

Initiating Coverage:

# RTX Corporation

Missiles and Margins: Will RTX Stay on Course as Supply Chains Improve?

**Key Take-away:** Despite near-term uncertainties from the current global trade environment, RTX exemplified strong positioning in key end markets with a robust backlog of \$217 billion in Q1 2025; up 8% YoY including \$125 billion of commercial orders and \$92 billion of defense. Following its earnings release, RTX stock pulled back amid concerns about weak tariff guidance that did not include a 2025 outlook with potential tariff impacts, which are estimated to decrease operating profits by \$850 million. The risk is further underscored by RTX's reliance on imports from Canada and Mexico, both currently subject to a 25% U.S. tariff. That said, while tariff uncertainty remains a headwind, RTX's diversified exposure and multi-year backlog position it well to absorb near-term volatility.

**Robust Pratt & Whitney:** In Q1 2025, the Pratt & Whitney business segment of RTX was a key growth driver, with both adjusted and organic sales increasing 14% YoY and adjusted operating profit growing 37% YoY. The strong segment performance was largely fueled by a 28% surge in commercial aftermarket sales which contribute high-margin, recurring revenue. The Pratt & Whitney momentum reflects sustained demand for engine maintenance and support, and continued strength in the aftermarket positions the segment to be a valuable earnings contributor going forward.

**Program Achievement:** RTX highlighted two key programs, the GTF Advantage and LTAMDS, that saw key milestones in Q1 2025. The GTF Advantage program, a geared turbofan improvement project, has finally received FAA certification and in turn remains on track for initial deliveries later this year. The LTAMDS program, which stands for Lower Tier Air and Missile Defense Sensor, completed the US Army's rigorous flight test program acquiring the required Milestone C designation that normally takes more than a decade to achieve. Raytheon has already delivered six LTAMDSs and will continue to deliver them to the US Army and Poland under contracts made in August 2024.

**Valuation:** We initiate coverage with a \$135.00 PT.

Stock Rating: Overweight

Price Target: \$135.00

Price: 128.16

Potential Upside: 6.43%

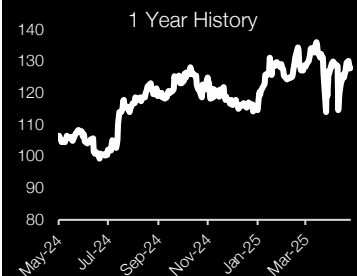
Ticker: \$RTX

Market Cap: \$171.2b

Shares Outstanding: 1.34b

Free Float (%): 99.36%

Dividend Yield: 2.12%



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## Peer Comparisons

### Comparable Companies

\$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
Lockheed Martin Corporation (NYSE:LMT)	\$ 110,485	\$ 128,986	20.4x	\$ 71,811	\$ 8,689
General Electric Company (NYSE:GE)	\$ 222,811	\$ 230,737	33.0x	\$ 39,681	\$ 9,761
General Dynamics Corporation (NYSE:GD)	\$ 72,931	\$ 83,196	18.9x	\$ 49,208	\$ 5,908
Northrop Grumman Corporation (NYSE:NOC)	\$ 71,004	\$ 87,096	19.4x	\$ 40,368	\$ 6,341
<b>RTX Corporation</b>	<b>\$ 171,790</b>	<b>\$ 211,407</b>	<b>37.7x</b>	<b>\$ 81,739</b>	<b>\$ 13,382</b>

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF
Lockheed Martin Corporation (NYSE:LMT)	14.8x	10.2%	12.1%	10.3%	3.1%
General Electric Company (NYSE:GE)	23.6x	31.9%	24.6%	21.6%	8.8%
General Dynamics Corporation (NYSE:GD)	14.1x	15.4%	12.0%	10.2%	14.1%
Northrop Grumman Corporation (NYSE:NOC)	13.7x	19.3%	15.7%	12.2%	0.6%
<b>RTX Corporation</b>	<b>15.8x</b>	<b>19.5%</b>	<b>16.4%</b>	<b>11.0%</b>	<b>15.1%</b>

