

RAYTHEON CO/
Form 10-Q
April 28, 2011
Table of Contents

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 April 3, 2011

.. 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)

Edgar Filing: RAYTHEON CO/ - Form 10-Q

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 13, 2011 was 356,180,000

Table of Contents

RAYTHEON COMPANY

TABLE OF CONTENTS

	Page
PART I	
<u>FINANCIAL INFORMATION</u>	
Item 1. <u>Consolidated Financial Statements</u>	
<u>Consolidated Balance Sheets at April 3, 2011 (Unaudited) and December 31, 2010</u>	4
<u>Consolidated Statements of Operations (Unaudited) for the Three Months Ended April 3, 2011 and March 28, 2010</u>	5
<u>Consolidated Statements of Equity (Unaudited) for the Three Months Ended April 3, 2011 and March 28, 2010</u>	6
<u>Consolidated Statements of Cash Flows (Unaudited) for the Three Months Ended April 3, 2011 and March 28, 2010</u>	7
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	8
<u>Report of Independent Registered Public Accounting Firm</u>	21
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	22
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	39
Item 4. <u>Controls and Procedures</u>	40
PART II	
<u>OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	40
Item 1A. <u>Risk Factors</u>	42
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	42
Item 6. <u>Exhibits</u>	42
<u>Signatures</u>	44

Table of Contents

Cautionary Note Regarding Forward-Looking Statements

This Form 10-Q contains forward-looking statements within the meaning of federal securities laws, including information regarding our financial outlook, future plans, objectives, business prospects, trends and anticipated financial performance including with respect to our liquidity and capital resources, our pension expense and funding, the impact of new accounting pronouncements, our unrecognized tax benefits and the outcome of legal and administrative proceedings, claims, investigations, commitments and contingencies, as well as information regarding domestic and international defense spending and budgets. You can identify these statements by the fact that they include words such as will, believe, anticipate, expect, estimate, intend, plan, or 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. Specific 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, 2010 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.

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS
RAYTHEON COMPANY

CONSOLIDATED BALANCE SHEETS

(In millions, except per share amounts)	(Unaudited) April 3, 2011	Dec. 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,660	\$ 3,638
Contracts in process, net	4,933	4,414
Inventories	422	363
Deferred taxes	287	266
Prepaid expenses and other current assets	242	141
Total current assets	8,544	8,822
Property, plant and equipment, net	1,997	2,003
Deferred taxes	130	106
Goodwill	12,435	12,045
Other assets, net	1,468	1,446
Total assets	\$ 24,574	\$ 24,422
LIABILITIES AND EQUITY		
Current liabilities		
Advance payments and billings in excess of costs incurred	\$ 2,104	\$ 2,201
Accounts payable	1,322	1,538
Accrued employee compensation	829	901
Other accrued expenses	1,505	1,320
Total current liabilities	5,760	5,960
Accrued retiree benefits and other long-term liabilities	4,892	4,815
Deferred taxes	258	147
Long-term debt	3,611	3,610
Commitments and contingencies (Note 8)		
Equity		
Raytheon Company stockholders' equity		
Common stock, par value, \$0.01 per share, 1,450 shares authorized, 355 and 359 shares outstanding at April 3, 2011 and December 31, 2010, respectively, after deducting 141 and 136 treasury shares at April 3, 2011 and December 31, 2010, respectively.	4	4
Additional paid-in capital	11,448	11,406
Accumulated other comprehensive loss	(4,965)	(5,146)
Treasury stock, at cost	(7,195)	(6,900)
Retained earnings	10,620	10,390
Total Raytheon Company stockholders' equity	9,912	9,754
Noncontrolling interests in subsidiaries	141	136
Total equity	10,053	9,890

Total liabilities and equity	\$ 24,574	\$ 24,422
------------------------------	-----------	-----------

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

Table of Contents

RAYTHEON COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(In millions, except per share amounts)	Three Months Ended	
	April 3, 2011	March 28, 2010
Net sales		
Products	\$ 5,048	\$ 5,203
Services	1,014	850
Total net sales	6,062	6,053
Operating expenses		
Cost of sales - products	4,065	4,062
Cost of sales - services	839	722
Administrative and selling expenses	428	408
Research and development expenses	139	152
Total operating expenses	5,471	5,344
Operating income	591	709
Interest expense	43	32
Interest income	(5)	(3)
Other (income) expense		(1)
Non-operating (income) expense, net	38	28
Income from continuing operations before taxes	553	681
Federal and foreign income taxes	165	220
Income from continuing operations	388	461
Income (loss) from discontinued operations, net of tax	1	(8)
Net income	389	453
Less: Net income (loss) attributable to noncontrolling interests in subsidiaries	5	8
Net income attributable to Raytheon Company	\$ 384	\$ 445
Basic earnings (loss) per share attributable to Raytheon Company common stockholders:		
Income from continuing operations	\$ 1.07	\$ 1.20
Income (loss) from discontinued operations, net of tax		(0.02)
Net income	1.07	1.18
Diluted earnings (loss) per share attributable to Raytheon Company common stockholders:		
Income from continuing operations	\$ 1.06	\$ 1.18
Income (loss) from discontinued operations, net of tax		(0.02)
Net income	1.06	1.16
Amounts attributable to Raytheon Company common stockholders:		
Income from continuing operations	\$ 383	\$ 453
Income (loss) from discontinued operations, net of tax	1	(8)

Net income	\$ 384	\$ 445
------------	--------	--------

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

Table of Contents

RAYTHEON COMPANY

CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

Three months ended April 3, 2011 and March 28, 2010 (In millions)	Common stock	Additional paid-in capital	Accumulated other comprehensive (loss)	Treasury stock	Retained earnings	Total Raytheon Company stockholders equity	Noncontrolling interests in subsidiaries	Total equity
Balance at December 31, 2009	\$ 4	\$ 10,991	\$ (4,824)	\$ (5,446)	\$ 9,102	\$ 9,827	\$ 112	\$ 9,939
Net income					445	445	8	453
Other comprehensive income (loss)								
Amortization of unfunded projected benefit obligation			90			90		90
Foreign exchange translation			(27)			(27)		(27)
Cash flow hedges			(5)			(5)		(5)
Other, net			(2)			(2)		(2)
Comprehensive (loss) income						501	8	509
Dividends declared					(141)	(141)		(141)
Common stock plans activity		32				32		32
Warrants exercised		163				163		163
Treasury stock activity				(266)		(266)		(266)