

# United Tech 3Q Profit Up 1 Pct., Trims Sales View

Stephen Singer, AP Business Writer

HARTFORD, Conn. (AP) — United Technologies Corp.'s third-quarter profit rose just 1 percent, and the aerospace and building systems conglomerate warned Tuesday that weak military aerospace sales are expected to cut into revenue this year.

Its acquisition of commercial aerospace parts maker Goodrich Corp. helped boost revenue as cuts in U.S. military spare parts orders took a toll on its helicopter maker, Sikorsky. Chief Financial Officer Greg Hayes last month also warned that the automatic federal budget cuts that took effect in March threaten to take a bigger bite out of profit in 2014 than United Technologies initially expected.

The Hartford, Conn., company said net income for the three months ended Sept. 30 was \$1.43 billion, or \$1.57 per share, including 2 cents per share from discontinued operations. That's up from \$1.42 billion, or \$1.37 per share, a year ago.

Revenue rose 3 percent to \$15.46 billion, helped by acquisitions.

Analysts polled by FactSet, on average, expected lower earnings of \$1.54 per share on higher revenue of \$16.21 billion.

United Technologies bet big on rising airline orders. Goodrich, acquired for \$18.4 billion last year, accounted for 2 percent of the revenue growth in the third quarter. Only 1 percent was due to growth at existing businesses from improved sales and higher output.

Revenue fell at UTC Climate, Controls and Security, which sells heating and ventilating equipment; jet engine maker Pratt & Whitney; and Sikorsky. Sales rose 24 percent at UTC Aerospace Systems, which includes Goodrich.

Edward Jones analyst Christian Mayes said United Technologies and other industrial manufacturers are struggling in the weak economy to increase revenue, but are boosting profitability by cutting costs and increasing productivity.

"As we move forward into 2014 the focus will be on what these companies can control, to get earnings up with productivity improvements, restructuring and cost savings," he said.

U.S. military spending cuts have been particularly tough for Sikorsky, which relies on the military for 80 percent of its business. Profit plunged 22 percent for the quarter to \$159 million, while increasing at all other subsidiaries.

CFO Hayes told analysts on a conference call that spare parts orders and repair service at Sikorsky are down 50 percent for the year, "which is completely unexpected."

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But the company is seeing "robust demand" for commercial helicopters with an order backlog of more than \$2.5 billion at the end of the quarter. The company expected reduced helicopter orders as the U.S. military left Iraq and prepares to exit Afghanistan, Hayes said.

Sikorsky is also being hurt by the automatic federal spending cuts that took effect last March and "uncertainty in the military budget," he said.

"It's been almost a perfect storm at Sikorsky this quarter," he said. "Sikorsky is going to have a tough year next year. That's the long and the short of it."

United Technologies shares fell \$1.47, or 1.4 percent, to \$106.13. Its shares have risen 28 percent since the start of the year.

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