

United Technologies 4Q profit down but sales grow

January 23 2013, by Stephen Singer

United Technologies Corp. posted a 26 percent drop in fourth-quarter net income from continuing operations on Wednesday due to one-time items including restructuring costs and completing its \$18.4 billion Goodrich acquisition.

But the Hartford, Connecticut, [conglomerate](#)'s huge bet on the aerospace business is paying off, and it posted strong revenue gains for its [jet engine](#) maker Pratt & Whitney and UTC Aerospace Systems.

CEO Louis Chenevert called 2012 a "transformational year" for [United Technologies](#) with the purchase of Goodrich and a \$1.5 billion deal by Pratt & Whitney to buy out Rolls-Royce from a joint venture that makes engines for the Airbus A320.

"We closed the year better than we had anticipated," he said.

United Technologies' net income from continuing operations was \$945 million, or \$1.04 per share, meeting Wall Street expectations for the October-December quarter. When including the impact from discontinued operations, profit came to \$2.06 billion.

United Technologies has been selling non-essential energy and industrial products businesses to help finance the Goodrich purchase.

[Acquisitions](#) helped lift revenue 14 percent to \$16.44 billion, short of the \$16.65 billion prediction of analysts polled by FactSet.

Chief Financial Officer Greg Hayes told investor analysts on a conference call that the Goodrich deal cut into profit for 2012 by 6 cents per share—"a little better than what we had expected"—due to lower financing and "more importantly, better underlying performance in the Goodrich business."

He was cautiously optimistic about economic growth, warning of uncertainty this year in Europe and the United States.

Still, he said the economy has shown "signs of stabilization, particularly in Europe" and a gradual recovery in the U.S., led by a rebounding housing market. Residential heating and cooling equipment and building security orders in North American markets jumped 20 percent in the quarter, but revenue fell to \$4.15 billion, down 6 percent over last year's fourth quarter.

Sales more than doubled at UTC Aerospace Systems and also rose at Pratt & Whitney and Sikorsky Aircraft, which manufactures helicopters.

Edward Jones analyst Christian Mayes said United Technologies will benefit from rising spare parts orders this year after airline customers spent 2012 building up inventories to conserve cash.

In addition, Otis, the largest elevator company in China, will benefit from rising home construction in the Asian nation, he said. United Technologies said orders in China for the quarter were up 17 percent after slumping 11 percent over the first three quarters of 2012.

Fourth-quarter profit at Otis was \$644 million, down 9 percent. Jay Malave, vice president of investor relations, told analysts that cost-cutting and [restructuring](#) in 2012 will result in a return to rising profit this year.

United Technologies cut its 2013 profit guidance for Sikorsky due lower sales and profit and a charge. Malave told analysts that including a \$157 million charge related to a delay in a helicopter program with the Canadian government, operating profit was down 7 percent and sales were 8 percent lower.

United Technologies said 2013 profit at Sikorsky is expected to be between \$100 million and \$150 million, down from previous guidance of \$250 million to \$300 million.

For the year, [net income](#) at United Technologies was \$5.13 billion, including discontinued operations. Profit from continuing operations was \$4.85 billion. Revenue came to \$57.71 billion.

The conglomerate's Hamilton Sundstrand segment is a parts supplier for Boeing's now-grounded Dreamliner 787, but Hayes said it does not furnish the lithium-ion battery or battery charger at the center of the investigation. He would not comment except to say United Technologies does not believe the findings of the investigation will have a material impact on UTC.

The 787 fleet was grounded after a battery caught fire in Boston and another was overheated, forcing an emergency landing of an All Nippon Airways 787 in Japan.

United Technologies company maintained its 2013 guidance of [profit](#) between \$5.85 and \$6.15 per share on revenue of \$64 billion to \$65 billion. That's still roughly in line with what analysts expect: Earnings of \$6.05 per share on revenue of \$65.02 billion.

Shares rose 50 cents to \$87.97 in afternoon trading. Over the past 12 months, the stock has gained 14 percent.

Copyright 2013 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Citation: United Technologies 4Q profit down but sales grow (2013, January 23) retrieved 23 April 2024 from <https://phys.org/news/2013-01-technologies-4q-profit-sales.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.