High	23.64x	31.9%	24.6%	21.6%	15.1%
75th Percentile	15.80x	19.5%	16.4%	12.2%	14.1%
<b>Average</b>	<b>16.42x</b>	<b>19.3%</b>	<b>16.2%</b>	<b>13.1%</b>	<b>8.4%</b>
<b>Median</b>	<b>14.84x</b>	<b>19.3%</b>	<b>15.7%</b>	<b>11.0%</b>	<b>8.8%</b>
25th Percentile	14.08x	15.4%	12.1%	10.3%	3.1%
Low	13.74x	10.2%	12.0%	10.2%	0.6%

### RTX Corporation Valuation

Implied Enterprise Value (25th Percentile)	\$	188,445
<b>Implied Enterprise Value (Median)</b>	<b>\$</b>	<b>198,652</b>
Implied Enterprise Value (75th Percentile)	\$	211,407
Implied Share Price (25th Percentile)	\$	112.85
<b>Implied Share Price (Median)</b>	<b>\$</b>	<b>120.49</b>
Implied Share Price (75th Percentile)		130.0383846

Source: S&P Net Advantage

## Company Overview

**Company Description:** RTX Corporation is an aerospace and defense company that provides advanced systems and services for commercial, military, and government customers worldwide. The firm's operations fall into three principal business segments: Collins Aerospace, Pratt & Whitney, and Raytheon. Through these divisions, RTX has the capabilities to serve both domestic and international customers as a prime contractor or subcontractor on a broad portfolio of defense and related programs for military and government clients.

**Collins Aerospace:** The Collins Aerospace (Collins) segment of RTX is a leading global provider of technologically advanced aerospace and defense products. The division's solutions include aftermarket services for civil and military aircraft manufacturers, commercial airlines, general aviation, and defense and commercial space operations, and products include the majority of all parts and systems inside aircraft but engines.

**Pratt & Whitney:** Pratt & Whitney is among the world's leading suppliers of aircraft engines for commercial, military, business jet, and general aviation customers. Known as the engine powerhouse of RTX, Pratt & Whitney's products and services include commercial jet engines, military engines, auxiliary power units (APUs), and engine maintenance, repair, and overhaul (MRO).

**Raytheon:** The Raytheon business segment of RTX is a global provider of defensive and offensive threat detection, tracking, and mitigation capabilities for US and international government and commercial customers. Missiles, radar, command tech, and satellite defense systems are all notable outputs from the Raytheon arm of RTX.

## Industry Overview

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**Tariffs:** The global trade environment of uncertainty is far from over as trade wars/negotiations are still ongoing. China and the US are in a back-and-forth predicament with US trade levies of 145% on most imports from China and a retaliatory Chinese tariff of 125% on US goods. Trump referred to the possibility of acquiring a trade deal with China and claimed that his administration was actively negotiating; however, China's Ministry of Commerce rebutted Trump's comments stating that there were no talks currently underway. While the situation between the US and China is unclear, the worldwide tariff environment remains relatively unchanged with a 10% base tariff in effect globally and a 90-day pause on further tariff escalations for over 75 countries actively engaged in negotiations.

**Potential \$1 Trillion US Defense Budget:** Republicans recently released legislation that would increase the Pentagon's budget by \$150 billion, meaning that if passed, the US Department of Defense would have over \$1 trillion at their disposal. The House and Senate Armed Services committee created the bill with the intention to align domestic policy with Trump's agenda and improve the US's defense industrial base. For industrial companies in US defense, the spending bill, if passed, would be highly beneficial if they are able to secure a sizeable portion of the new defense contracts.

