

United Technologies posts lower 2Q revenue, profit

July 21 2015, by Stephen Singer

United Technologies Corp. posted second-quarter declines Tuesday in revenue and profit as a strong dollar cut exports. It also reduced its 2015 outlook on Otis elevator sales in Europe and China's slowing economy.

Its stock dropped almost 8 percent in late morning trading Tuesday.

"Look, to say that I'm disappointed would be a significant understatement," CEO Greg Hayes told analysts on a conference call.

"We're going to fix it and we're going to get back to the UTC mantra of under-promise and over-deliver."

He cited the slowing economies in China and Europe, but said the U.S. economy is stronger than expected and that the aerospace market for parts maintenance and repair will continue to grow.

The Hartford, Connecticut, conglomerate reported revenue of \$16.33 billion, down 5 percent from the year-ago period.

Earnings fell 8 percent to \$1.54 billion, or \$1.73 per share. Its adjusted earnings amounted to \$1.81 per share, exceeding Wall Street expectations. The average estimate of eight analysts surveyed by Zacks Investment Research was \$1.71 per share.

United Technologies cut its 2015 revenue outlook to between \$57 billion and \$58 billion from \$58 billion to \$59 billion. It also reduced its outlook on UTC Aerospace Systems and Otis elevator.

Its shares dropped \$8.61, or 7.8 percent, to \$101.88 in late morning trading Tuesday.

Hayes said Otis has seen a "continued erosion" in market share in the last 10 or 15 years as United Technologies sought to expand margins "and I think we have taken margin expansion to the point now where we're not terribly competitive."

Edward Jones analyst Matt Arnold said United Technologies officials were too aggressive in its aerospace forecasts, with the market for repairs and maintenance slower than expected.

"With the aftermarket you think about stability," he said. "The cut there kind of caught us off-guard."

The earnings report followed by just one day the announcement that United Technologies had agreed to sell its helicopter manufacturer Sikorsky to Lockheed-Martin Corp. for \$9 billion.

United Technologies said it will to use the proceeds to repurchase shares and expects the buyback will offset the per-share earnings loss stemming from the Sikorsky sale.

The analyst Arnold said the conglomerate, which also owns jet engine maker Pratt & Whitney, Carrier heating and ventilating and other aerospace and building systems companies, is exiting its weakest business by shedding Sikorsky and is "sitting on a lot of capital."

"We don't think investors should get overly upset over today's news," he said.

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