

Q3 2024

1. Revenue growth outlook

- **Narrative:** Management has indicated a positive outlook for revenue growth, with expectations for both adjusted and organic sales increases. They are adjusting their projections slightly downward in some areas but remain optimistic about overall growth. The company is focusing on strong military volume and favorable commercial engine mixes to drive this growth.

- **Management's Guidance:**

- Revenue growth is expected to be between 5% to 7% for the full year 2024. The company anticipates OE sales at the RTX level to grow approximately 10% compared to the previous year, albeit towards the lower end of prior expectations. Commercial OE is now expected to remain flat for the year, a revision from earlier expectations of mid-single digit growth. Full-year adjusted sales outlook has been increased to a range between \$79.25 billion and \$79.75 billion, up from the previous range. Organic sales growth for the full year is projected to be around 8% to 9%. Collins sales are forecasted to grow in the high-single digits on both adjusted and organic basis, likely at the lower end of this range. Raytheon sales are expected to grow mid-single digits organically for the year. Sales are projected to grow mid-teens on an adjusted and organic basis, likely towards the higher end, driven by military volume and a favorable mix in large commercial engines.

- **Actual Results:**

['Q3', '2024']:

- Christopher Calio reported that demand across the business, including double-digit growth in the commercial aftermarket and defense, remains robust, driving 8% organic sales growth. RTX's adjusted sales were \$20.1 billion, up 6% and up 8% organically. Sales were \$7.1 billion in the quarter, up 6% on both an adjusted and organic basis, driven by strength in commercial aftermarket and defense, partially offset by lower commercial OE volume. Commercial aftermarket sales were up 9%, driven by an 11% increase in parts and repair, a 16% increase in provisioning, and a 6% decrease in mods and upgrades. Defense sales were up 14%, primarily due to higher volume across multiple programs and platforms. Commercial OE sales for the quarter were down 8% versus the prior year, driven by lower narrow body volume, including the impact of the Boeing work stoppage. Adjusted operating profit was \$661 million, up \$91 million versus the prior year. Collins aftermarket was up 9% while OE was down 8%.

- **Evaluation:**

- **Expectations Not Met:** The actual results show 8% organic sales growth and 6% adjusted sales growth, which are below the company's guidance range of 5% to 7% for overall revenue growth, and commercial OE sales were down 8%, contrary to the flat growth expectation, indicating that the revenue growth outlook did not fully meet management's guidance.

2. Earnings per share projections

- **Narrative:** Management provided updates indicating a positive outlook for earnings per share (EPS). They highlighted adjustments to the EPS range, reflecting confidence in operational improvements and market conditions. The updated EPS guidance reflects an optimistic view of the company's ability to enhance profitability and manage challenges effectively.

- **Management's Guidance:**

- Management announced an increase in the adjusted EPS outlook, raising it by \$0.15 on the low end and \$0.13 on the high end. This adjustment sets the new EPS range at \$5.50 to \$5.58, up from the previous range of \$5.35 to \$5.45.

- **Actual Results:**

['Q3', '2024']:

- Adjusted earnings per share of \$1.45 was also up 16% from the prior year.

- **Evaluation:**

- **Expectations Exceeded:** The management raised the EPS guidance, and the actual results showed a 16% increase in adjusted EPS from the prior year, suggesting that the company's performance surpassed the optimistic projections.

3. Shareholder returns

- **Narrative:** Management highlighted their ongoing commitment to returning capital to shareholders, emphasizing a stable dividend payout and continued share repurchases as key elements of their shareholder return strategy.

- **Management's Guidance:**

- Management indicated that the dividend payout ratio is expected to remain stable at approximately 40%. They also stated that they have already returned over \$32 billion of capital to shareholders since the merger and are on track to meet their target of \$36 billion to \$37 billion by the end of the next year.

- **Actual Results:**

['Q3', '2024']:

- We completed the accelerated share repurchase program we initiated last October, returning \$10.3 billion of capital to shareholders. We've now returned over \$32 billion of capital to shareowners since the merger. Returned \$1.1 billion of capital to share owners. \$294 million, principally related to the closeout of the accelerated share repurchase program initiated last year.

- **Evaluation:**

- **Expectations Met:** Management's guidance to maintain a stable dividend payout ratio and return \$36 billion to \$37 billion by the end of next year is on track, with over \$32 billion already returned and the completion of a significant share repurchase program.

4. Cash flow expectations

- **Narrative:** Management has provided a detailed outlook on cash flow expectations, indicating a strong focus on maintaining robust free cash flow levels. The company is on track to achieve its free cash flow outlook, supported by strategic capital expenditures and anticipated working capital benefits. These efforts signal management's confidence in achieving high free cash flow conversion rates relative to adjusted net income, while also projecting growth in operating profits and margins at Collins Aerospace.

- **Management's Guidance:**

- Capital expenditures are projected to be around \$1.5 billion for the next fiscal year. On free cash flow, the company remains on track to achieve an outlook of approximately \$4.7 billion. Powder metal outflows for the year are expected to be about \$1 billion, down \$250 million from prior expectations. Management anticipates a significant working capital benefit this year, approximately \$700 million year-over-year. The business is expected to generate 90% to 100% free cash flow conversion against adjusted net income. Margins at Collins are expected to grow, with good operating profit growth next year anticipated to convert to free cash flow growth as well.

- **Actual Results:**

['Q3', '2024']:

- Free cash flow was strong at \$2 billion for Q3, 2024, with \$4 billion achieved year-to-date.

- Evaluation:

- **Expectations Met:** The company projected approximately \$4.7 billion in free cash flow for the fiscal year, and by Q3 2024, they achieved \$4 billion, indicating they are on track to meet their full-year guidance.

5. New product pipeline

- **Narrative:** Management is focusing on expanding the company's product portfolio with the introduction of new products. This aligns with their strategic goal to leverage innovative technologies and maintain a competitive edge in the aerospace sector.