**Commercial Aerospace Supply Chain:** The commercial aerospace industry experienced certain struggles in 2024 due to supply chain issues and shortages, but demand remained robust as passenger traffic levels continue to grow passing pre-pandemic levels. Boeing was at fault for a notable portion of supply chain issues because of FAA imposed caps following a near fatal loss of a door plug, a month-long shutdown from a strike in October, and delays in certification due to overheating problems with the 737 Max-10's anti-icing system. These "hiccups" hurt Boeings 2024 deliverables hard as the company only produced 348 aircraft; 535 aircraft less than in 2023, 418 less than Airbus in 2024, and resulting in 173 B-737 order cancelations. RTX was additionally responsible for supply chain issues due to the firm's GTF engines which contained metal parts that cracked requiring recalls every year through 2026. Disruptions in the commercial aerospace supply chain have been apparent, but 2025 is anticipated to see improvement as Boeing and RTX recover and as global demand and backlog continue to grow.

## Investment Theses

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**Tariff Headwinds:** In RTX's most recent earnings call, the company did not change their 2025 outlook in regard to tariffs. Instead, the company provided analysis showing a potential \$850 million loss in

operating profit under current tariff assumptions. Many found this as a negative indicator initiating a pullback, which has since recovered, but the real effect of tariffs should be mitigated for RTX. The firm already has a robust US industrial base with over 70% of employees located domestically, \$10 billion of investment in US facility expansion and modernization over the last five years, about 65% of product spend with US suppliers, 70-80% of revenue coming from North America, and roughly \$12 billion in US net exports in 2024. Additionally, RTX's business is approximately 55% in defense, which receives certain exemptions from tariffs and customs duties insulating the impact of new trade regulation on the overall business. Now, RTX does operate globally, and tariff impacts will be felt in some regard as the company outlined, but with RTX's US industrial base and diversified defense business, we expect the long-term tariff impact on the firm to be mitigated.

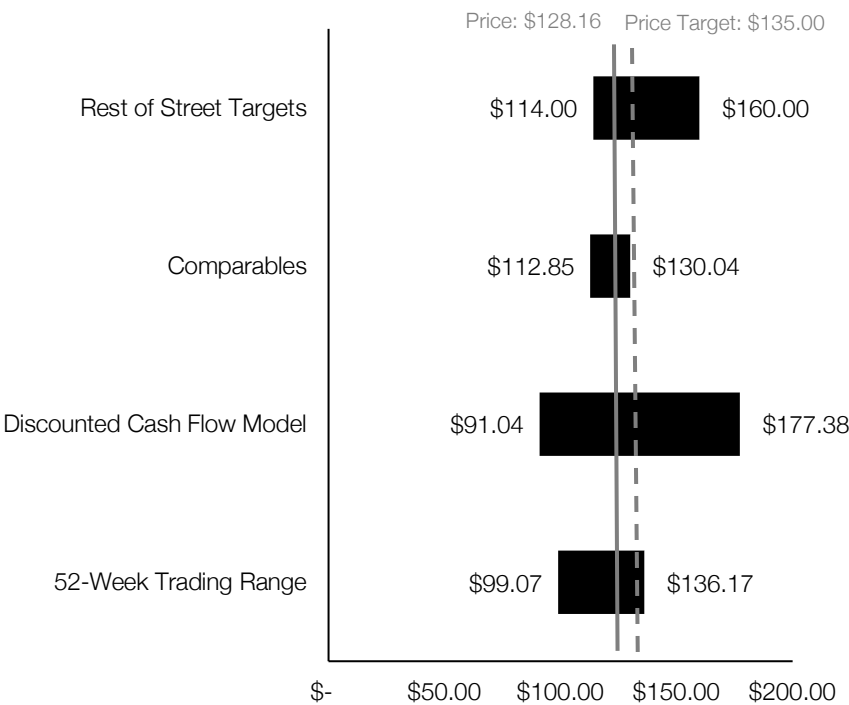
**US Defense and Patriot Missile System:** Trump's new administration has made it clear that US defense is a top priority and has already made efforts to increase internal defense spending. As stated prior, a reconciliation bill is currently working its way through Congress and if passed, will increase the total defense budget to over \$1 trillion, likely providing RTX with a vast amount of new contracts. However, with or without the passing of the bill, the US defense budget is calling for a down payment on the "Golden Dome" missile defense system, a costly investment that is highly beneficial for RTX. Not only was RTX partnered on the co-production for Israel's Iron Dome, but the firm specializes in building almost every component related to missile defense systems like radar, ground systems, and missiles themselves. Further, RTX produces the largest Golden Dome benefactor, the Patriot missile system, which is the US's primary air and missile defense system. The Patriot will also begin including RTX's new advanced sensor, the LTAMDS, which has already received orders from the US and Poland with high global interest from over a dozen countries. We expect increased defense spending under the Trump administration and global interest in the Patriot missile system integrated with the LTAMDS to be major growth drivers in the already consistently growing defense business of RTX.

