

BUSINESS

# Investors Approve UTC-Raytheon Merger

The \$135 billion combination will create the world's second-largest defense company pending regulatory approval



Raytheon at the International Paris Air Show in June PHOTO: PASCAL ROSSIGNOL/REUTERS

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Shareholders backed the creation of one of the world's largest aerospace companies on Friday, voting in favor of the \$135 billion combination of United Technologies Corp. [UTX -1.06% ▼](#) and Raytheon Co. [RTN -0.57% ▼](#)

The merger plan announced in June overcame initial opposition from some activists and other investors skeptical about combining two companies with different growth paths in the defense and commercial-aerospace businesses.

The companies won around investors in a record year for industry consolidation, arguing the combination could address changing defense priorities and budget pressures, as well as a potential end to the multiyear supercycle in orders for Airbus SE and Boeing Co. [BA 1.04% ▲](#) jetliners.

Raytheon Technologies, as the enlarged company will be known, aims to counter the challenges with the breadth of its offerings. Its Pratt & Whitney engines power Airbus jetliners, Lockheed Martin F-35 combat aircraft and the Boeing KC-46 tanker. Raytheon is focused on fast-growing areas such as hypersonic missiles and laser weapons and defenses.

Military sales would account for about \$41 billion—or 55% of annual revenue—at the new Raytheon Technologies. It will leapfrog Northrop Grumman Corp. to become the world's second-largest defense company after Lockheed Martin Corp., which will have sales close to \$60 billion this year.

Raytheon, which initiated the merger talks, said it lacked the scale to invest in future Pentagon programs.

The proposed deal, which is subject to regulatory approval, would cap the transformation of United Technologies by CEO Greg Hayes, who plans to spin off the company's Otis elevator and Carrier heating and ventilation-systems businesses. Mr. Hayes would stay on as CEO of Raytheon Technologies.

Raytheon shareholders will receive 2.3348 shares in the new company for every share they currently own. UTC shareholders will own about 57% of the combined entity and UTC will appoint eight of the 15 directors. The company will be based in the Boston area.

Activist investors William Ackman and Daniel Loeb, who had invested in UTC and pressed for a breakup, both criticized the Raytheon deal after it was announced. The hedge-fund managers pared their UTC stakes earlier this year, clearing the way for shareholder approval.

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