- Management's Guidance:

- Management plans to launch three new products by the end of 2025, indicating a strong pipeline that is expected to enhance their market position. Additionally, the company anticipates significant advancements in the adoption of powdered metal parts as they approach 2025, which could lead to operational and cost efficiencies.

- Actual Results:

['Q3', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

6. Supply chain resilience

- **Narrative:** Management emphasized the ongoing efforts to enhance supply chain resilience and operational efficiency. Key initiatives include leveraging supplier agreements to reduce lead times and costs, ramping up production of critical parts such as isothermal forgings, and expanding connectivity across factories. These steps are aimed at improving material flow and ensuring that production capabilities meet future demand.

- Management's Guidance:

- - Management plans to add 15 more suppliers to existing agreements aimed at reducing lead times and costs by the end of the year.

- - A ramp-up in isothermal forging production is expected to continue, with a 38% increase year-over-year, and further capacity expansion is planned for 2025.

- - The company aims to connect 40 factories by the end of the year to enhance operational efficiency.

- - Some shipments are expected to resume later in the quarter.

- Actual Results:

['Q3', '2024']:

- Currently have 45 suppliers utilizing these agreements

- Evaluation:

- **Expectations Exceeded:** Management aimed to add 15 suppliers to agreements by year-end, but successfully onboarded 45 suppliers, significantly surpassing their target for enhancing supply chain resilience and operational efficiency.

7. R&D investment focus

- **Narrative:** Management emphasized their commitment to enhancing product development and innovation through increased R&D investments. This strategic focus is aimed at driving technological advancements and maintaining competitive positioning in the aerospace sector.

- Management's Guidance:

- Management announced a target of a 10% increase in R&D investment over the next two years to support this initiative.

- Actual Results:

['Q3', '2024']:

- We had higher R&D, about \$40 million.

- Evaluation:

- **Expectations Met:** Management's goal of a 10% increase in R&D investment over two years aligns with the higher R&D spending of about \$40 million reported in Q3 2024, indicating that the strategic focus on product development and innovation is progressing as planned.

8. Cost-reduction measures

- **Narrative:** Management has focused on streamlining engineering, supply chain, and manufacturing processes to enhance operational efficiency. Significant efforts have been made to eliminate redundant systems, with a strategic focus on reducing engineering systems and operational costs. The company has also targeted specific materials to achieve cost savings. These measures are part of a broader initiative to realize substantial productivity benefits and cost reductions on an annual basis.

- Management's Guidance:

- The company has eliminated over 265 systems to streamline processes and aims to reduce operational costs by 3% annually. Collins is on track to reduce their engineering systems by 20% this year. The company expects to realize a 10% to 15% cost savings on certain alloys by utilizing a new approach. A productivity benefit of about \$110 million year-over-year has already been seen, with expectations to achieve approximately \$200 million on a full-year basis.

- Actual Results:

['Q3', '2024']:

- So far this year, we've eliminated over 265 systems to streamline our engineering, supply chain and manufacturing processes. In the quarter, net productivity improved \$33 million year-over-year and included an unfavorable impact of \$53 million related to a classified program. Neil Mitchill: "we've already seen about \$110 million of productivity benefit year-over-year."

- Evaluation:

- **Expectations Met:** Management's guidance to eliminate over 265 systems was achieved, and a \$110 million productivity benefit was realized year-over-year, aligning with their expectation of substantial productivity benefits and cost reductions.

9. Portfolio realignment strategies

- **Narrative:** Management has highlighted their strategic focus on portfolio realignment through the divestiture of non-core businesses. This includes the planned sale of the Collins hoist and winch business, as well as the actuation business. The company is also engaged in a comprehensive portfolio evaluation to identify segments that may not align with future strategic goals, with decisions expected as they approach 2025.

- Management's Guidance:

- Management anticipates the completion of the Collins hoist and winch business sale by the fourth quarter and the actuation business sale by mid-next year. They are actively evaluating all business segments to determine their strategic fit, with potential adjustments expected heading into 2025.

- Actual Results:

['Q3', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

Q2 2024

1. Revenue growth outlook

- **Narrative:** Management has taken a proactive stance in enhancing the company's financial performance by raising the sales outlook for the full year. The company is leveraging stronger military volumes and higher commercial Original Equipment (OE) to boost its sales growth projections. This strategic approach is expected to result in mid-teens growth on an adjusted organic basis, a significant increase from previous guidance. Additionally, Raytheon and Collins are both anticipated to see improved sales, driven by factors such as better material flow and increased market demand.

- Management's Guidance:

- 1. Management is raising its full-year adjusted sales outlook to between \$78.75 billion and \$79.5 billion, with expected organic sales growth of 8% to 9% for the year.

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- 2. The company now expects sales to grow mid-teens on an adjusted organic basis, driven by stronger military volume and higher commercial OE.

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- 3. Raytheon sales are anticipated to grow by mid-single digits organically, an increase from the prior range of low to mid-single digits, due to improved material flow.

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- 4. Collins sales are projected to grow high single digits on both an adjusted and organic basis.

- Actual Results:

['Q3', '2024']:

- Data Not Available

['Q2', '2024']:

- In Q2 2024, adjusted sales were reported at \$19.8 billion, reflecting an 8% increase and a 10% organic growth compared to the previous year. Raytheon sales grew by mid-single digits organically, aligning with the management guidance. Collins Aerospace sales were up 10% on both an adjusted and organic basis, in line with the high single-digit growth projection.

- Evaluation:

- **Expectations Met:** The actual results in Q2 2024 showed an 8% increase in adjusted sales and a 10% organic growth, aligning with management's guidance of 8% to 9% organic sales growth. Raytheon and Collins both met their projected sales growth targets, supporting the expectations set by management.

2. Earnings per share projections

- **Narrative:** Management has indicated an upward revision in the adjusted earnings per share (EPS) outlook for the year. This revision reflects a positive adjustment to the lower and upper ends of the EPS range, signifying confidence in the company's financial performance for the upcoming quarters.

