



Eaglewing Research

AI-Augmented Equity Research

EAGLEWING INVESTMENT THESIS

Rtx Corp

RTX | Fundamental Dislocations

Report date: 2 October 2026

Evidence cutoff: 2 October 2026 at 15:25 UTC

Our investment thesis, valuation scenarios and key risks over a 12-24 month horizon. The analysis reflects the evidence available at the stated cutoff. Outcomes are uncertain and outperformance is not guaranteed.

Investment overview

RTX Corporation operates as a premier global aerospace and defense systems provider across three core operating segments: Collins Aerospace, Pratt & Whitney, and Raytheon. Following an 18.5% share price pullback from its August 2026 high of \$226.9 to \$185.0 as of October 1, 2026, the company presents an attractive investment opportunity. The central opportunity lies in a pronounced market-expectations gap: market sentiment has overdiscounted temporary geared turbofan fleet inspection costs and dynamic trade tariff friction, overlooking RTX's accelerating fundamental earnings power. This underlying strength is anchored by a record total backlog of \$289.0 billion as of June 30, 2026, comprising \$170.0 billion in commercial aerospace orders and \$119.0 billion in defense orders, providing over three years of revenue visibility across sovereign defense programs and airline fleet maintenance.

Our positive view is substantiated by robust financial execution and expanding profitability. For the six months ended June 30, 2026, RTX generated \$46.8 billion in net sales, reflecting 11.7% reported growth and 13.3% organic growth, while operating profit expanded 28.3% to \$5.4 billion, lifting operating margin by 1.5 percentage points to 11.5%. Over the trailing twelve months, RTX generated \$11.4 billion in free cash flow, including \$4.2 billion during the first half of 2026. The balance sheet exhibits substantial strength with \$13.3 billion in total available liquidity, including \$8.3 billion in cash and an undrawn \$5.0 billion revolving credit facility. The principal risks to our thesis involve potential cost growth and negative contract adjustments on fixed-price defense programs, operational delays in resolving commercial engine inspection turnaround times, and global trade tariff friction.

EWRS assessment

91.4 / 100



Scores reflect our evidence-based assessment, not a probability of profit. Each bar shows points earned out of that dimension's maximum. Displayed values are rounded to one decimal place; totals use the unrounded scores. Read the scores alongside the valuation assumptions, risks and limitations; a high score does not guarantee investment success.

Our investment thesis

Our investment thesis rests on three powerful, compounding operational inflections over our 12 to 24 month investment horizon. First, persistent delivery delays among commercial aircraft manufacturers have lengthened the utilization of existing aircraft fleets, triggering a multi-year surge in high-margin aftermarket maintenance, spare parts, and overhaul services across Collins Aerospace and Pratt & Whitney. Commercial aftermarket sales at Pratt & Whitney rose by \$1.6 billion during the first half of 2026 alone, demonstrating strong pricing power and recurring cash flow generation.

Second, Pratt & Whitney's accelerated fleet inspection program for the PW1100G-JM geared turbofan engine, necessitated by rare powder metal manufacturing contaminants, is approaching operational completion by late 2026. The business expanded its global overhaul network to 21 facilities, increasing engine shop visit throughput by 26.0% year over year in 2025. As this inspection hump concludes, customer compensation outlays and grounded aircraft numbers will decline significantly, transitioning maintenance activity from a cost center into normalized, high-margin aftermarket cash flow. Concurrently, airworthiness certification of the enhanced GTF Advantage engine in 2025 reinforces fuel efficiency leadership for the Airbus A320neo family.

Third, Raytheon's record \$119.0 billion defense backlog is entering a multi-year production inflection. Replenishment demand for battle-tested munitions and air defense systems-including Patriot, AMRAAM, Standard Missile, and LTAMDS-is supported by sovereign defense spending commitments, including \$25.4 billion in U.S. munitions funding enacted in July 2025. As fixed-price developmental programs transition into mature, high-rate production lots, contract estimate adjustments should normalize, lifting segment operating margins above 12.0%.