**GTF Advantage:** We spot healthy upside with Pratt & Whitney's current GTF engines, and the new GTF Advantage which should see deliveries in the back end of 2025. Both Boeing and Airbus have incredibly lengthy backlogs with the largest order requests being the B737 (~4,700 planes) and the A320 (~7,200 planes). Pratt & Whitney's committed relationship with Airbus is highly notable and by the end of 2024, the GTF engine had 56.34% of engine market share in the A320neo, the biggest piece of the A320 plane family. Additionally, Pratt & Whitney has a 25% share of the overall plane engine market. Pratt & Whitney exposes RTX to heavy demand by possessing the second largest position in the overall aviation engine market, over 50% engine market share in Airbus's largest commercial backlog, and an aftermarket goldmine as parts and maintenance for engines are long-term, high-margin, recurring revenue streams.

Price Target & Valuation

Our analysis gives \$RTX a price target of \$135.00 and an overweight rating.

Football Field Valuation Range



Potential Downsides to Our Rating

**GTF Execution (Downside):** In 2023, RTX experienced durability issues with GTF engines previously creating significant losses for the firm and supply chain issues for the global aerospace industry. Recently, RTX created a 3D printing solution reducing process time by more than 60% in turn significantly improving turnaround time for GTF engine repairs. Using this new technology, RTX’s established goal is to complete recalls by 2026, and any further execution delays could heavily impact brand dependability and engine market share.

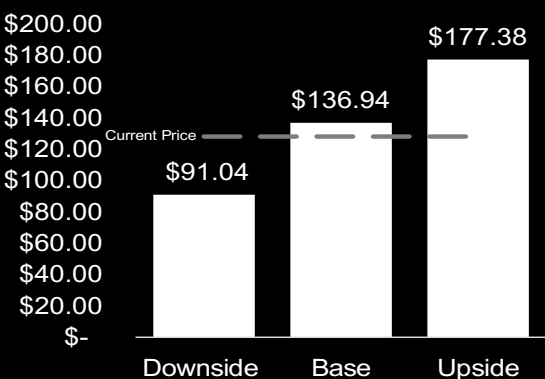
**New Program Interest (Upside):** RTX’s two most recent program achievements for the GTF Advantage and LTAMDS received positive global sentiment with deliveries expected within the year. Both products already possess dominant RTX predecessors with significant portions of demand in its designated market. Integration is quite feasible for both

**Our Price Target:** \$135.00  
Our price target is based on a minimal tariff impact from RTX’s sheltered defense revenues and robust US industrial base, continued and increased US defense spending oriented towards the RTX product line, new program achievement heightening US and global interest for the Patriot missile system and LTAMDS, and a competitive advantage in the commercial aerospace industry from the GTF and GTF Advantage engines paired with a vast engine market share in current and future B737 and A320 planes that maintain hefty backlogs and provide high-margin, recurring revenue streams in the aftermarket.

**Our Upside Case:** \$175.00  
Our upside case is based on a lower-than-expected tariff impact protecting revenues and margins a large cut above peers, strong US and global defense spending that heavily supports RTX’s defense products and new defense program, and lowered competition in the commercial aerospace business from GTF and GTF Advantage engines growing market share and profitability.

**Our Downside Case:** \$90.00  
Our downside case is based on a higher-than-expected tariff impact that negatively effects RTX’s 2025 outlook and overall profitability, stagnant US and global defense spending lowering demand and new program interest, and a more competitive commercial aerospace environment from lasting GTF engine turmoil lowering engine market share and stalling/shrinking backlogs.