- Management's Guidance:

- The adjusted EPS outlook has been increased by \$0.10 on the low end and \$0.05 on the high end, resulting in a new range of \$5.35 to \$5.45, up from the previous range of \$5.25 to \$5.40.

- Actual Results:

['Q3', '2024']:

- Adjusted earnings per share of \$1.45 was also up 16% from the prior year.

['Q2', '2024']:

- Adjusted earnings per share of \$1.41 was reported for Q2 2024, reflecting a 9% increase from the prior year, driven by profit growth and margin expansion across all segments.

- Evaluation:

- **Expectations Met:** The actual adjusted EPS for Q2 and Q3 2024 showed significant year-over-year increases, aligning with management's revised guidance of \$5.35 to \$5.45 for the year, indicating that the expectations were met.

3. Shareholder returns

- **Narrative:** Management remains committed to enhancing shareholder value through consistent capital return strategies since the merger. They have demonstrated this commitment through dividend increases and substantial capital returns.

- Management's Guidance:

- Management has raised the dividend by 7% and is on track to return \$36 billion to \$37 billion of capital to shareholders from the merger through the end of next year.

- Actual Results:

['Q2', '2024']:

- We raised our dividend 7%. We returned \$867 million of capital to shareowners primarily through dividends during the quarter.

['Q3', '2024']:

- We completed the accelerated share repurchase program we initiated last October, returning \$10.3 billion of capital to shareholders. We've now returned over \$32 billion of capital to shareowners since the merger. In addition, \$1.1 billion of capital was returned to share owners, with \$294 million principally related to the closeout of the accelerated share repurchase program initiated last year.

- Evaluation:

- **Expectations Exceeded:** The management's guidance on returning \$36 billion to \$37 billion of capital through dividends and share repurchases by the end of next year was largely surpassed as they have already returned over \$32 billion by Q3 2024, indicating they are ahead of schedule.

4. R&D investment focus

- **Narrative:** Management highlighted a significant commitment to research and development, underscoring the company's intent to drive innovation and maintain competitive advantage in the aerospace sector. The focus on both company and customer-funded initiatives indicates a robust strategy to enhance product offerings and technological capabilities.

- **Management's Guidance:**

- Management disclosed an R&D expenditure of over \$7.5 billion for the year, emphasizing the substantial investment in innovation to support future growth and product development.

- **Actual Results:**

['Q3', '2024']:

- We had higher R&D, about \$40 million.

['Q2', '2024']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

5. Cash flow expectations

- **Narrative:** Management discussed a revision in their cash flow outlook for the year, highlighting adjustments in expectations due to various financial commitments and the macroeconomic environment. They remain optimistic about achieving their 2025 cash goals based on current internal evaluations and external factors.

- **Management's Guidance:**

- 1. Revised cash outlook for the year to approximately \$4.7 billion, down from the previous expectation of \$5.7 billion. 2. Expectation to pay about \$1 billion related to specific matters within the year, impacting the updated cash flow outlook. 3. Anticipation that payments will be split evenly between the third and fourth quarters, contingent on resolutions with government agencies likely occurring in late September or early fourth quarter. 4. Confidence in achieving the 2025 cash goal based on current internal and macroeconomic observations.

- **Actual Results:**

['Q2', '2024']:

- For Q2 2024, the actual free cash flow was reported as \$2.2 billion. This is a significant update from the management's revised cash outlook for the year and shows a robust performance in comparison to previous quarters. Additionally, Neil Mitchill mentioned that they are a little less than \$200 million into their \$1.3 billion in powder metal outflows for the year.

['Q3', '2024']:

- Free cash flow was reported at \$2 billion for the quarter, as noted by Neil Mitchill and Christopher Calio during the earnings call.

- **Evaluation:**

- **Expectations Exceeded:** The actual free cash flow for Q2 and Q3 2024 was robust, totaling \$4.2 billion, which surpasses the revised annual cash outlook of \$4.7 billion, showcasing stronger-than-anticipated financial performance.

6. Advanced technology initiatives

- **Narrative:** Management emphasized their commitment to leveraging advanced technology through the integration of artificial intelligence and deep learning across their operations. This initiative is part of a broader strategy to enhance productivity and achieve cost savings.

- **Management's Guidance:**

- Management plans to implement over 30 new use cases this year, aiming to generate incremental productivity improvements and cost efficiencies across the company.

- **Actual Results:**

['Q2', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

7. Supply chain resilience

- **Narrative:** Management highlighted initiatives to bolster operational efficiency and supply chain resilience through infrastructure expansion and digital integration. The strategic focus is on scaling production capabilities and enhancing connectivity within their manufacturing operations to meet rising demand.

- **Management's Guidance:**

- Management expects the completion of a new facility to add 70,000 square feet of manufacturing space aimed at accommodating the increasing demand for Collins brake solutions. Additionally, they are on track to digitally connect 40 factories by the end of the year, enhancing operational efficiency.

- **Actual Results:**

['Q3', '2024']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

8. Military contract updates

- **Narrative:** Management highlighted a robust focus on strengthening military operations and contracts, with a substantial portion of upcoming revenue anticipated from this sector. Strategic efforts are being made to capitalize on military business opportunities, reflecting a commitment to expanding defense capabilities and securing substantial contracts.

- **Management's Guidance:**

- Management indicated that approximately \$400 million in revenue is expected, with 80% of this amount attributed to the military business, signifying a strong emphasis on military contracts in future quarters.

- Actual Results:

['Q2', '2024']:

- Chris Calio [Raytheon received a \$639 million award for SPY-6 radar production for the U.S. Navy.]

['Q3', '2024']:

- Data Not Available

- Evaluation:

- **Expectations Exceeded:** Management anticipated \$400 million with 80% from military contracts, but Raytheon received a \$639 million award for SPY-6 radar, surpassing the expected revenue.

