



Why is rtx stock dropping

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RTX (RTX 1.24%) stock has been on a downward trend since the company outlined the expected financial consequences of issues with one of its most popular aircraft engines. After the decline some investors might be thinking this is a buying opportunity, but at least one Wall Street analyst is warning against it.

RTX, which until recently was known as Raytheon Technologies, has a massive array of defense and commercial aerospace businesses including Pratt & Whitney jet engines. In July, the company discovered a problem with its PW1100G-JM engine that powers the Airbus A320neo, and this week revealed that the issues would lead to billions in charges and lost free cash flow.

Shares of RTX are now down 14% over the past 30 days, and 28% below their highs for the year. RTX is an established company with the wherewithal to get past this crisis, which has led to some suggestions that this slump could be a buying opportunity.

Bank of America urges caution. On Thursday, analyst Ronald Epstein downgraded RTX to underperform from neutral and cut his price target to \$75, from \$95. Epstein wrote that while some might think RTX is a value play following its decline, the firm sees "significant near-term risks" and expects RTX to continue to underperform until there is more clarity about the extent of the engine mess and how long it will take to fix it.

There is still a glimmer of hope for long-term-focused investors. RTX's missile business should do well in the quarters to come as the Pentagon restocks and focuses on assistance to Ukraine, and the U.S. and European allies build their focus on defense in response to Russia's aggression.

On the commercial side, the company's Collins Aerospace business is performing well, according to Epstein, and should help to at least soften the blow from the Pratt & Whitney charges. For those who are willing to buckle up and face what could be months and months of continued headwinds due to the engine issue, now could indeed be a buying opportunity.

But even after the financial disclosures this week, investors won't fully know the extent of the charges and the long-term reputational damage done to RTX and Pratt & Whitney until long after this ordeal is over. Given the uncertainty, RTX shares are finding it hard to gain altitude.

Lou Whiteman has no position in any of the stocks mentioned. The Motley Fool recommends RTX. The



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RTX (RTX 1.24%), the company that until recently was known as Raytheon Technologies, beat quarterly estimates and narrowed its guidance for the full year. But investors were more focused on weak free cash flow and issues at its all-important Pratt & Whitney engine unit.

Shares of RTX fell by as much as 16% on Tuesday due to the uncertainty that came out of the release.

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