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# EDITED TRANSCRIPT

UTX - Q1 2018 United Technologies Corp Earnings Call

EVENT DATE/TIME: APRIL 24, 2018 / 12:30PM GMT

**OVERVIEW:**

Co. reported 1Q18 reported sales of \$15.2b, GAAP EPS of \$1.62. Expects 2018 sales to be \$63.0-64.5b and adjusted EPS to be \$6.95-7.15.

## CORPORATE PARTICIPANTS

**Akhil Johri** *United Technologies Corporation - Executive VP & CFO*

**Carroll Lane** *United Technologies Corporation - VP of IR*

**Gregory J. Hayes** *United Technologies Corporation - Chairman, CEO & President*

## CONFERENCE CALL PARTICIPANTS

**Cai Von Rumohr** *Cowen and Company, LLC, Research Division - MD and Senior Research Analyst*

**Carter Copeland** *Melius Research LLC - Founding Partner, President & Research Analyst of Aerospace and Defense*

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**Peter J. Arment** *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

**Ronald Jay Epstein** *BofA Merrill Lynch, Research Division - Industry Analyst*

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**Sheila Karin Kahyaoglu** *Jefferies LLC, Research Division - Equity Analyst*

**Steven Eric Winoker** *UBS Investment Bank, Research Division - MD & Industrials Analyst*

## PRESENTATION

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### Operator

Good morning, and welcome to the United Technologies' First Quarter 2018 Conference Call. On the call today are Greg Hayes, Chairman and Chief Executive Officer; Akhil Johri, Executive Vice President and Chief Financial Officer; and Carroll Lane, Vice President, Investor Relations. This call is being carried live on the Internet, and there is a presentation available for download from UTC's website at [www.utc.com](http://www.utc.com).

Please note, except where otherwise noted, the company will speak to results from continuing operations excluding restructuring costs and other significant items of a nonrecurring or nonoperational nature often referred to by management as other significant items. The company also reminds listeners that the earnings, cash flow expectations and any other forward-looking statements provided in this call are subject to risks and uncertainties. UTC's SEC filings, including its Forms 10-K and 10-Q, provide details on important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements.

In addition, in connection with the proposed Rockwell Collins acquisition, UTC has filed with the SEC a registration statement that includes a prospectus from UTC and a proxy statement from Rockwell Collins, which is effective and which contains important information about UTC, Rockwell Collins, the transaction and related matters. (Operator Instructions)

Please go ahead, Mr. Hayes.

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**Gregory J. Hayes** - *United Technologies Corporation – Chairman, CEO & President*

Beyond our financial results, just a word on Rockwell Collins, we continue to see a close in mid-year and are working closely with regulators to complete the remaining reviews. We're excited to combine 2 world-class teams and accelerate our innovation in the high-growth aerospace industry.

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**Akhil Johri** - *United Technologies Corporation – Executive VP & CFO*

Lastly, a few additional comments on Rockwell Collins. As a result of the U.S. tax reform, we repatriated \$3.8 billion of overseas cash in the quarter, which is more than \$2.5 billion higher than we originally expected when we announced the deal. So a good start to our cash mobilization efforts, and we expect to have better access to international cash going forward. This higher available cash will reduce the debt funding requirement for the Rockwell transaction, and we anticipate going to the capital markets in the second quarter.

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**Ronald Jay Epstein** - *BofA Merrill Lynch, Research Division - Industry Analyst*

When we look at the China — potential China trade tariffs and some of the tension going on right now between the U.S. and China, has that had any impact on your China operations in Otis or CCS? And then, I guess, as a follow-on to that, do you expect that to have any impact on the Chinese approval of the Collins deal?

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**Gregory J. Hayes** - *United Technologies Corporation - Chairman, CEO & President*

You know Ron, that's a great question. We've been asking that question ourselves of the business. In fact, Judy Marks and her team just got back from China over the weekend. And what looks like to us is the Chinese property market continues to be slow because of some of the cooling measures that have been applied to try and keep property prices in check. But we have seen no impact on any of the businesses, CCS or Otis, in terms of potential tariffs. And keep in mind, we manufacture in China for the Chinese market, right? We're not a big exporter out of China back to the U.S. And so any of this tariff — these discussions back and forth really don't have a terribly big impact on the business. As far as the Rockwell Collins approval goes, we have seen no change in behavior from the Chinese regulators. So all still very professional asking all the questions that we would expect. And we remain on track to, we think, second — late second quarter, early third quarter to close on Collins. And we just don't see an issue out there.

