

TEXTRON INC
Form 10-Q
July 31, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 4, 2009

OR

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: 1-5480

Textron Inc.

(Exact name of registrant as specified in its charter)

Delaware 05-0315468
(State or (I.R.S.
other Employer
jurisdiction of
incorporation Identification
or No.)
organization)

40 02903
Westminster
Street,
Providence,
RI
(Address of (zip code)
principal
executive
offices)

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(401) 421-2800

(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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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

Common stock outstanding at July 18, 2009 – 270,236,965 shares

TEXTRON INC.

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

TEXTRON INC.
Consolidated Statements of Operations (Unaudited)
(In millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	July 4, 2009	June 28, 2008	July 4, 2009	June 28, 2008
Revenues				
Manufacturing revenues	\$ 2,526	\$ 3,507	\$ 4,930	\$ 6,599
Finance revenues	86	177	208	391
Total revenues	2,612	3,684	5,138	6,990
Costs, expenses and other				
Cost of sales	2,101	2,775	4,100	5,209
Selling and administrative	340	393	686	784
Interest expense, net	75	101	157	216
Provision for losses on finance receivables	87	40	163	67
Gain on sale of assets	—	—	(50)	—
Special charges	129	—	161	—
Total costs, expenses and other	2,732	3,309	5,217	6,276
Income (loss) from continuing operations				
before income taxes	(120)	375	(79)	714
Income tax expense (benefit)	(58)	125	(60)	239
Income (loss) from continuing operations	(62)	250	(19)	475
Income from discontinued operations, net of income taxes	4	8	47	14
Net income (loss)	\$ (58)	\$ 258	\$ 28	\$ 489
Basic earnings per share				
Continuing operations	\$ (0.23)	\$ 1.00	\$ (0.07)	\$ 1.90
Discontinued operations	0.01	0.03	0.18	0.06
Basic earnings per share	\$ (0.22)	\$ 1.03	\$ 0.11	\$ 1.96
Diluted earnings per share				
Continuing operations	\$ (0.23)	\$ 0.98	\$ (0.07)	\$ 1.87
Discontinued operations	0.01	0.03	0.18	0.05
Diluted earnings per share	\$ (0.22)	\$ 1.01	\$ 0.11	\$ 1.92
Dividends per share				
\$2.08 Preferred stock, Series A	\$ 0.52	\$ 0.52	\$ 1.04	\$ 1.04
\$1.40 Preferred stock, Series B	\$ 0.35	\$ 0.35	\$ 0.70	\$ 0.70
Common stock	\$ 0.02	\$ 0.23	\$ 0.04	\$ 0.46

See Notes to the consolidated financial statements.

TEXTRON INC.
Consolidated Balance Sheets (Unaudited)
(Dollars in millions, except share data)

	July 4, 2009	January 3, 2009
Assets		
Manufacturing group		
Cash and cash equivalents	\$1,396	\$531
Accounts receivable, net	839	894
Inventories	3,001	3,093
Other current assets	471	584
Assets of discontinued operations	58	334
Total current assets	5,765	5,436
Property, plant and equipment, less accumulated depreciation and amortization of \$2,574 and \$2,436	2,005	2,088
Goodwill	1,697	1,698
Other assets	1,858	1,465
Total Manufacturing group assets	11,325	10,687
Finance group		
Cash and cash equivalents	489	16
Finance receivables held for investment, net	6,553	6,724
Finance receivables held for sale	613	1,658
Other assets	864	946
Total Finance group assets	8,519	9,344
Total assets	\$19,844	\$20,031
Liabilities and shareholders' equity		
Liabilities		
Manufacturing group		
Current portion of long-term debt and short-term debt	\$6	\$876
Accounts payable	721	1,101
Accrued liabilities	2,193	2,609
Liabilities of discontinued operations	119	195
Total current liabilities	3,039	4,781
Other liabilities	2,892	2,926
Long-term debt	3,354	1,693
Total Manufacturing group liabilities	9,285	9,400
Finance group		
Other liabilities	376	540
Deferred income taxes	206	337
Debt	7,057	7,388
Total Finance group liabilities	7,639	8,265
Total liabilities	16,924	17,665
Shareholders' equity		
Preferred stock	2	2
Common stock	35	32
Capital surplus	1,406	1,229
Retained earnings	3,043	3,025
Accumulated other comprehensive loss	(1,258)	(1,422)
	3,228	2,866

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Less cost of treasury shares	308	500
Total shareholders' equity	2,920	2,366
Total liabilities and shareholders' equity	\$19,844	\$20,031
Common shares outstanding (in thousands)	270,051	242,041

See Notes to the consolidated financial statements.

TEXTRON INC.

Consolidated Statements of Cash Flows (Unaudited)
For the Six Months Ended July 4, 2009 and June 28, 2008, respectively
(In millions)

	Consolidated 2009	2008
Cash flows from operating activities:		
Net income	\$28	\$489
Income from discontinued operations	47	14
Income (loss) from continuing operations	(19)	475
Adjustments to reconcile income (loss) from continuing operations to net cash provided by (used in) operating activities:		
Dividends received from the Finance group	—	—
Capital contribution paid to Finance group	—	—
Non-cash items:		
Depreciation and amortization	197	199
Provision for losses on finance receivables held for investment	163	67
Portfolio losses on finance receivables	60	—
Asset impairment charges	52	—
Gains on extinguishment of debt	(39)	—
Share-based compensation	18	27
Amortization of interest expense on convertible notes	5	—
Deferred income taxes	(126)	(33)
Changes in assets and liabilities:		
Accounts receivable, net	70	(90)
Inventories	75	