

GENERAL DYNAMICS CORP
Form 10-Q
July 25, 2018

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 1, 2018

OR

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

Commission File Number 1-3671

GENERAL DYNAMICS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

13-1673581

State or other jurisdiction of incorporation or organization I.R.S. employer identification no.

2941 Fairview Park Drive, Suite 100

22042-4513

Falls Church, Virginia

Address of principal executive offices

Zip code

(703) 876-3000

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 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

296,281,432 shares of the registrant's common stock, \$1 par value per share, were outstanding on July 1, 2018.

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PART I – FINANCIAL INFORMATION

ITEM 1. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF EARNINGS (UNAUDITED)

(Dollars in millions, except per-share amounts)	Three Months Ended	
	July 1, 2018	July 2, 2017
Revenue:		
Products	\$4,754	\$4,666
Services	4,432	3,009
	9,186	7,675
Operating costs and expenses:		
Products	(3,702)	(3,597)
Services	(3,807)	(2,517)
General and administrative (G&A)	(589)	(494)
	(8,098)	(6,608)
Operating earnings	1,088	1,067
Interest, net	(103)	(24)
Other, net	(15)	(11)
Earnings before income tax	970	1,032
Provision for income tax, net	(184)	(283)
Net earnings	\$786	\$749
Earnings per share		
Basic	\$2.65	\$2.50
Diluted	\$2.62	\$2.45

The accompanying Notes to Unaudited Consolidated Financial Statements are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF EARNINGS (UNAUDITED)

(Dollars in millions, except per-share amounts)	Six Months Ended	
	July 1, 2018	July 2, 2017
Revenue:		
Products	\$9,330	\$9,133
Services	7,391	5,983
	16,721	15,116
Operating costs and expenses:		
Products	(7,248)	(7,035)
Services	(6,251)	(5,002)
G&A	(1,126)	(966)
	(14,625)	(13,003)
Operating earnings	2,096	2,113
Interest, net	(130)	(49)
Other, net	(36)	(22)
Earnings before income tax	1,930	2,042
Provision for income tax, net	(345)	(530)
Net earnings	\$1,585	\$1,512
Earnings per share		
Basic	\$5.35	\$5.03
Diluted	\$5.27	\$4.94

The accompanying Notes to Unaudited Consolidated Financial Statements are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(Dollars in millions)	Three Months		Six Months	
	Ended	Ended	Ended	Ended
	July 1,	July 2,	July 1,	July 2,
	2018	2017	2018	2017
Net earnings	\$786	\$749	\$1,585	\$1,512
(Losses) gains on cash flow hedges	(18)	135	(21)	148
Unrealized gains on marketable securities	—	2	—	7
Foreign currency translation adjustments	(216)	199	(215)	281
Change in retirement plans' funded status	79	63	163	132
Other comprehensive (loss) income, pretax	(155)	399	(73)	568
Provision for income tax, net	(12)	(59)	(27)	(103)
Other comprehensive (loss) income, net of tax	(167)	340	(100)	465
Comprehensive income	\$619	\$1,089	\$1,485	\$1,977

The accompanying Notes to Unaudited Consolidated Financial Statements are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

(Unaudited)

(Dollars in millions) July 1, 2018 December 31,
2017