



# Otis Worldwide Corp. (OTIS)

Updated August 25<sup>th</sup>, 2025, by Aristofanis Papadatos

## Key Metrics

<b>Current Price:</b>	\$89	<b>5 Year CAGR Estimate:</b>	6.7%	<b>Market Cap:</b>	\$35 B
<b>Fair Value Price:</b>	\$77	<b>5 Year Growth Estimate:</b>	8.0%	<b>Ex-Dividend Date:</b>	8/15/25
<b>% Fair Value:</b>	116%	<b>5 Year Valuation Multiple Estimate:</b>	-2.9%	<b>Dividend Payment Date:</b>	9/5/25
<b>Dividend Yield:</b>	1.9%	<b>5 Year Price Target</b>	\$113	<b>Years Of Dividend Growth:</b>	5
<b>Dividend Risk Score:</b>	C	<b>Sector:</b> Industrials		<b>Rating:</b>	Hold

## Overview & Current Events

Otis Worldwide Corp. debuted as an independent, publicly traded company on April 3<sup>rd</sup>, 2020, after being spun off from United Technologies (previously UTX, now Raytheon Technologies, RTX). However, the company's history is extensive after being founded in 1853 and having previously gone public in 1920. Today Otis is the leading company for elevator and escalator manufacturing, installation, and service. The company's products move 2 billion people per day and maintain approximately 2.2 million customer units worldwide. Headquartered in Connecticut, the \$35 billion market cap company generated \$14.3 billion in sales in 2024 and employs approximately 72,000 people.

Previously, Otis was a constituent of the S&P 500 Dividend Aristocrat Index due to its United Technologies lineage. However, the company was removed in 2021. The company has raised its dividend for 5 years on its own.

On April 22<sup>nd</sup>, 2025, Otis announced a \$0.42 quarterly dividend, an 8% increase.

On July 23<sup>rd</sup>, 2025, Otis reported financial results for the second quarter of fiscal 2025. Sales remained flat and organic sales grew 4%. Adjusted earnings-per-share edged down -1%, from \$1.06 to \$1.05, but exceeded the analysts' consensus by \$0.02. Otis has missed the analysts' estimates only twice in the last 21 quarters. Backlog grew 19%. This bodes well for the performance of Otis in the upcoming quarters.

Due to weak sales of new equipment, especially in China, Otis lowered its guidance for growth of organic sales in 2025 from 2%-4% to 1% but reiterated its guidance for adjusted earnings-per-share of \$4.00-\$4.10. At the mid-point, this guidance implies 6% growth over the prior year. We still expect earnings-per-share of \$4.05 this year, in line with the mid-point of the guidance. The stock plunged -12% after its earnings release due to the reduced guidance for sales. We view this headwind as temporary but note that the plunge can be justified by the rich valuation level of the stock.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$6.29	\$6.61	\$6.60	\$7.61	\$8.26	\$2.52	\$2.95	\$3.17	\$3.54	\$3.83	<b>\$4.05</b>	<b>\$5.95</b>
<b>DPS</b>	\$2.56	\$2.62	\$2.72	\$2.84	\$2.94	\$0.60	\$0.92	\$1.11	\$1.31	\$1.51	<b>\$1.68</b>	<b>\$2.16</b>
<b>Shares<sup>1</sup></b>	838	809	799	861	864	433	431	423	411	401	<b>395</b>	<b>360</b>

Note that we have elected to show United Technologies' historical data through 2019, to illustrate the type of operating company from which Otis was spun off. This is an imperfect measure as Otis made up less than 20% of United Technologies sales; however, it does offer some clues into the consistency of the new business.

Otis has a number of long-term growth drivers available in the way of increased urbanization, a growing middle class and digitalization. All these factors will continue to spur demand for Otis' products and should bode well for the category leader. At the very least, Otis stands a very good shot at capturing its "fair share" of growth in the industry. Moreover, the Service segment adds some resiliency to the business. We expect earnings-per-share of \$4.05 in 2025 and 8% growth over the next five years. While there may be some volatility in near-term results, we believe mid-to-high single-digit intermediate-term growth of earnings-per-share can come to fruition.