9. Long-term investment plans

- **Narrative:** Management outlined a significant strategic initiative focusing on enhancing production capabilities through a substantial investment in their carbon brake facility in Spokane, Washington. This move aligns with the company's long-term investment plans aimed at strengthening operational capacity and supporting future growth within the aerospace sector.

- Management's Guidance:

- Management announced a \$200 million investment in the carbon brake facility in Spokane, Washington, indicating a commitment to bolstering manufacturing capabilities and potentially improving market competitiveness in upcoming quarters.

- Actual Results:

['Q2', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

10. Production rate adjustments

- **Narrative:** Management is strategically focusing on enhancing production capabilities within its defense operations. This involves significant investments in test equipment and tooling, particularly targeting a substantial increase in production capacity for the Coyote program by the end of the year. Additionally, there is an anticipated ramp-up in powdered metal production and insertion, as well as maintenance, repair, and overhaul (MRO) activities over the next few years.

- Management's Guidance:

- Management projects a more than doubling of production capacity in the Coyote program by year-end. Furthermore, there's an expected continued ramp in powdered metal production and MRO activities throughout the latter half of this year and extending into 2025 and 2026.

- Actual Results:

['Q2', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

Q1 2024

1. Revenue growth outlook

- **Narrative:** RTX management expressed optimism about the company's revenue growth driven by strong demand in its aerospace segment. The company's strategic focus remains on achieving consistent organic growth across its various business units. This includes Collins Aerospace, Raytheon, and Pratt & Whitney, each projected to contribute positively to the overall revenue trajectory through targeted market strategies and operational efficiencies. Management emphasized the importance of their backlog and market demand as key drivers for achieving their projected revenue targets.

- Management's Guidance:

- 1. Management expects to achieve a revenue growth of 5% driven by strong demand in the aerospace segment for the coming year. 2. Collins Aerospace sales are anticipated to grow mid to high single-digits on an adjusted and organic basis, with operating profit growth between \$650 million and \$725 million versus 2023. 3. RTX is on track to deliver full-year sales between \$78 billion and \$79 billion, translating to 7% to 8% organic revenue growth. 4. Raytheon sales are expected to grow low to mid-single-digits organically, with operating profit increasing between \$100 million and \$200 million versus 2023. 5. Pratt & Whitney's full-year sales are projected to grow low double digits on an adjusted and organic basis, with adjusted operating profit growth between \$400 million and \$475 million versus 2023.

- Actual Results:

['Q2', '2024']:

- Chris Calio reported that RTX saw another quarter of excellent top-line growth with adjusted sales of \$19.8 billion, which were up 10% organically. Neil Mitchill also confirmed that RTX adjusted sales of \$19.8 billion were up 8% and on an organic basis, were up 10%.

['Q1', '2024']:

- In Q1 2024, RTX reported sales of \$19.3 billion, up 12% organically versus the prior year, which aligns with the management's focus on organic growth. Additionally, revenue for Q1 2024 was \$15 billion, up 7% from Q1 2023. Collins Aerospace saw strong sales growth and 90 basis points of margin expansion, while Raytheon experienced a double-digit increase in material receipts. Pratt & Whitney reported a 23% gain in the first quarter.

['Q3', '2024']:

- RTX's adjusted sales were \$20.1 billion, up 6% and up 8% organically, driven by demand across the business, including double-digit growth in commercial aftermarket and defense.

- Evaluation:

- **Expectations Exceeded:** RTX's revenue growth exceeded management's guidance, with organic sales increasing by 12% in Q1 2024 and 10% in Q2 2024, surpassing the projected 7% to 8% organic growth for the year.

2. Shareholder returns

- **Narrative:** Management reiterated their commitment to enhancing shareholder value through substantial capital returns. The company is on a steadfast path to fulfilling the significant capital return commitment made during the merger.

- **Management's Guidance:**

- Management stated their expectation to return between \$36 billion to \$37 billion of capital to shareowners from the date of the merger through the next year.

- **Actual Results:**

['Q1', '2024']:

- Data Not Available

['Q3', '2024']:

- We've now returned over \$32 billion of capital to shareowners since the merger.

['Q2', '2024']:

- We returned \$867 million of capital to shareowners primarily through dividends during the quarter.

- **Evaluation:**

- **Expectations Met:** Management aimed to return \$36 billion to \$37 billion of capital following the merger, and as of Q3 2024, they have returned over \$32 billion, aligning with their guidance and indicating they are on track to meet the target.

3. Cash flow expectations

- **Narrative:** Management has outlined their expectations for capital expenditures for the upcoming fiscal year, indicating a clear focus on investment and future growth. This guidance reflects the company's strategic priorities in maintaining and expanding its operational capabilities.

- **Management's Guidance:**

- Management anticipates capital expenditures to be approximately \$1 billion for the fiscal year 2024.

- **Actual Results:**

['Q3', '2024']:

- Data Not Available

['Q1', '2024']:

- Neil Mitchell reported that free cash flow was an outflow of \$125 million in the first quarter, which was in line with expectations, and represented a \$1.3 billion year-over-year improvement.

['Q2', '2024']:

- In Q2 2024, capital expenditures were reported as \$2,733 million.

- **Evaluation:**

- **Expectations Not Met: Management anticipated capital expenditures to be approximately \$1 billion for the fiscal year 2024, but actual expenditures in Q2 2024 were reported as \$2,733 million, significantly exceeding the expected amount.**

4. Earnings per share projections

- **Narrative:** During the earnings call, management provided insights into their earnings per share projections, reflecting on the anticipated financial performance for the upcoming quarters. The guidance reflects adjustments for recent business activities and strategic decisions impacting the company's bottom line.

- **Management's Guidance:**

- Management anticipates adjusted earnings per share to range between \$5.25 and \$5.40. Additionally, they highlighted an \$80 million year-over-year headwind from the sale of the cybersecurity business, which is factored into the profit outlook.

- **Actual Results:**

['Q3', '2024']:

- Adjusted earnings per share of \$1.45 was up 16% from the prior year.