In our standardized research evaluation, RTX achieved a composite score of 91.4 points out of 100, reflecting robust business quality, earnings durability, and financial resilience. We emphasize to readers that this research assessment represents a structured qualitative and quantitative evaluation of fundamental business health and evidence readiness; it is not a mathematical probability of stock appreciation or a guarantee of investment performance.

What market expectations may be missing

Reverse engineering current market pricing reveals a significant gap between consensus pessimism and RTX's underlying earnings capacity. At \$185.0 per share, the market implies a mid-cycle operating margin of only 11.2% and annual revenue growth below 4.0%. This valuation heavily discounts the company's demonstrated \$11.4 billion in trailing twelve-month free cash flow and treats transient operational and regulatory friction as permanent earnings impairments.

The market's caution has been amplified by three headline concerns: political scrutiny regarding defense acquisition speed, proposed executive orders that could restrict defense contractor capital distributions during delivery delays, and litigation regarding import tariffs where the federal government appealed an order to refund \$0.5 billion in paid duties. In addition, lingering memories of the 2023 powder metal charge and recent executive succession announcements at Pratt & Whitney have depressed investor sentiment.

We believe the market underappreciates the durable nature of RTX's commercial aftermarket cash generation and the high barriers protecting its sole-source defense franchises. While investors remain fixated on near-term supply chain constraints and trade policy noise, operating profit margins have already stabilized at 11.5% during the first half of 2026. As the powder metal inspection burden lifts and defense deliveries scale, we anticipate a sharp upward re-rating in consensus earnings expectations.

Business quality and financial condition

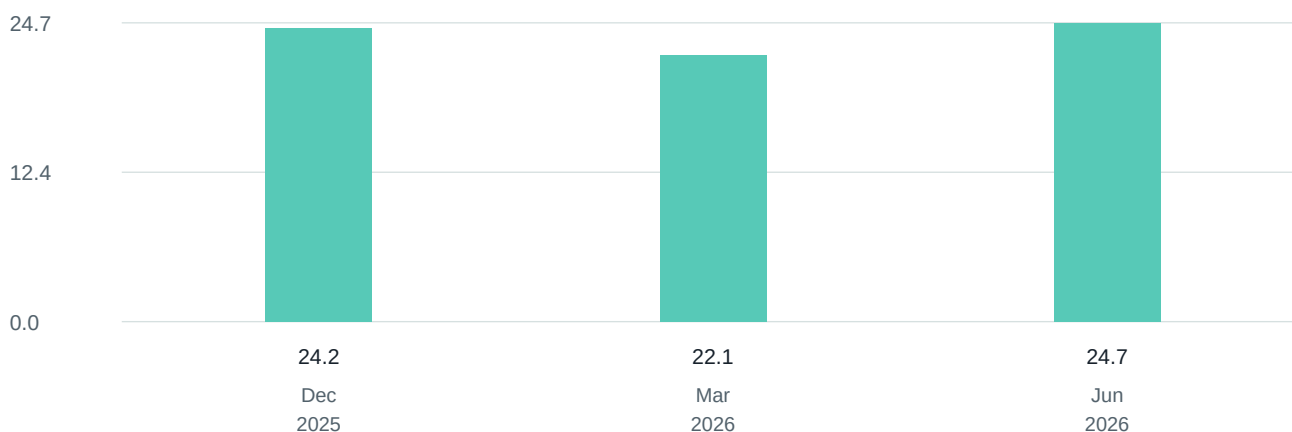
RTX operates three high-barrier business segments that combine commercial aerospace cyclical upside with defense budgetary stability. Collins Aerospace generated \$15.8 billion in sales and \$2.6 billion in operating profit during the first half of 2026, achieving a segment operating margin of 16.5%. Collins maintains leading market positions in avionics, flight controls, interiors, and landing systems, with its commercial aftermarket business capturing high recurring margins from airline flight hours.