<sup>1</sup> In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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## 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	18.2	26.1	23.7	23.7	26.1	22.0	19.0
Avg. Yld.	2.4%	2.6%	2.3%	2.2%	2.2%	1.3%	1.2%	1.5%	1.6%	1.5%	1.9%	1.9%

We are again using United Technologies history through 2019 to give you a sense for how shares traded in the past. During the past decade, shares of UTX traded hands with an average P/E ratio of about 20 times earnings. We are using 19 times earnings as a fair starting multiple for Otis, taking into consideration the enhanced risk to the standalone business paired against strong growth avenues and reoccurring revenue from servicing. Otis is currently trading at a P/E ratio of 22.0. If it trades at our assumed fair valuation level in five years, it will incur a -2.9% annualized valuation drag.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

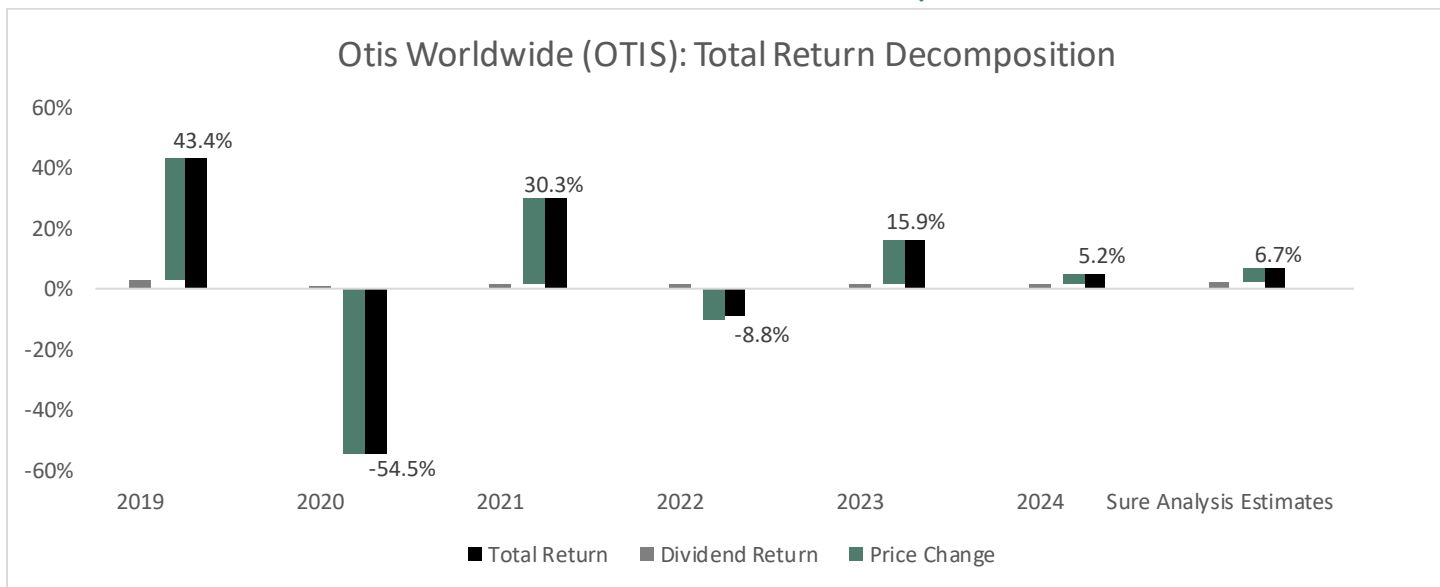
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	41%	40%	41%	37%	36%	24%	31%	35%	37%	39%	41%	36%

Otis enjoys a competitive advantage in its namesake brand, along with the #1 position in the category the company created. Moreover, with the largest installed base of elevators and escalators, reoccurring service revenue can smooth out results during rough economic periods. During the last recession, United Technologies posted earnings-per-share of \$4.90, \$4.12, \$4.74, and \$5.49 during the 2008 through 2011 timeframe. While some of that ballast is gone with the company splitting up, we still believe Otis should perform reasonably well in leaner times. Moreover, the targeted ~40% payout ratio will allow for flexibility in the future.