['Q2', '2024']:

- Adjusted earnings per share for Q2 2024 was reported at \$1.41, which represents a 9% increase year-over-year.

['Q1', '2024']:

- Adjusted earnings per share of \$1.34 was up 10% year-over-year.

- **Evaluation:**

- **Expectations Met:** The management's guidance of adjusted earnings per share ranging between \$5.25 and \$5.40 was aligned with the actual results, as the cumulative adjusted earnings per share from Q1 to Q3 2024 totals \$4.20, indicating the company is on track to meet its annual projection.

5. New product pipeline

- **Narrative:** Management has provided insights into their ongoing efforts in product development and innovation, specifically focusing on the production of GTF engines and addressing challenges in fixed price development programs within Raytheon Defense. These initiatives are indicative of the company's commitment to enhancing its product offerings and overcoming development hurdles.

- **Management's Guidance:**

- Management highlighted that all GTF engines being delivered to customers' final assembly lines will have full-life HPC and HPT disks, showcasing a focus on enhancing engine reliability and lifecycle. Additionally, they anticipate that the fixed price development programs at Raytheon Defense, which have posed challenges, will transition out of development within the next 12 to 18 months.

- **Actual Results:**

['Q2', '2024']:

- Data Not Available

['Q1', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

6. R&D investment focus

- **Narrative:** Management emphasized a significant commitment to research and development, detailing substantial investments to drive innovation and advance

new technologies and products. This approach underscores the company's focus on maintaining a competitive edge through continuous improvement and market-responsive product development.

- Management's Guidance:

- Management plans to invest approximately \$3 billion in company-funded R&D and an additional \$5 billion in customer-funded R&D this year to foster new technology and product development.

- Actual Results:

['Q2', '2024']:

- Data Not Available

['Q1', '2024']:

- Chris Calio: "And at the same time, we're investing over \$10 billion in research and development, modernization, and digital capabilities."

['Q3', '2024']:

- We had higher R&D, about \$40 million.

- Evaluation:

- Insufficient Info: Data not available.

7. Lean manufacturing processes

- **Narrative:** Management is focused on improving operational efficiency through optimized turnaround times in their lean manufacturing processes. This strategic focus is intended to maintain consistency with their previous targets, demonstrating a commitment to sustaining operational improvements.

- Management's Guidance:

- Management reiterated their expectation of maintaining an average wing-to-wing turnaround time of approximately 250 to 300 days, aligning with their prior guidance.

- Actual Results:

['Q3', '2024']:

- Data Not Available

['Q1', '2024']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

8. Supply chain resilience

- **Narrative:** Management highlighted their commitment to improving operational efficiency and supply chain resilience by expanding manufacturing capacity and connecting factories. This strategic approach is designed to enhance the ability to meet customer demand and support critical programs.

- Management's Guidance:

- Management aims to connect an additional 20 factories by the end of the year to bolster operational efficiency. They plan to invest \$2.5 billion in capital to increase manufacturing capacity in key areas, which will eventually boost the delivery capacity of critical munitions programs by over 50%.

- Actual Results:

['Q3', '2024']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

['Q1', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

9. Cost-reduction measures

- **Narrative:** Management is focused on improving operational efficiency through strategic cost-reduction measures. This includes significant efforts to relocate manufacturing hours to more cost-effective locations, which is expected to optimize production expenses and enhance overall efficiency.

- Management's Guidance:

- Collins Aerospace is in the process of relocating 2.7 million manufacturing hours to best cost locations by the end of 2025, aiming for substantial cost reductions and increased efficiency.

- Actual Results:

['Q2', '2024']:

- Data Not Available

['Q1', '2024']:

- Data Not Available

['Q3', '2024']:

- Christopher Calio mentioned the movement of 2.7 million hours to low-cost areas as part of the operational efficiency efforts.

- Evaluation:

- Insufficient Info: Data not available.

10. Commercial aviation recovery

- **Narrative:** Management highlighted their expectations for the commercial aviation sector's recovery, focusing on maintaining operational efficiency and increasing aircraft availability. The strategic emphasis remains on sustaining the average number of aircraft on ground (AOG) at a manageable level to support the recovery phase.

- Management's Guidance:

- Management projected an average of roughly 350 aircraft on ground (AOG) annually from 2024 through 2026, indicating a stable outlook for aircraft availability as the commercial aviation sector recovers.

- Actual Results:

['Q2', '2024']:

- Data Not Available

['Q1', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

11. Process automation

- **Narrative:** Management emphasized their ongoing commitment to improving operational efficiency through process automation. This includes plans to enhance production capabilities and focus on turnaround times to ensure a competitive edge in the market.

- Management's Guidance:

- Management announced the opening of two new manufacturing facilities by the end of 2025 to boost production capacity. They also plan to progressively ramp up efforts throughout the year, focusing on improving turnaround times and introducing new materials.

- Actual Results:

['Q3', '2024']:

- Collins' avionics business implemented an automated smart torque system, which resulted in zero torque-related defects and saved over 20,000 labor hours so far this year.

['Q2', '2024']:

- Data Not Available

['Q1', '2024']:

- With regard to overhauled turnaround time, our average wing-to-wing turnaround time assumptions remain consistent with our prior guidance of roughly 250 to 300 days.

- Evaluation:

- **Expectations Exceeded:** The implementation of the automated smart torque system in Collins' avionics business resulted in zero torque-related defects and saved over 20,000 labor hours, surpassing management's objectives related to process automation and enhancing operational efficiency.

12. International market penetration

- **Narrative:** Management has highlighted a significant focus on increasing the company's international backlog as a core part of their market strategy and expansion. This approach is driven by a strong performance in international bookings, which has become a substantial component of the company's growth trajectory.

- Management's Guidance:

- Management anticipates continued momentum in international bookings, which accounted for approximately 60% of Raytheon's Q1 bookings. This is expected to provide a favorable tailwind for the company's market penetration efforts moving forward.

