Chris Johns BUS 127

Brian Loughran HW Due 4/13/16

Comparing United Technologies Corp. with Rolls Royce

Data:

UTC:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Net Income($) | Total Equity($) | ROE | Long Term Debt |
|  | (Millions) | (Millions) |  | (Millions) |
| 2014 | 6,468 | 32,564 | 0.198624 | 19,575 |
| 2015 | 4,356 | 28,844 | 0.151019 | 19,499 |

RR:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Net Income(£) | Total Equity(£) | Net Income($) | Total Equity($) | ROE | Long Term Debt(£) | Long Term Debt($) |
|  | (Millions) | (Millions) | (Millions) | (Millions) |  | (Millions) | (Millions) |
| 2014 | 617 | 6387 | 876.14 | 9069.54 | 0.096602 | 15837 | 22488.54 |
| 2015 | -530 | 5016 | -752.6 | 7122.72 | -0.10566 | 17308 | 24577.36 |

Although neither company has a particularly high ROE, United Technologies would appear to be the smart company to invest in, at least for the time being. The main glaring issue with Rolls Royce is that they had a negative ROE this past year, which means that they are losing money. The aerospace industry can be a difficult market to be in, because there are not that many customers (comparatively) and customers will typically order in bulk or have a contract with a manufacturing company. So it is understandable that securing sales can be a very difficult thing to do.

Additionally, it may be of note that UTC deals in much higher numbers (billions rather than millions), so it may have a better footing in the market and therefore more strength to fight for its own interests.

Taking a look at the numbers, it would appear that Rolls Royce has higher risk than UTC as well. A smaller market share combined with negative net income makes Rolls Royce a risky play in the market right now. Rolls Royce could really use a big contract to turn their stock around.

We were unable to get any numbers for the cost of debt for either of these companies. It may be that we just don’t know where to look in the annual report for these numbers, or they’re listed under other names, but as of right now we don’t have those answers.

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| http://www.rolls-royce.com/~/media/Files/R/Rolls-Royce/documents/investors/annual-reports/2014-annual-report-v2.pdf |
| http://www.rolls-royce.com/~/media/Files/R/Rolls-Royce/documents/investors/annual-reports/2015-annual-report-v1.pdf |

<http://2015ar.utc.com/assets/pdf/UTC_AR15_Annual_Report.pdf>