## Final Thoughts & Recommendation

Otis has been a very strong business for 172 years. Now that it is once again a standalone company, it offers a “pure play” on a variety of important and growing trends around the world. While the cyclical nature of the firm may have increased, we are encouraged by the ongoing service revenue. However, we are concerned over the rich valuation of Otis. Total return potential comes in at 6.7% per annum, driven by 8% growth and a 1.9% dividend, partly offset by a -2.9% valuation headwind. This view could prove too conservative if the valuation remains elevated, but it is highly risky to rely on valuation remaining rich. The aforementioned plunge of the stock due to a modest decrease in guidance for sales (not earnings) is a reminder of the risk of a richly valued stock. Otis maintains its hold rating.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	56,098	57,244	59,837	66,501	77,046	12,760	14,300	13,680	14,209	14,261
Gross Profit	15,667	15,773	15,636	16,516	19,981	3,779	4,193	3,920	4,193	4,257
Gross Margin	27.9%	27.6%	26.1%	24.8%	25.9%	29.6%	29.3%	28.7%	29.5%	29.9%
SG&A Exp.	5,886	5,958	6,429	7,066	8,521	1,924	1,948	1,7630	1,884	1,818
D&A Exp.	1,863	1,962	2,140	2,433	3,783	191	203	191	193	181
Operating Profit	7,291	8,221	8,138	8,553	8,966	1,639	2,108	2,033	2,186	2,051
Op. Margin	13.0%	14.4%	13.6%	12.9%	11.6%	12.8%	14.7%	14.9%	15.4%	14.4%
Net Profit	7,608	5,055	4,552	5,269	5537	906	1,246	1,253	1,406	1,645
Net Margin	13.6%	8.8%	7.6%	7.9%	7.2%	7.1%	8.7%	9.2%	9.9%	11.5%
Free Cash Flow	4,294	1,793	3,237	4,020	6,276	1,297	1,594	1,445	1,489	1,437
Income Tax	2,111	1,697	2,843	2,626	2,295	455	541	519	533	305

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	87,484	89,706	96,920	134,211	139,716	10,710	12,280	9,819	10,117	11,316
Cash & Equivalents	7,075	7,157	8,985	6,152	7,378	1,782	1,565	1,189	1,274	2,300
Acc. Receivable	10,653	11,481	12,595	14,271	13,524	3,309	3,117	3,357	3,390	3,285
Inventories	8,135	8,704	9,881	10,083	10,950	659	622	617	612	557
Goodwill & Int.	42,904	42,743	43,793	74,536	74,109	2,257	2,086	1,936	1,923	1,859
Total Liabilities	58,640	60,537	65,499	93,601	95,485	13,990	15,260	14,480	14,837	16,044
Accounts Payable	6,875	7,483	9,579	11,080	10,809	1,453	1,556	1,717	1,878	1,879
Long-Term Debt	20,425	23,901	27,485	45,537	43,648	5,963	7,273	6,786	6,898	8,324
Total Equity	27,358	27,579	29,610	38,446	41,774	-3,832	-3,625	-4,870	-4,924	-4,848
LTD/E Ratio	0.75	0.87	0.93	1.18	1.04	---	---	-1.39	-1.40	-1.72

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	8.5%	5.7%	4.9%	4.6%	4.0%	8.9%	10.8%	11.3%	14.1%	15.4%
Return on Equity	26.0%	18.4%	15.9%	15.5%	13.8%	---	---	---	---	---
ROIC	15.0%	9.9%	8.1%	7.3%	6.4%	36.6%	35.3%	39.2%	65.7%	57.0%
Shares Out.	838	809	799	795	864	435	431	423	415	404
Revenue/Share	63.52	69.29	74.88	82.09	89.18	29.35	33.14	32.35	34.27	35.26
FCF/Share	4.86	2.17	4.05	4.96	7.26	2.98	3.70	3.42	3.59	3.55

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

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