- Actual Results:

['Q3', '2024']:

- In Q3 2024, 45% of the bookings were for international customers, and Raytheon's backlog is now 44% international, which is up over 10 points from last year.

['Q1', '2024']:

- The mix of those new orders, about 60% foreign sales.

['Q2', '2024']:

- Data Not Available

- Evaluation:

- **Expectations Not Met: Management expected continued momentum with international bookings maintaining a 60% share, but by Q3 2024, this decreased to 45%, indicating a shortfall in meeting the anticipated international market penetration goals.**

13. Military contract updates

- **Narrative:** Management highlighted ongoing efforts to secure both domestic and international contracts, emphasizing the strategic importance of expanding their product offerings to address key market opportunities. The discussion underscored the company's focus on leveraging its product portfolio to capture significant portions of defense contracts related to emerging geopolitical needs.

- Management's Guidance:

- Management anticipates securing both the first domestic Low-Rate Initial Production (LRIP) and international Foreign Military Sales (FMS) contracts within the year. Management identified approximately 30% addressable market opportunities with their product suite in regions like Ukraine, Israel, and INDOPACOM, focusing on products like GEM-T, NASAMS, Patriot, and more.

- Actual Results:

['Q1', '2024']:

- Data Not Available

['Q3', '2024']:

- Importantly, we booked \$1.9 billion for LTAMDs, the first domestic and international production order for our next-generation 360 degree air and missile defense system. Key awards included \$3 billion associated with our Patriot and GEM-T products.

['Q2', '2024']:

- Data Not Available

- Evaluation:

- **Expectations Exceeded:** The actual results showed significant achievements, including a \$1.9 billion order for LTAMDs and \$3 billion in key awards for Patriot and GEM-T, surpassing the management's guidance of securing initial domestic and international contracts.

14. Long-term investment plans

- **Narrative:** Management has outlined a significant investment plan with the announcement of a \$115 million expansion at the Raytheon Redstone Missile Integration Facility in Huntsville, Alabama. This initiative is part of a larger strategic effort to enhance the company's operational capabilities and market

positioning over the next few years.

- Management's Guidance:

- The management indicated that the expansion process is anticipated to span three years, with a gradual ramp-up throughout the current year into 2025. This expansion is expected to integrate full-life parts into maintenance, repair, and overhaul (MRO) operations, reflecting a strategic focus on long-term growth and operational efficiency.

- Actual Results:

['Q3', '2024']:

- Data Not Available

['Q1', '2024']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

Q4 2023

1. Earnings per share projections

- Narrative: During the Q4 2023 earnings call, management provided a positive outlook for earnings per share (EPS) growth, projecting an increase driven by operational efficiencies and strategic tax improvements. The company expects to leverage growth in operating profit, particularly from the commercial aftermarket and military sectors, while managing higher tax rates and capital expenditures.

- Management's Guidance:

- Management expects adjusted EPS to be between \$5.25 and \$5.40, reflecting a 4% to 7% increase year-over-year. Operating profit growth is anticipated to contribute approximately \$0.72 to EPS at the midpoint of the outlook range.

- Actual Results:

['Q3', '2024']:

- Adjusted earnings per share of \$1.45 was up 16% from the prior year.

['Q4', '2023']:

- Adjusted earnings per share of \$1.29 was a bit better than our expectations and up 2%.

['Q2', '2024']:

- In Q2 2024, management reported an adjusted EPS of \$1.41, representing a 9% increase year-over-year, which aligns with the higher end of the projected growth rate of 4% to 7%.

['Q1', '2024']:

- Adjusted earnings per share of \$1.34 was up 10% year-over-year.

- Evaluation:

- Expectations Exceeded: The actual EPS results for each quarter of 2024 consistently surpassed the year-over-year growth expectations set by management, particularly with Q2 and Q3 showing 9% and 16% increases, respectively, which were above the projected 4% to 7% growth range.

2. Revenue growth outlook

- Narrative: Management has outlined a strong outlook for revenue growth in 2024. The anticipated growth is driven by the defense segment, which is expected to contribute significantly. Additionally, the company projects an increase in aftermarket demand as well as commercial original equipment (OE) production rates. Strategic moves such as the Raytheon cybersecurity transaction are also expected to influence sales figures.

- Management's Guidance:

- In 2024, management expects revenue growth in the range of 5% to 7%, primarily driven by the defense segment. Continued strong recovery is projected to drive significant aftermarket demand for both wide-body and narrow-body aircraft into 2024. Sales are expected to grow in low to mid-single-digits compared to 2023, with improvements in supply chain management. The commercial OE revenue is expected to rise between 10% and 15% in 2024. Sales in the commercial aftermarket are anticipated to increase by over 10% in 2024. Full-year 2024 sales are projected to be between \$78 billion and \$79 billion, reflecting organic growth of 7% to 8% year-over-year. Collins Aerospace is expected to see a mid to high-single-digit increase in full-year sales on both an adjusted and organic basis. Pratt & Whitney's full-year sales are projected to grow in low-double-digits on an adjusted and organic basis compared to the previous year.

- Actual Results:

['Q2', '2024']:

- In Q2 2024, RTX reported adjusted sales of \$19.8 billion, up 10% organically. Commercial aftermarket sales were up 12% and commercial OE sales were up 10% compared to the prior year. Defense sales, excluding the Raytheon cybersecurity divestiture, were up 7%.

['Q1', '2024']:

- Neil Mitchill reported that RTX sales for Q1 2024 were \$19.3 billion, up 12% organically versus the prior year, which exceeds the original guidance of 5% to 7% revenue growth. The commercial aftermarket sales were up 11%, and commercial OE sales for the quarter were up 14%, aligning with the guidance of a 10% to 15% increase. This indicates a strong start to the year with organic sales up 12%.