Pratt & Whitney generated \$17.1 billion in revenue and \$1.4 billion in operating profit in the first half of 2026, expanding its operating margin to 8.5%. The GTF family powers more than 2,600 commercial aircraft across 90 operators, and the certified GTF Advantage engine delivers an additional 1.0% fuel burn reduction and up to 8.0% higher takeoff thrust. On the defense side, Pratt & Whitney exclusively powers the fifth-generation F-35 Lightning II through the F135 engine, which surpassed one million flight hours in 2025 and secured a \$2.8 billion undefinitized award for production Lots 18 and 19.

Raytheon generated \$15.2 billion in sales and \$1.9 billion in operating profit in the first half of 2026, with an operating margin of 12.4%. Raytheon is a tier-one prime contractor across integrated air and missile defense, smart weapons, and space sensors, capturing \$37.0 billion in defense bookings in the first half of 2026. Key franchises include the combat-proven Patriot missile defense system, AMRAAM, Standard Missile, SPY-6 naval radar, and the Lower Tier Air and Missile Defense Sensor.

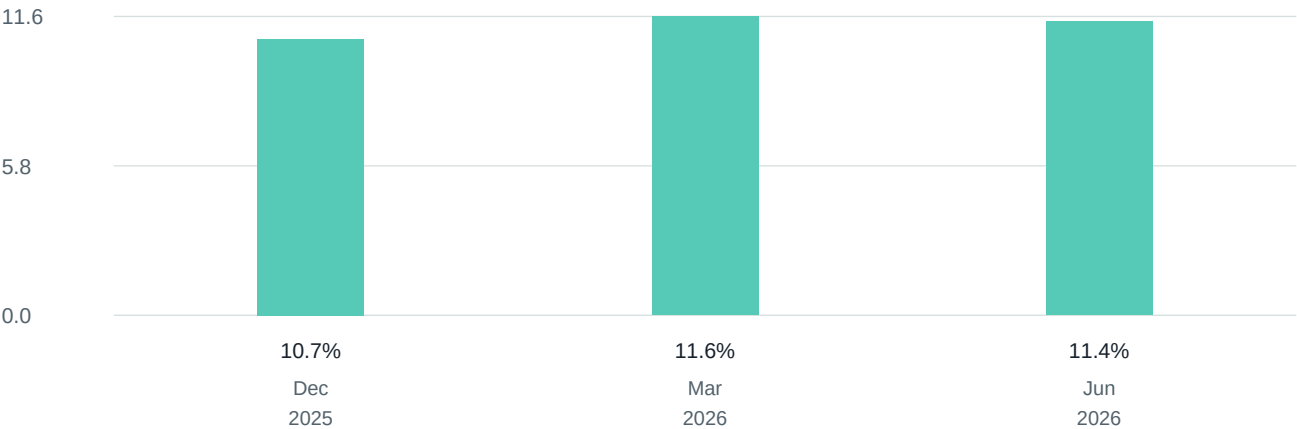
The company's balance sheet is in excellent condition. As of June 30, 2026, RTX held \$8.3 billion in cash and cash equivalents and maintained an undrawn \$5.0 billion revolving credit agreement expiring in August 2028, providing \$13.3 billion in total liquidity. Total debt carrying value stood at \$37.4 billion (\$37.2 billion in principal debt notes and term loans), resulting in net debt of \$29.1 billion. The debt portfolio carries an average maturity of 12.0 years. Over the next 24 months, scheduled debt maturities total \$5.8 billion, which is covered 1.4 times by cash on hand and 2.3 times by total liquidity, ensuring self-funded operational autonomy without reliance on debt refinancing.

