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.