['Q3', '2024']:

- Christopher Calio reported that demand across the business, including double-digit growth in commercial aftermarket and defense, remains robust and drove 8% organic sales growth. Neil Mitchill stated that RTX's adjusted sales were up 6% and up 8% organically. Commercial aftermarket sales were up 11%, and defense sales were up 10% organically.

['Q4', '2023']:

- In Q4 FY23, commercial aftermarket sales were up 23% for the full year, commercial OE was up 20%, and defense was up 4%. Adjusted sales for the fourth quarter were \$19.8 billion, up 10% organically versus the prior year. Full-year adjusted sales were \$74.3 billion, up 11% organically.

- Evaluation:

- Expectations Exceeded: RTX's revenue growth in 2024 exceeded expectations, with organic growth reaching 12% in Q1 and 10% in Q2, surpassing the initial guidance of 5% to 7%. Additionally, commercial aftermarket and OE sales as well as defense sales consistently achieved or exceeded forecasted growth rates.

3. Cash flow expectations

- **Narrative:** RTX's management provided comprehensive guidance on their cash flow expectations as part of their financial performance outlook. They focused on strategies to maintain a strong balance sheet through deleveraging and capital expenditure management. The expectation of significant free cash flow generation over the coming years is underscored by efforts to improve working capital and manage inventory levels. Management reaffirmed their long-term free cash flow target and detailed the anticipated timing of cash flow contributions from inventory management and customer advances.

- **Management's Guidance:**

- 1. RTX projects capital expenditures for the next fiscal year to be approximately \$1.5 billion. 2. The company is initiating a deleveraging process this year to uphold a strong balance sheet, supported by the closure of previously announced divestitures. 3. RTX expects to generate about \$5.7 billion in free cash flow for the year. 4. There is no change to the RTX 2025 free cash flow target of \$7.5 billion. 5. The company anticipates \$1.3 billion of cash flow to move into 2024, with a continued \$1.5 billion expected in their 2025 outlook, and the rest spilling into early 2026. 6. Working capital improvements are expected to contribute \$2.2 billion to free cash flow, with inventory management playing a critical role in 2024 and 2025.

- **Actual Results:**

['Q3', '2024']:

- Free cash flow was strong at \$2 billion in Q3 2024, with \$4 billion of free cash flow achieved year-to-date.

['Q1', '2024']:

- In Q1 2024, management reported a free cash flow of \$1.5 billion. Additionally, it was noted that free cash flow was an outflow of \$125 million in the first quarter, which was in line with expectations and represented a \$1.3 billion year-over-year improvement.

['Q4', '2023']:

- Ended the year with \$5.5 billion in free cash flow, which is about \$700 million ahead of prior outlook, as powder metal related impacts have shifted and year-end collections were stronger than expected.

['Q2', '2024']:

- In Q2 2024, RTX reported a free cash flow of \$2.2 billion for the quarter. This was a significant improvement, with a \$2 billion increase year-over-year. However, the free cash flow for the quarter was also reported as \$(537) million, indicating some discrepancies or adjustments not detailed in the brief. Capital expenditures for the quarter were \$2,733 million, which exceeds the annual target of \$1.5 billion. The change in working capital contributed \$1,433 million to cash flow, consistent with the emphasis on working capital improvements.

- **Evaluation:**

- **Expectations Exceeded:** RTX's actual free cash flow results surpassed management's expectations, ending 2023 with \$5.5 billion, which was \$700 million ahead of the prior outlook, and achieving a strong \$4 billion year-to-date free cash flow by Q3 2024, indicating successful execution of their financial strategies.

4. Supply chain resilience

- **Narrative:** Management emphasized efforts to enhance operational efficiency by ramping up the production and installation of full-life disks in GTF MRO processes. Additionally, there is a continued focus on improving supply chain performance and material flow, as indicated by the significant increase in material receipts.

- **Management's Guidance:**

- Management projects an increase in the number of engines receiving full-life disks throughout the year, which is part of their strategy to improve production efficiency. They also aim to continue the upward trend in material receipts into 2024 to further bolster supply chain resilience.

- **Actual Results:**

['Q3', '2024']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

['Q4', '2023']:

- Overall, our material receipts were up 8% in 2023.

['Q1', '2024']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

5. Sustainable product solutions

- **Narrative:** Management emphasized advancements in the production of GTF engines, specifically highlighting the use of powdered metal technology for critical components, which aligns with the company's commitment to sustainability and innovation. The focus is on ensuring that all engines delivered to customers meet stringent life-certification standards, reflecting a strategic shift towards more sustainable and reliable product offerings.

- **Management's Guidance:**

- Management indicated that all OE GTF engines being delivered will incorporate disks made from powdered metal manufactured after Q3 2021, ensuring these engines have full certified lives, which signifies a commitment to sustainability and product longevity.

- **Actual Results:**

['Q2', '2024']:

- Data Not Available

['Q1', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

['Q4', '2023']:

- Today, all OE GTF engines being delivered to our customers' final assembly lines contain disks produced from powdered metal manufactured after Q3 2021 and have full certified lives.

- **Evaluation:**

- **Expectations Met:** The management's guidance that all OE GTF engines would incorporate powdered metal disks manufactured after Q3 2021 was achieved, as confirmed by the actual results in Q4 2023, aligning with their sustainability and product longevity goals.

6. Cost-reduction measures

- **Narrative:** Management has laid out a clear strategy focused on improving operational efficiency through targeted cost-reduction measures. This involves a comprehensive approach aimed at streamlining processes and optimizing resource utilization to achieve sustainable growth.

- **Management's Guidance:**

- Management articulated their goal to achieve a 10% reduction in operational costs by the end of 2025.

- **Actual Results:**

['Q2', '2024']:

- Data Not Available

['Q1', '2024']:

- Data Not Available

['Q3', '2024']:

- So far this year, we've eliminated over 265 systems to streamline our engineering, supply chain, and manufacturing processes. In the quarter, net productivity improved \$33 million year-over-year and included an unfavorable impact of \$53 million related to a classified program. Neil Mitchill: "we've already seen about \$110 million of productivity benefit year-over-year." Christopher Calio [The movement of 2.7 million hours to low cost areas.]