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This communication contains statements which, to the extent they are not statements of historical or present fact, constitute “forward-looking statements” under the securities laws. From time to time, oral or written forward-looking statements may also be included in other information released to the public. These forward-looking statements are intended to provide management’s current expectations or plans for our future operating and financial performance, based on assumptions currently believed to be valid. Forward-looking statements can be identified by the use of words such as “believe,” “expect,” “expectations,” “plans,” “strategy,” “prospects,” “estimate,” “project,” “target,” “anticipate,” “will,” “should,” “see,” “guidance,” “outlook,” “confident” and other words of similar meaning in connection with a discussion of future operating or financial performance. Forward-looking statements may include, among other things, statements relating to future sales, earnings, cash flow, results of operations, uses of cash, share repurchases, tax rates and other measures of financial performance or potential future plans, strategies or transactions of United Technologies or the combined company following United Technologies’ proposed acquisition of Rockwell Collins, the anticipated benefits of the proposed acquisition, including estimated synergies, the expected timing of completion of the transaction and other statements that are not historical facts. All forward-looking statements involve risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995. Such risks, uncertainties and other factors include, without limitation: (1) the effect of economic conditions in the industries and markets in which United Technologies and Rockwell Collins operate in the U.S. and globally and any changes therein, including financial market conditions, fluctuations in commodity prices, interest rates and foreign currency exchange rates, levels of end market demand in construction and in both the commercial and defense segments of the aerospace industry, levels of air travel, financial condition of commercial airlines, the impact of weather conditions and natural disasters and the financial condition of our customers and suppliers; (2) challenges in the development, production, delivery, support, performance and realization of the anticipated benefits of advanced technologies and new products and services; (3) the scope, nature, impact or timing of acquisition and divestiture activity, including among other things integration of acquired businesses, including Rockwell Collins, into United Technologies’ existing businesses and realization of synergies and opportunities for growth and innovation; (4) future levels of indebtedness, including indebtedness expected to be incurred by United Technologies in connection with the posed Rockwell Collins merger, and capital spending and research and development spending; (5) future availability of credit and factors that may affect such availability, including credit market conditions and our capital structure; (6) the timing and scope of future repurchases of United Technologies’ common stock, which may be suspended at any time due to market conditions and the level of other investing activities and uses of cash, including in connection with the proposed acquisition of Rockwell; (7) delays and disruption in delivery of materials and services from suppliers; (8) company and customer-directed cost reduction efforts and restructuring costs and savings and other consequences thereof; (9) new business or investment opportunities; (10) our ability to realize the intended benefits of organizational changes; (11) the anticipated benefits of diversification and balance of operations across product lines, regions and industries; (12) the outcome of legal proceedings, investigations and other contingencies; (13) pension plan assumptions and future

contributions; (14) the impact of the negotiation of collective bargaining agreements and labor disputes; (15) the effect of changes in political conditions in the U.S. and other countries in which United Technologies and Rockwell Collins operate, including the effect of changes in U.S. trade policies or the U.K.'s pending withdrawal from the EU, on general market conditions, global trade policies and currency exchange rates in the near term and beyond; (16) the effect of changes in tax (including the recently enacted Tax Cuts and Jobs Act in the U.S.), environmental, regulatory (including among other things import/export) and other laws and regulations in the U.S. and other countries in which United Technologies and Rockwell Collins operate; (17) the ability of United Technologies and Rockwell Collins to receive the required regulatory approvals (and the risk that such approvals may result in the imposition of conditions that could adversely affect the combined company or the expected benefits of the transaction) and to satisfy the other conditions to the closing of the transaction on a timely basis or at all; (18) the occurrence of events that may give rise to a right of one or both of United Technologies or Rockwell Collins to terminate the merger agreement, including on circumstances that might require Rockwell Collins to pay a termination fee of \$695 million to United Technologies or \$50 million of expense reimbursement; (19) negative effects of the announcement or the consummation of the transaction on the market price of United Technologies' and/or Rockwell Collins' common stock and/or on their respective financial performance; (20) risks related to Rockwell Collins and United Technologies being restricted in its operation of the business while the merger agreement is in effect; (21) risks relating to the value of the United Technologies' shares to be issued in the transaction, significant transaction costs and/or unknown liabilities; (22) risks associated with third party contracts containing consent and/or other provisions that may be triggered by United Technologies' proposed acquisition of Rockwell Collins; (23) risks associated with merger-related litigation or appraisal proceedings; and (24) the ability of United Technologies and Rockwell Collins, or the combined company, to retain and hire key personnel. There can be no assurance that United Technologies' proposed acquisition of Rockwell Collins or any other transaction described above will in fact be consummated in the manner described or at all. For additional information on identifying factors that may cause actual results to vary materially from those stated in forward-looking statements, see the reports of United Technologies and Rockwell Collins on Forms S-4, 10-K, 10-Q and 8-K filed with or furnished to the SEC from time to time. Any forward-looking statement speaks only as of the date on which it is made, and United Technologies and Rockwell Collins assume no obligation to update or revise such statement, whether as a result of new information, future events or otherwise, except as required by applicable law.

### **Additional Information**

In connection with the proposed transaction, United Technologies has filed a registration statement on Form S-4 (File No. 333-220883), which includes a prospectus of United Technologies and a proxy statement of Rockwell Collins (the "proxy statement/prospectus"), and each party will file other documents regarding the proposed transaction with the SEC. The proxy statement/prospectus was declared effective by the SEC and is being mailed to Rockwell Collins shareowners. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE PROXY STATEMENT/PROSPECTUS (INCLUDING ALL AMENDMENTS AND SUPPLEMENTS THERETO) AND OTHER RELEVANT DOCUMENTS FILED WITH THE SEC WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. Investors and security holders may obtain the proxy statement/prospectus

free of charge from the SEC's website or from United Technologies or Rockwell Collins. The documents filed by United Technologies with the SEC may be obtained free of charge at United Technologies' website at [www.utc.com](http://www.utc.com) or at the SEC's website at [www.sec.gov](http://www.sec.gov). These documents may also be obtained free of charge from United Technologies by requesting them by mail at UTC Corporate Secretary, 10 Farm Springs Road, Farmington, CT, 06032, by telephone at 1-860-728-7870 or by email at [corpsec@corphq.utc.com](mailto:corpsec@corphq.utc.com). The documents filed by Rockwell Collins with the SEC may be obtained free of charge at Rockwell Collins' website at [www.rockwellcollins.com](http://www.rockwellcollins.com) or at the SEC's website at [www.sec.gov](http://www.sec.gov). These documents may also be obtained free of charge from Rockwell Collins by requesting them by mail at Investor Relations, 400 Collins Road NE, Cedar Rapids, Iowa 52498, or by telephone at 1-319-295-7575.

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