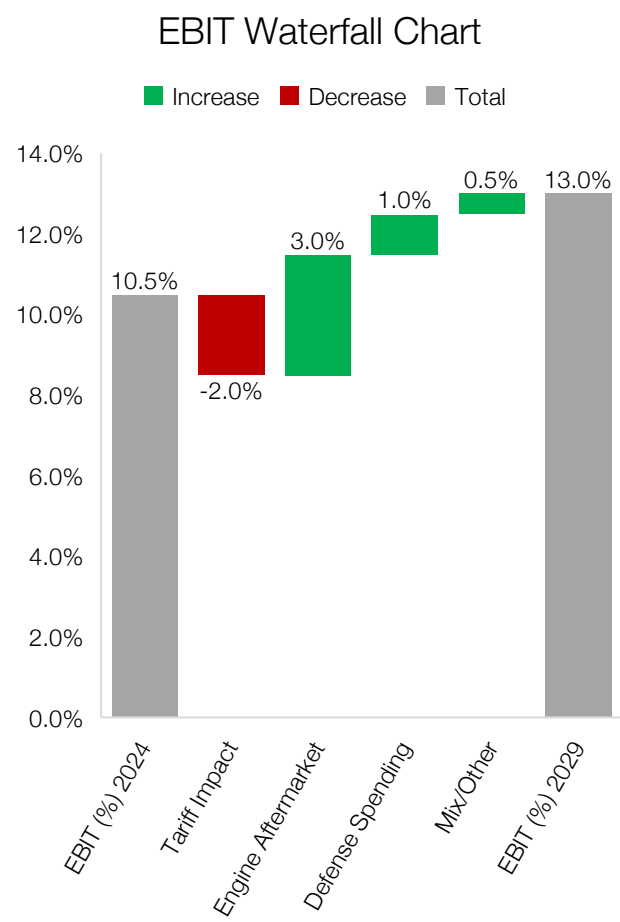
DCF Case Values



improved products, and if interest subsists, these growth factors could seriously enhance revenues and margins.

**Tariff Volatility (Upside/Downside):** While tariffs are anticipated to impact RTX, our expectation is that it will be limited because of the firm’s stable defense business and strong US foundation. Tariffs have already created heavy market volatility even before the real repercussions have been felt, and any positive or negative information related to a company’s profitability through tariffs moves stock price significantly. Should RTX experience materially higher or lower tariff impacts, especially relative to peers, it could serve as a key catalyst driving the stock more toward our bull or bear case valuation scenario.

Projections



Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	80,738	84,000	87,612	91,642	96,133	4.5%
EBITDA	10,629	12,682	12,334	13,342	14,457	8.0%
EBIT	8,465	10,500	9,988	10,814	11,728	8.5%
NOPAT	7,284	9,094	8,090	8,759	9,500	6.9%

Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	13.2%	15.1%	14.1%	14.6%	15.0%	14.4%
EBIT Margin	10.5%	12.5%	11.4%	11.8%	12.2%	11.7%
Revenue Growth	17.1%	4.0%	4.3%	4.6%	4.9%	7.0%
EBIT Growth	54.2%	24.0%	-4.9%	8.3%	8.5%	18.0%

Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	36.2x	20.6x	23.3x	21.2x	19.3x	24.1x
EV/Sales	2.1x	2.0x	1.9x	1.8x	1.7x	1.9x
EV/EBITDA	15.6x	13.1x	13.4x	12.4x	11.5x	13.2x
FCF Yield	2.8%	4.9%	4.3%	4.7%	5.2%	4.4%

About \$RTX

RTX Corporation, formerly known as Raytheon Technologies, was founded in 2020 through the merger of Raytheon Company and United Technologies Corporation, and is headquartered in Arlington, Virginia. The company operates globally, with major facilities and customers across North America, Europe, the Middle East, and Asia. RTX is organized into three primary business segments: Collins Aerospace

(avionics, interiors, and systems), Pratt & Whitney (commercial and military aircraft engines), and Raytheon (defense systems including missiles, radars, and sensors). The company’s core mission is to deliver advanced technologies for both commercial aerospace and defense customers, with a focus on long-cycle platforms, national security solutions, and high-value aftermarket services.

