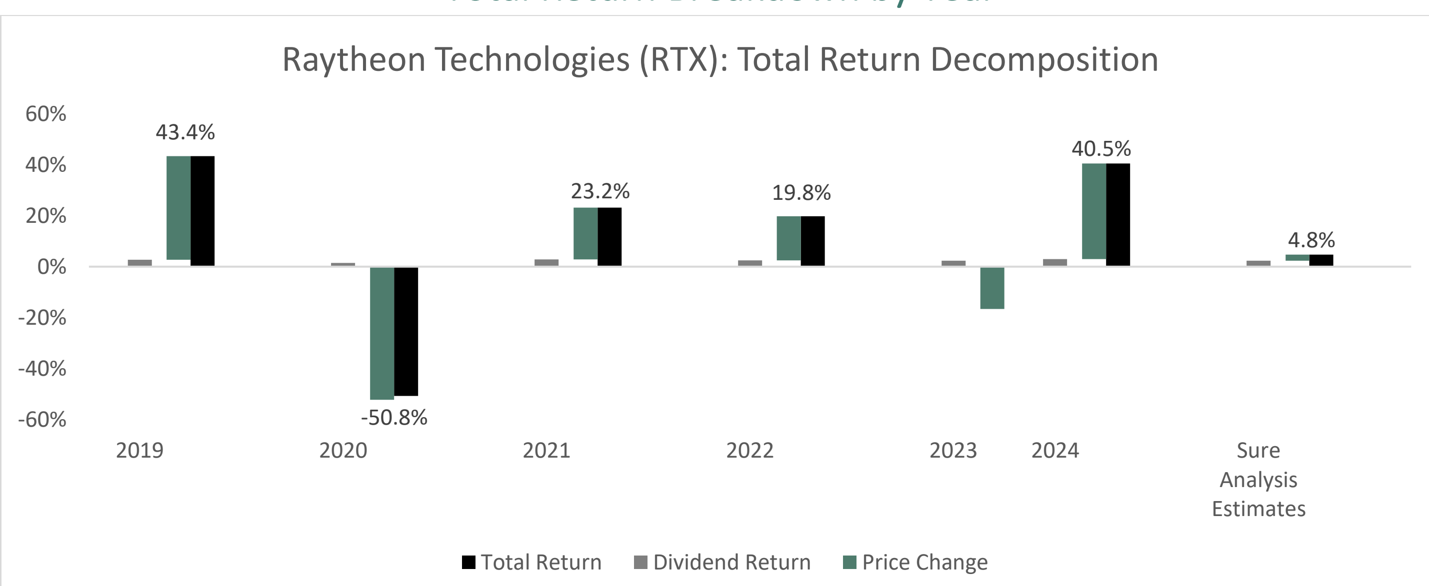
Both United Technologies and Raytheon showed tremendous resiliency during the last recession, with UTX posting $4.90, $4.12, $4.74, and $5.49 in earnings-per-share during the 2008 through 2011 timeframe, while Raytheon increased earnings every year during the recession. Moreover, both companies kept increasing their dividends during this period.

As of Q4 2024, Raytheon Technologies held $5.6 billion in cash, $51.1 billion in current assets, and $162.9 billion in total assets against $51.5 billion in current liabilities and $101 billion in total liabilities. Long-term debt stood at $38.7 billion.

Final Thoughts & Recommendation

We continue to be enthused on a number of fronts about Raytheon Technologies, including the storied histories of the combined companies, the resilient businesses, and the tremendous backlog. The impact of the Pratt engine defect negatively impacted results last year, but that appears to be behind the company. We are forecasting annual total returns of 4.8% through 2030, up from 3.2% previously. Our forecast stems from a 7% growth rate and a 2.0% dividend yield, offset by a mid-single-digit headwind from multiple compression. We have raised our five-year price target $13 to $145, but now rate shares of the company as a hold due to projected results.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	56098	57244	59837	34701	45349	56587	64388	67074	68920	80738
Gross Profit	15667	15773	15636	7236	10751	8531	12491	13668	12089	15410
Gross Margin	27.9%	27.6%	26.1%	20.9%	23.7%	15.1%	19.4%	20.4%	17.5%	19.1%
SG&A Exp.	5886	5958	6429	2864	3711	5540	5046	5573	5809	5806
D&A Exp.	1863	1962	2140	1896	2708	4156	4557	4108	4211	4364
Operating Profit	7291	8221	8138	2877	4914	1294	5136	5504	3561	6538
Op. Margin	13.0%	14.4%	13.6%	8.3%	10.8%	2.3%	8.0%	8.2%	5.2%	8.1%
Net Profit	7608	5055	4552	5269	5537	(3519)	3864	5197	3195	4774
Net Margin	13.6%	8.8%	7.6%	15.2%	12.2%	-6.2%	6.0%	7.7%	4.6%	5.9%
Free Cash Flow	4294	1793	3237	4455	6664	1639	4629	4393	4717	3923
Income Tax	2111	1697	2843	1098	421	575	964	790	456	1181

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	87484	89706	96920	134211	139615	162153	161404	158864	161869	162861
Cash & Equivalents	7075	7157	8985	6152	4937	8802	7832	6220	6587	5578
Acc. Receivable	10653	11481	12595	14271	8743	9254	9661	9108	10838	10976
Inventories	8135	8704	9881	10083	9047	9411	9178	10617	11777	12768
Goodwill & Int.	42904	42743	43793	74536	61082	94824	92952	90663	89098	86232
Total Liabilities	58518	60241	65368	93492	95289	88269	86705	84650	100424	100903
Accounts Payable	6875	7483	9579	11080	7816	8639	8751	9896	10698	12897
Long-Term Debt	20425	23901	27485	45537	43252	31823	31485	31914	43827	41261
Total Equity	27358	27579	29610	38446	41774	72163	73068	72632	59798	60156
LTD/E Ratio	0.75	0.87	0.93	1.18	1.04	0.44	0.43	0.44	0.73	0.69

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	8.5%	5.7%	4.9%	4.6%	4.0%	-2.3%	2.4%	3.2%	2.0%	2.9%
Return on Equity	24.7%	17.3%	14.9%	14.6%	13.0%	-6.0%	5.2%	7.0%	4.7%	7.7%
ROIC	14.9%	9.8%	8.1%	7.3%	6.4%	-3.6%	3.6%	4.9%	3.0%	4.6%
Shares Out.	838	809	799	861	864	1,515	1,509	1,476	1,362	1,349
Revenue/Share	63.52	69.29	74.88	42.84	52.49	41.68	42.68	45.14	48.01	60.09
FCF/Share	4.86	2.17	4.05	5.50	7.71	1.21	3.07	2.96	3.29	2.92

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.