Revenue | Quarterly | USD billions



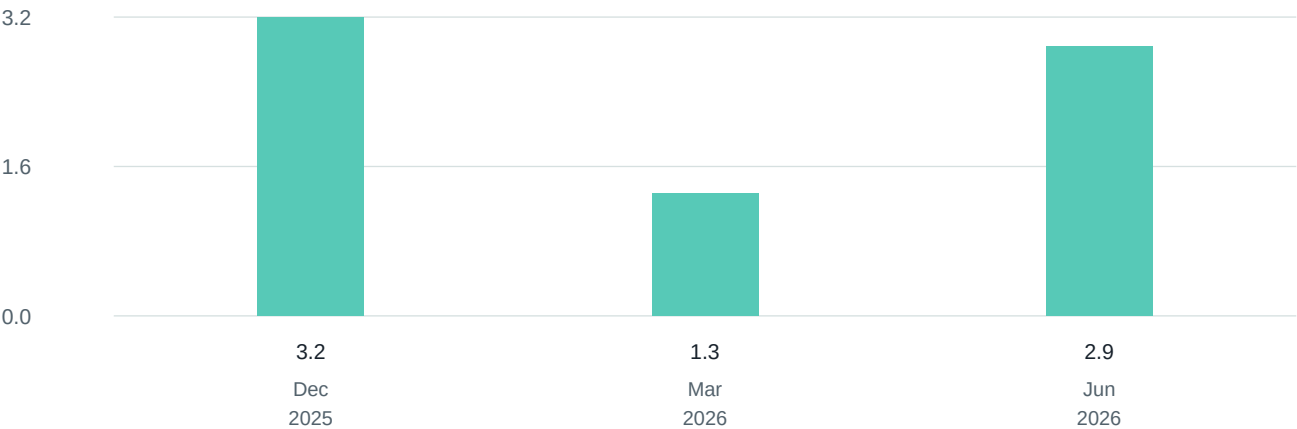
Showing 3 available quarterly periods, up to the latest 15. Period ends are shown below each value. Normalized reported values, not forecasts. Latest retained filing at the evidence cutoff; unavailable or conflicting values remain gaps.

Operating margin | Quarterly | %



Showing 3 available quarterly periods, up to the latest 15. Period ends are shown below each value. Operating income / revenue. Zero or unavailable revenue has no margin. Latest retained filing at the evidence cutoff; gaps are not zero.

Free cash flow | Quarterly | USD billions



Showing 3 available quarterly periods, up to the latest 15. Period ends are shown below each value. Normalized reported values, not forecasts. Latest retained filing at the evidence cutoff; unavailable or conflicting values remain gaps.

Valuation: bear, base and bull cases

Our valuation analysis models RTX over a 12 to 24 month horizon from a reference closing price of \$185.0 per share on October 1, 2026. We establish maintainable normalized earnings power between \$5.7 and \$6.5 diluted earnings per share and \$8.8 billion to \$9.8 billion in normalized free cash flow (\$6.8 per share midpoint). We assess three probability-weighted scenarios reflecting varying operational and macroeconomic outcomes.

In our base case (60.0% probability), the PW1100 accelerated inspection campaign concludes by late 2026, commercial aftermarket sales compound at 9.0% annually, Raytheon margins expand to 12.0% as negative contract adjustments diminish, and consolidated operating margin reaches 12.5%. Forward GAAP diluted earnings reach \$7.2 per share (\$8.4 on an adjusted basis), supporting a 24-month base price target of \$245.0 per share based on a 34.0x GAAP price-to-earnings multiple (32.7x free cash flow). This scenario generates an absolute price return of 32.4% and an annualized price return of 15.1% (16.4% annualized total return including \$5.8 in cumulative dividends).

In our bear case (20.0% probability), engine inspection turnaround times remain elevated into 2027, defense fixed-price contract friction persists at \$200.0 million annually, and operating margins stagnate at 10.8%. Forward earnings stall at \$5.2 per share, resulting in a downside target of \$155.0 per share (a 16.2% price decline, or negative 6.8% annualized total return). In our bull case (20.0% probability), rapid commercial build rates and surging air defense replenishment lift operating margins to 13.8% and forward earnings to \$8.3 per share, yielding an upside target of \$290.0 per share (56.8% price return, 26.4% annualized total return).

