

United Tech: Europe improving, military parts down

17 September 2013, by Stephen Singer

Sharp cuts in U.S. military spare parts orders are hurting United Technologies Corp.'s helicopter maker, Sikorsky, the chief financial officer said Tuesday, although he was more optimistic about prospects in Europe.

CFO Greg Hayes told investor analysts that automatic U.S. [federal budget](#) cuts beginning in March could take a bigger bite out of profit in 2014 than the company initially expected. The Department of Defense is Sikorsky's biggest customer, "and I just don't know what's going to happen in DoD," Hayes said.

United Technologies has said that [federal spending](#) cuts will hurt 2013 earnings by 10 cents per share. Most of that has been felt at Sikorsky, Hayes said, and the impact could be bigger next year. To compensate, the helicopter unit has eliminated 400 jobs this year.

Analysts polled by FactSet predict profit of \$6.15 per share for the company in 2013.

Spending cuts have caused a 50 percent drop in Sikorsky's parts and service business as the military uses up its parts inventory. But that's a temporary situation, Hayes said. "At the end of the day, if you want these helicopters to fly, you're going to need parts so I expect you'll see some recovery."

There are longer-term problems, however. Sikorsky, which makes the Black Hawk, the workhorse helicopter used in Afghanistan and Iraq, also is feeling the impact of reduced U.S. [military operations](#) in Afghanistan.

Hayes said that aside for Sikorsky, he's "pretty bullish" on United Technologies' revenue prospects into 2014.

"It looks as if the economy has bottomed out," Hayes said, referring to Europe. "We're starting to

see a recovery in commercial construction and although it's off a very low base I think it's very positive." Europe accounted for 26 percent of United Technologies' 2012 sales.

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