

RAYTHEON CO/
Form 10-Q
April 22, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 28, 2010

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 1-13699

RAYTHEON COMPANY

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

95-1778500
(I.R.S. Employer
Identification No.)

870 Winter Street, Waltham, Massachusetts 02451
(Address of principal executive offices) (Zip Code)

(781) 522-3000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of common stock outstanding as of April 14, 2010 was 381,065,000

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Cautionary Note Regarding Forward-Looking Statements

This Form 10-Q contains forward-looking statements including information regarding our 2010 financial outlook, future plans, objectives, business prospects, the impact of certain liabilities, the impact of certain legal and regulatory changes and changes in accounting treatment, the outcome of certain litigation and audits and investigations, sufficiency of capital, our expected funding credit and required contributions, anticipated tax payments and capital expenditures, potential changes to our unrecognized tax benefits and anticipated financial performance. You can identify these statements by the fact that they include words such as will, believe, anticipate, expect, estimate, intend, plan, variations of these words or similar expressions. These forward-looking statements are not statements of historical facts and represent only our current expectations regarding such matters. These statements inherently involve a wide range of known and unknown uncertainties. Our actual actions and results could differ materially from what is expressed or implied by these statements. Factors that could cause such a difference include, but are not limited to, those set forth under Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2009 and other important factors disclosed previously and from time to time in our other filings with the Securities and Exchange Commission (SEC). Given these factors, as well as other variables that may affect our operating results, you should not rely on forward-looking statements, assume that past financial performance will be a reliable indicator of future performance nor use historical trends to anticipate results or trends in future periods. We expressly disclaim any obligation or intention to provide updates to the forward-looking statements and the estimates and assumptions associated with them.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS
RAYTHEON COMPANY

CONSOLIDATED BALANCE SHEETS

(In millions, except per share amounts)	(Unaudited) March 28, 2010	Dec. 31, 2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,613	\$ 2,642
Accounts receivable, net	113	120
Contracts in process	4,742	4,373
Inventories	329	344
Deferred taxes	266	273
Prepaid expenses and other current assets	116	116
Total current assets	8,179	7,868
Property, plant and equipment, net	1,969	2,001
Deferred taxes	363	436
Prepaid retiree benefits	121	111
Goodwill	11,925	11,922
Other assets, net	1,243	1,269
Total assets	\$ 23,800	\$ 23,607
LIABILITIES AND EQUITY		
Current liabilities		
Advance payments and billings in excess of costs incurred	\$ 2,173	\$ 2,224
Accounts payable	1,310	1,397
Accrued employee compensation	656	868
Other accrued expenses	1,220	1,034
Total current liabilities	5,359	5,523
Accrued retiree benefits and other long-term liabilities	5,854	5,793
Deferred taxes	23	23
Long-term debt	2,328	2,329
Commitments and contingencies (Note 9)		
Equity		
Raytheon Company stockholders' equity		
Common stock, par value, \$0.01 per share, 1,450 shares authorized, 378 shares outstanding at March 28, 2010 and December 31, 2009, after deducting 112 treasury shares and 107 treasury shares at March 28, 2010 and December 31, 2009, respectively	4	4
Additional paid-in capital	11,186	10,991
Accumulated other comprehensive loss	(4,768)	(4,824)
Treasury stock, at cost	(5,712)	(5,446)
Retained earnings	9,406	9,102
Total Raytheon Company stockholders' equity	10,116	9,827
Noncontrolling interests in subsidiaries	120	112

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Total equity		10,236	9,939
Total liabilities and equity	\$	23,800	\$ 23,607

The accompanying notes are an integral part of the unaudited consolidated financial statements.

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RAYTHEON COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(In millions, except per share amounts)	Three Months Ended	
	March 28, 2010	March 29, 2009
Net sales		
Products	\$ 5,203	\$ 5,178
Services	850	706
Total net sales	6,053	5,884
Operating expenses		
Cost of sales - products	4,062	4,093
Cost of sales - services	722	604
Administrative and selling expenses	408	364
Research and development expenses	152	111
Total operating expenses	5,344	5,172
Operating income	709	712
Interest expense	32	32
Interest income	(3)	(4)
Other (income) expense	(1)	5
Non-operating (income) expense	28	33
Income from continuing operations before taxes	681	679
Federal and foreign income taxes	220	222
Income from continuing operations	461	457
Income (loss) from discontinued operations, net of tax	(8)	3
Net income	453	460
Less: Net income (loss) attributable to noncontrolling interests in subsidiaries	8	8
Net income attributable to Raytheon Company	\$ 445	\$ 452
Basic earnings (loss) per share attributable to Raytheon Company common stockholders:		
Income from continuing operations	\$ 1.20	\$ 1.12
Income (loss) from discontinued operations, net of tax	(0.02)	0.01
Net income	1.18	1.13
Diluted earnings (loss) per share attributable to Raytheon Company common stockholders:		
Income from continuing operations	\$ 1.18	\$ 1.11
Income (loss) from discontinued operations, net of tax	(0.02)	0.01
Net income	1.16	1.12
Amounts attributable to Raytheon Company common stockholders:		
Income from continuing operations	\$ 453	\$ 449
Income (loss) from discontinued operations, net of tax	(8)	3

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Net income	\$ 445	\$ 452
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The accompanying notes are an integral part of the unaudited consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In millions)	Three Months Ended	
	March 28, 2010	March 29, 2009
Cash flows from operating activities		
Net income	\$ 453	\$ 460
(Income) loss from discontinued operations, net of tax	8	(3)
Income from continuing operations	461	457
Adjustments to reconcile to net cash provided by (used in) operating activities from continuing operations, net of the effect of acquisitions and divestitures		
Depreciation and amortization	103	97
Stock-based compensation	29	31
Deferred income taxes	24	71
Collection of financing receivables	16	9
Tax benefit from stock-based awards	(12)	(1)
Changes in assets and liabilities		
Accounts receivable, net	32	(1)
Contracts in process and advance payments and billings in excess of costs incurred	(434)	(605)
Inventories	17	48
Prepaid expenses and other current assets		(11)
Accounts payable	(89)	7
Income taxes receivable / payable	138	496
Accrued employee compensation	(214)	(347)
Other accrued expenses	11	(29)
Pension and other, net	175	189
Net cash provided by (used in) operating activities from continuing operations	257	411
Net cash provided by (used in) operating activities from discontinued operations	2	(6)
Net cash provided by (used in) operating activities	259	405
Cash flows from investing activities		
Additions to property, plant and equipment	(45)	(33)
Proceeds from sales of property, plant and equipment	2	
Additions to capitalized internal use software	(14)	(13)
Payments for purchases of acquired companies, net of cash received	(12)	
Net cash provided by (used in) investing activities	(69)	(46)
Cash flows from financing activities		
Dividends paid	(117)	(112)
Repurchases of common stock	(300)	(300)
Proceeds from warrants exercised	163	
Activity under common stock plans		