RTX Corporation (RTX)

Rating: Buy

Price	Yield	Market Cap.	52-Week Range
$151.56	1.8%	$206.1B	$153.39 – $102.62

Data as of 07/21/2025

Sector	Industrials
Subsector	Capital Goods
Investment Category	Large Cap
Price Movement	Average

Company Overview

RTX Corporation (RTX) is a leading aerospace supplier in the commercial sales and defense sectors. The company was formed by the merger of United Technologies' aerospace businesses with Raytheon in April 2020. The company was previously known as Raytheon Technologies. Examples of products are aircraft engines, fire-detection systems, landing gear, missile-defense, and radar systems. The company is headquartered in Arlington, Virginia. Industry competitors include Boeing, General Dynamics, and Lockheed Martin.

Revenues International	43%
Standard & Poor's/Moody's	BBB+/Baa1
MSCI ESG Rating	BBB/Average

Dividend Outlook (1-Year): Rising

Annualized Payment	$2.72
Last Change	8% (May 1, 2025)
Consec. Yrs Increased	5
Paid Since	1936
5-Yr. Trailing Growth	7%
Long-Term Growth Est.	7%
Payout Ratio ('25)	46%
Dividends Paid	Mar, Jun, Sep, Dec

Commentary: RTX Corporation's dividend represents about 45% of our 2025 earnings-per-share estimate. Over the long term, we expect dividend increases to average 7% per year.

Valuation & Earnings

	'24A	'25E	'26E
Earnings Per Share	5.73	5.90	6.68
P/E	26.5x	25.7x	22.7x
PEGY	2.2x	2.2x	1.9x
LT EPS Growth Est.			10%
Est. Earnings Date			October 21, 2025

Annualized Total Returns	1yr	3yr	5yr
RTX Corporation	50%	20%	22%
S&P Industrials Index	22%	20%	18%
S&P 500 Index	16%	18%	16%

Data as of 7/21/25. Source: FactSet. Indexes are unmanaged and cannot be invested in directly. Past performance is no guarantee of future results.

Investment Summary

We rate shares of RTX Corporation (RTX) a Buy. RTX is a leading aerospace supplier and is balanced between both the commercial and defense sectors. We believe the company has growth opportunities in the defense business given the solid spending both in the U.S. and internationally. Also, we feel there will continue to be long-term growth opportunities for the commercial business given consumers' demand for travel. Long-term, the need to replace aging aircraft and expand routes should provide opportunities. In our view, shares are attractive for long-term investors.

Outlook

Commercial Aerospace Provides Long-term Growth Opportunities – Airline traffic and plane orders tend to move together over the long term. We expect long-term growth in airline traffic driven by an increasing global economy and a rising middle class, which should increase the need to replace aging planes and expand routes. We believe this will enhance the opportunities for the products and services that RTX provides.

National Security Supports Defense Business – RTX has key capabilities in missile defense and navigation systems. While military spending could come under pressure in the future due to other government-spending needs, threats to national security remain elevated, and we feel key programs will continue to receive support. We also believe that conflicts and uncertainties around the world will support spending by U.S. allies.

Solid Cash Generation Should Support Investments in Future Programs – We expect the defense business to continue its strong cash generation. This should give the company the opportunity to invest in key development programs and the flexibility to pursue acquisitions.

Valuation and Recent Performance – RTX trades at about 23 times our 2026 earnings estimate, which is above the five-year average of 17. Given our growth expectations, we believe the stock is attractively priced. Shares have outperformed the market over the last one-year period given the strength in the commercial aerospace business.

Risks – The primary downside risks to our Buy rating are quality or performance issues with key programs, such as the geared turbofan aircraft engine or the engines for the F-35 fighter jet. Other risks include significant cuts to the overall defense budget, a downturn in commercial aerospace leading to product delivery deferrals, or trade tensions resulting in the implementation of high tariffs or trade-policy changes.