['Q4', '2023']:

- Keep in mind we dealt with about \$2.3 billion of inflationary headwinds in 2023 of which about a quarter of that was in the fourth quarter, which we largely overcame through pricing and cost reduction actions.

- **Evaluation:**

- Insufficient Info: Data not available.

7. Process automation

- **Narrative:** Management has articulated a focus on process automation within the Maintenance, Repair, and Overhaul (MRO) operations. The strategic approach involves the early incorporation of new processes, indicating a proactive stance towards enhancing operational efficiency. This initiative reflects the company's commitment to leveraging automation to streamline operations and improve service delivery.

- **Management's Guidance:**

- Management plans to initiate the incorporation of process automation technologies in the MRO segment starting in Q2 of the current year, with an accelerated implementation timeline. The full integration of these technologies into the MRO operations is expected to progress throughout the year, although full incorporation of all components is not anticipated immediately.

- **Actual Results:**

['Q3', '2024']:

- At Collins, the avionics business benefited from the deployment of an automated smart torque system, resulting in zero torque-related defects and saving over 20,000 labor hours so far this year.

['Q2', '2024']:

- Data Not Available

['Q4', '2023']:

- Pratt grew GTF MRO output by almost 30% year-over-year in 2023. We increased GEMT output by 50% year-over-year. Chris Calio [We've industrialized a significant number of repairs on the GTF, I want to say about 1,300 in 2023.]

['Q1', '2024']:

- Data Not Available

- **Evaluation:**

- **Expectations Exceeded:** The implementation of process automation in MRO operations at Collins led to significant efficiencies, including zero torque-related defects and substantial labor hour savings, surpassing the anticipated impact within the specified timeline.

8. Strategic alliances and partnerships

- **Narrative:** Management highlighted the plan to significantly bolster the company's market position through strategic alliances. This includes forming partnerships that leverage complementary strengths and resources to drive growth and innovation.

- **Management's Guidance:**

- Management indicated plans to expand the workforce by 2,000 employees over the next two years, which suggests preparation for increased operational activities and potential new partnership-driven projects.

- **Actual Results:**

['Q3', '2024']:

- Certainly, please provide the input data for the actual results knowledge graph, and I will assist you in analyzing the information as per your request.

['Q1', '2024']:

- Data Not Available

['Q4', '2023']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

9. Compliance updates

- **Narrative:** Management provided updates on compliance matters, particularly focusing on the forthcoming regulatory changes. They highlighted the ongoing interaction with the Federal Aviation Administration (FAA) concerning airworthiness directives.

- **Management's Guidance:**

- Management anticipates that the FAA will issue the relevant airworthiness directives within the next month, which is expected to influence compliance procedures in the near future.

- **Actual Results:**

['Q2', '2024']:

- We recorded a pretax charge of \$285 million related to voluntarily disclosed export controls compliance matters.

['Q1', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

['Q4', '2023']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

10. Military contract updates

- Narrative: Management provided an optimistic outlook on military contract updates, emphasizing growth in military sales across key divisions. The discussions highlighted strategic efforts to enhance military sales and sustainment volumes, particularly focusing on the F-135 program.

- Management's Guidance:

- Military sales at Collins are expected to increase by low to mid-single digits for the year. Military sales at Pratt are projected to rise by mid-single digits, driven by an increase in F-135 sustainment volumes as heavy overhauls continue to ramp up. The overall military segment is anticipated to grow in the mid-single-digit range with a 5% increase in top-line revenue.

- Actual Results:

['Q1', '2024']:

- Data Not Available

['Q3', '2024']:

- In the military engines, sales were up 20%.

['Q4', '2023']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

- Evaluation:

- Expectations Exceeded: Military sales in the engines division saw a 20% increase, significantly surpassing the management's guidance of mid-single-digit growth, driven by enhancements in F-135 sustainment volumes.

11. Production rate adjustments

- Narrative: Management has emphasized the importance of maintaining a robust production line to meet the increasing demands in the defense and aerospace sector. They are focused on optimizing production rates to ensure timely delivery and enhance operational efficiency.

- Management's Guidance:

- Management reiterated their expectation to maintain an average of approximately 350 Aircraft on Ground (AOG) throughout the upcoming quarters, aligning with their previously stated guidance.

- Actual Results:

['Q1', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

['Q4', '2023']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

12. Long-term investment plans

- Narrative: Management highlighted their commitment to strategic initiatives focused on structural cost reduction and working capital improvements. These efforts are aligned with their long-term investment plans to bolster business operations and enhance shareholder value.

- Management's Guidance:

- Management plans to return \$36 billion to \$37 billion of capital to shareholders by the year 2025, indicating a focused approach to financial management and strategic investments.

- Actual Results:

['Q3', '2024']:

- Data Not Available

['Q4', '2023']:

- Data Not Available

['Q1', '2024']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

13. Merger integration progress

- Narrative: Management provided an update on the merger integration, emphasizing the achievement of significant cost synergies from the RTX merger. The integration process is progressing well, aligning with strategic objectives to realize substantial cost efficiencies.

- Management's Guidance:

- The company is on track to achieve \$2 billion in gross cost synergies by the end of 2025.

- **Actual Results:**

['Q3', '2024']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

['Q4', '2023']:

- In 2023, we achieved \$295 million of incremental RTX merger cost synergies, keeping us on track to achieve our \$2 billion in gross cost synergy goal by the end of 2025.

['Q1', '2024']:

- We also achieved an incremental \$105 million of RTX gross merger cost synergies in the quarter.

- **Evaluation:**

- **Expectations Met:** The merger integration is on track with achieving \$2 billion in gross cost synergies by 2025, supported by incremental synergies of \$295 million in 2023 and \$105 million in Q1 2024, aligning with management's strategic objectives.