Across all three scenarios, the probability-weighted target price is \$236.0 per share, delivering an annualized total return of 14.3%. The risk-reward asymmetry ratio is 2.0x, providing \$60.0 of base upside against \$30.0 of bear downside. We note that these scenarios represent conditional model estimates rather than definitive return guarantees, and outcomes remain dependent on operational execution and market valuation multiples.

A complete source-backed scenario chart was not available. See the valuation discussion and its assumptions.

The case for potential S&P 500 outperformance

We evaluate the potential for RTX to outperform the broader equity market using the Standard & Poor's 500 Index as a price-return comparison benchmark. We explicitly emphasize that the S&P 500 benchmark is measured on a price-index basis, excluding dividend reinvestment, to maintain rigorous comparability with equity capital gains.

Under our base case projections, RTX offers a 32.4% cumulative price return, or an annualized price return of 15.1% over the 24-month horizon. On a probability-weighted basis across bear, base, and bull scenarios, the expected price return is 27.6% (12.9% annualized price return), which expands to an expected total return of 30.7% (14.3% annualized) when incorporating projected quarterly dividends. This return profile compares favorably with long-term historical price appreciation rates of the S&P 500 price index.

The structural case for benchmark outperformance is supported by two distinct non-correlated earnings drivers: the commercial aerospace aftermarket super-cycle driven by aircraft fleet utilization, and multi-year sovereign defense replenishments backed by statutory U.S. and allied appropriations. While macroeconomic slowdowns often compress earnings across typical S&P 500 constituent companies, RTX's \$289.0 billion backlog and long-term service agreements provide revenue stability and operating margin expansion potential that can decouple from general industrial cycles. However, we make no claims of guaranteed outperformance, as general market drawdowns or systemic multiple compression could affect RTX's equity price.

Catalysts over the next 12-24 months

Several concrete operational and regulatory catalysts are positioned to drive shareholder value over the next 12 to 24 months. A primary catalyst is the scheduled conclusion of the accelerated PW1100 fleet inspection campaign in late 2026. Passing this operational peak will reduce grounded aircraft counts, diminish customer compensation cash outlays, and demonstrate the earnings capacity of Pratt & Whitney's expanded 21-facility overhaul network.

In the defense portfolio, catalysts include the anticipated definitization of the F135 Lot 18 and 19 production contract and high-rate initial deliveries of the Lower Tier Air and Missile Defense Sensor to the U.S. Army and international customers during 2027. Furthermore, congressional appropriations under the proposed \$1.5 trillion FY2027 defense budget, including \$21.0 billion in requested munitions replenishment, are expected to provide incremental order momentum across Patriot, AMRAAM, and Coyote counter-drone platforms.

On corporate governance and portfolio optimization, RTX announced on September 15, 2026 that Shane Eddy will step down as President of Pratt & Whitney effective January 1, 2027, with internal veteran Jill Albertelli scheduled to assume leadership. Mr. Eddy will remain as a special advisor through March 2027 to ensure continuity. We note that this leadership succession is an announced future event rather than a completed milestone. In addition, the company entered into a definitive agreement on June 19, 2026 to sell its Blue Canyon Technologies business for proceeds of approximately \$0.6 billion, with closing pending regulatory approvals. Finally, the first annual review by the independent compliance monitor engaged in April 2026 will serve as an external validation of internal controls.

No sufficiently dated event series was available for a timeline. See the catalysts and risks discussed in the report.

Risks and contrary evidence

A prudent assessment of RTX requires rigorous examination of contrary evidence and significant operational risks. The strongest bear argument centers on execution vulnerability in defense fixed-price contracts. RTX recorded net negative contract estimate at completion revisions of \$66.0 million in the second quarter of 2026 and \$228.0 million across the first half of 2026, following \$275.0 million in negative revisions in the prior-year period. In 2024, Raytheon suffered a \$0.6 billion pre-tax loss on a fixed-price development contract termination with a foreign customer, illustrating the persistent risk of cost growth and technical delays.