Key Developments

7/22/25: RTX Corporation (RTX) reported adjusted earnings of $1.56 per share, above expectations of $1.44. The company lowered 2025 guidance, forecasting earnings to be $5.80-$5.95 per share, down from $6.00-$6.15.

We expect shares of RTX to be under pressure in early trading activity since the company lowered earnings guidance. For the quarter, RTX delivered solid results driven by sales and operating profitability growth across the business segments. Commercial aftermarket services continued to be strong with sales increasing 16%. Demand for travel has led to an increasing number of commercial flights, which is driving demand for aircraft, engines and parts. We believe RTX should have strong aftermarket business opportunities in the upcoming quarters, as major aircraft manufacturers have had challenges ramping up production of new planes. However, tariffs are expected to be a headwind to operating profits in the second half of the year. Last quarter, the company discussed 2025 operating profit tariff impacts of about $850 million, although negotiations continue and there could be further changes. RTX will be working to offset the impact through various moves, including price increases and shifts in suppliers. Longer-term, we expect growth in commercial aerospace to continue given the outlook for travel and the needs for aircraft to support growth. We also expect increased military spending given the risky geopolitical environment.

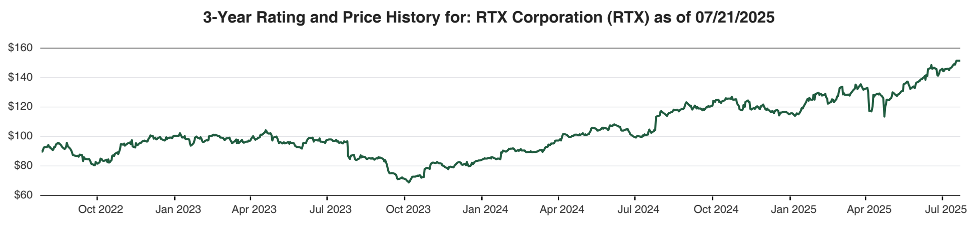
Analyst: Jeff Windau, CFA

Please see important disclosures and analyst certification on page 2 of the report.

Analyst Certification

I certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers; and no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report. Jeff Windau, CFA

Required Research Disclosures



Source: Reuters

July 22, 2025	BUY	HOLD	SELL
Stocks	55%	44%	0%
Investment Banking Services	4%	6%	0%

The table lists the percent of stocks we follow globally in each of our rating categories. Investment banking services indicate the percentage of those companies where the firm has acted in furtherance of a public offering of the issuer within the past 12 months.

- Initiated Coverage (BUY) 04/03/20.....(B) 04/03/20-
- Analysts receive compensation that is derived from revenues of Edward Jones as a whole which include, but are not limited to, investment banking services revenue.

Opinion Rating Definitions: Buy (B) - We believe the valuation is attractive and total return potential is above average over the next 3-5 years compared with industry peers. **Hold (H)** - We believe the stock is fairly valued and total return potential is about average over the next 3-5 years compared with industry peers or a special situation exists, such as a merger, that warrants no action. **Sell (S)** - We believe the stock is overvalued and total return potential is below average over the next 3-5 years compared with industry peers. In some cases we expect fundamentals to deteriorate considerably and/or a recovery is highly uncertain. **FYI (FYI)** - For informational purposes only; factual, no opinion. **Under Review (UR)** – Our rating, estimates, and opinion for this company are under review and should not be relied upon for making investment decisions until updated.

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- Investment Category: Large Cap - Stocks of large-sized companies; Small and Mid Cap - Stocks of small- or medium-sized companies; Aggressive - Micro-cap companies, companies with share prices below $4, and emerging market equity.
- Price Movement: Above Average (AA) – This stock will likely be more volatile than the average stock in the S&P 500 Index. These companies are often growing faster than the average company and/or are in industries that are more sensitive to the economy. Average (A) – This stock will likely experience volatility similar to the average stock in the S&P 500 Index. Below Average (BA) – This stock will likely be less volatile than the average stock in the S&P 500 Index. These companies are often more mature, grow more slowly than the average company, and/or are in industries that are less sensitive to the economy.
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