Disclosures & Ratings

Consortium Equity Research does not hold any professional relationships with any reported equities. **Overweight** means the analyst team believes the stock price will outperform the coverage industry (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry. **Underweight** means the team expects underperformance relative to the industry.

Appendix

RTX Corporation	
Discounted Cash Flow	
Active Case:	2 Base
Current Share Price	\$128.16

DCF Analysis (\$mm)											
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030
Stub						0.35	1.35	2.35	3.35	4.35	5.35
Discount Period						0.33	1.15	2.15	3.15	4.15	5.15
Revenue	56,587.00	64,388.00	67,074.00	68,920.00	80,738.00	84,000.00	87,612.00	91,642.15	96,132.62	101,131.51	106,693.75
Revenue Growth	0%	14%	4%	3%	17%	4%	4%	5%	5%	5%	5%
Revenue Breakdown 1	56,587.00	64,388.00	67,074.00	68,920.00	80,738.00	84,000.00	87,612.00	91,642.15	96,132.62	101,131.51	106,693.75
Revenue Breakdown 2	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EBIT	1,765.00	6,636.00	7,347.00	5,489.00	8,465.00	10,500.00	9,987.77	10,813.77	11,728.18	12,742.57	13,870.19
EBIT Margin	3%	10%	11%	8%	10%	13%	11%	12%	12%	13%	13%
Tax Expense	575.00	964.00	790.00	456.00	1,181.00	1,406.00	1,897.68	2,054.62	2,228.35	2,421.09	2,635.34
Effective Tax Rate	33%	15%	11%	8%	14%	13%	19%	19%	19%	19%	19%
NOPAT	1,190.00	5,672.00	6,557.00	5,033.00	7,284.00	9,094.00	8,090.09	8,759.16	9,499.83	10,321.48	11,234.85
D&A	2,031.00	2,118.00	2,108.00	2,111.00	2,164.00	2,182.00	2,346.33	2,528.01	2,729.25	2,952.56	3,200.81
Capex	1,795.00	2,134.00	2,288.00	2,415.00	2,625.00	2,671.00	2,754.35	2,848.11	2,953.10	3,070.30	3,200.81
Changes in NWC	(15,837.00)	(667.00)	(653.00)	(1,796.00)	69.00	284.00	324.58	369.19	418.41	472.91	533.47
UFCF	(16,442.00)	2,871.00	3,616.00	822.00	4,728.00	8,321.00	7,357.49	8,069.88	8,857.57	9,730.83	10,701.38
PV of FCF						8,143.27	6,817.98	7,000.88	7,193.82	7,398.68	7,617.36

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	5.50%
Beta	0.60
Risk Free Rate	4.31%
Cost of Equity	6.07%
Weighted Average Cost of Debt	4.55%
Tax Rate	19.00%
Cost of Debt	0.74%
Total Equity	\$171,216
Total Debt	(\$5,578)
Equity/Total Capitalization	79.83%
Debt/Total Capitalization	20.17%
WACC	6.82%

Terminal Value	
Perpetuity Growth Method	
2029 FCF	\$10,701
Growth	2.50%
Terminal Value	\$ 247,888
PV of Terminal Value	176,449.4209
PV of Projection Period	\$44,172
PV of Terminal Value	\$176,449
Implied TEV	\$220,621
(-) Debt	\$43,260
(+) Cash	\$5,578
Implied Equity Value	\$182,939
Basic Shares Outstanding	1336
Implied Share Price	136.9354126
Upside/Downside	7%
Implied BF EV/EBIT	\$15.91

Blended Share Price	
Perpetuity Growth Method	100%
Exit Multiple Method	0%
Blended Share Price	\$136.94
Upside/Downside	0.06847232