In commercial aerospace, risks persist that the powder metal inspection burden could linger beyond 2026. While inspections have been concentrated on the PW1100 fleet, regulatory filings disclose that other engine models contain components manufactured with affected powder metal. Should metallurgical flaws emerge in other engine lines, incremental customer compensation, shop visits, and warranty costs would impair Pratt & Whitney's margin recovery. Additionally, Pratt & Whitney commercial original equipment sales fell by \$0.2 billion in the first half of 2026 due to higher manufacturing costs and negative engine mix, demonstrating that initial-production engine deliveries are margin-dilutive.

Regulatory compliance and trade policy present ongoing friction. In October 2024, Raytheon paid over \$950.0 million to resolve foreign bribery and defective pricing investigations under two deferred prosecution agreements with the Department of Justice and an SEC administrative order. An independent compliance monitor was engaged in April 2026 for a three-year term; any determination of a compliance breach could trigger criminal prosecution or government contracting debarment. Simultaneously, global tariffs reduced 2025 adjusted earnings by approximately \$500.0 million, and while the Supreme Court invalidated certain tariffs, the U.S. government appealed the refund order on June 2, 2026 while imposing revised trade duties.

What remains uncertain

Several material uncertainties cannot be resolved from current evidence. The most prominent is the timing and financial outcome of the tariff refund dispute. Although the Court of International Trade ordered refunds for approximately \$0.5 billion in paid duties and established a claims portal in April 2026, the federal government appealed the order on June 2, 2026. The duration of appellate proceedings and the ultimate net cash recovery remain uncertain.

Additional uncertainties involve government procurement policy and executive leadership execution. The White House has issued executive orders seeking defense acquisition streamlining and proposing restrictions on corporate share repurchases and distributions for defense contractors experiencing program delays. The precise implementation and potential impact of these policies on capital returns remain undefined. Finally, the pending closing of the Blue Canyon Technologies divestiture and the operational handover at Pratt & Whitney in early 2027 represent execution variables that require ongoing monitoring.

What would invalidate our thesis

We establish explicit, observable conditions that would invalidate our positive thesis and prompt a recommendation downgrade. In commercial propulsion, the thesis would be invalidated if the PW1100 accelerated inspection campaign fails to achieve operational resolution by the first half of 2027, if engine shop turnaround times deteriorate further, or if regulatory authorities issue mandatory inspection directives covering other Pratt & Whitney engine families.

In defense contracting, our thesis would be falsified if Raytheon incurs net negative contract estimate at completion revisions exceeding \$200.0 million in any single quarter, or cumulative revisions exceeding \$500.0 million over twelve months. In governance, receipt of a formal breach notice under the deferred prosecution agreements, an adverse report by the compliance monitor, or the initiation of government suspension or debarment proceedings would immediately break our thesis.

Finally, on core operating performance and liquidity, our thesis would be invalidated if organic commercial aerospace aftermarket revenue growth falls below 5.0% year over year for two consecutive quarters, or if total available liquidity drops below \$8.0 billion. Breaching any of these thresholds would demonstrate structural impairment and necessitate an immediate exit.

Methodology note

We use the Eaglewing Research System (EWRS) to assess evidence, valuation, risks and contrary views. We develop and cross-check our investment thesis and research report, weighing the supporting evidence against risks, alternative explanations and valuation assumptions.

Important disclaimer

Research and informational purposes only, not investment advice. Valuation scenarios are assumptions, not promises. Outperformance is not guaranteed; an investment may lose value. The S&P 500 comparison uses price returns and excludes dividends, fees and taxes.

Sources and references

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Financial Datasets, normalized from issuer regulatory filings | 7 February 2026

Licensed dataset - provider access required

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[4] Rtx Corp 10-Q filed 2026-07-23

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[5] Rtx Corp 8-K filed 2026-09-15

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[6] Rtx Corp 99.1

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[7] RTX daily market prices through 2026-02-25

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[8] RTX daily market prices through 2026-07-21

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