

L 3 COMMUNICATIONS CORP

Form 10-Q

May 04, 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 26, 2010**

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

**For the transition period from to**

**Commission file numbers 001-14141 and 333-46983**

**L-3 COMMUNICATIONS HOLDINGS, INC.  
L-3 COMMUNICATIONS CORPORATION**

**(Exact names of registrants as specified in their charters)**

**Delaware**

**(State or other jurisdiction of  
incorporation or organization)**

**600 Third Avenue, New York, NY  
(Address of principal executive offices)**

**13-3937434 and 13-3937436**

**(I.R.S. Employer  
Identification Nos.)**

**10016  
(Zip Code)**

**(212) 697-1111  
(Telephone number)**

Indicate by check mark whether the registrants (1) have 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 registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrants have submitted electronically and posted on their 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 registrants were required to submit and post such files).  Yes  No

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Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, non-accelerated filers, or smaller reporting companies. See the 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 registrants are shell companies (as defined in Rule 12b-2 of the Act).  Yes     No

There were 115,741,171 shares of L-3 Communications Holdings, Inc. common stock with a par value of \$0.01 outstanding as of the close of business on April 29, 2010.

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**L-3 COMMUNICATIONS HOLDINGS, INC.  
AND L-3 COMMUNICATIONS CORPORATION**

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For the quarterly period ended March 26, 2010**

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ITEM 1. FINANCIAL STATEMENTS****L-3 COMMUNICATIONS HOLDINGS, INC.  
AND L-3 COMMUNICATIONS CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS  
(in millions, except share data)**

	<b>(Unaudited) March 26, 2010</b>	<b>December 31, 2009</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,135	\$ 1,016
Billed receivables, net of allowances of \$38 in 2010 and \$32 in 2009	1,299	1,149
Contracts in process	2,436	2,358
Inventories	262	258
Deferred income taxes	199	247
Other current assets	135	123
Total current assets	5,466	5,151
Property, plant and equipment, net	834	854
Goodwill	8,183	8,190
Identifiable intangible assets	362	377
Deferred debt issue costs	44	47
Other assets	203	194
Total assets	\$ 15,092	\$ 14,813
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ 681	\$
Accounts payable, trade	549	464
Accrued employment costs	641	642
Accrued expenses	465	482
Advance payments and billings in excess of costs incurred	521	521
Income taxes	83	10
Other current liabilities	358	363
Total current liabilities	3,298	2,482

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Pension and postretirement benefits	837	817
Deferred income taxes	308	272
Other liabilities	416	470
Long-term debt	3,437	4,112
Total liabilities	8,296	8,153
Commitments and contingencies (see Note 17)		
Equity:		
L-3 shareholders' equity:		
L-3 Communications Holdings, Inc.'s common stock: \$.01 par value; 300,000,000 shares authorized, 115,659,642 shares outstanding at March 26, 2010 and 115,353,546 shares outstanding at December 31, 2009 (L-3 Communications Corporation's common stock: \$.01 par value, 100 shares authorized, issued and outstanding)	4,544	4,449
L-3 Communications Holdings, Inc.'s treasury stock (at cost), 22,421,913 shares at March 26, 2010 and 21,040,541 shares at December 31, 2009	(1,947)	(1,824)
Retained earnings	4,281	4,108
Accumulated other comprehensive loss	(174)	(166)
Total L-3 shareholders' equity	6,704	6,567
Noncontrolling interests	92	93
Total equity	6,796	6,660
Total liabilities and equity	\$ 15,092	\$ 14,813

See notes to unaudited condensed consolidated financial statements.

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**L-3 COMMUNICATIONS HOLDINGS, INC.  
AND L-3 COMMUNICATIONS CORPORATION**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in millions, except per share data)

	<b>First Quarter Ended</b>	
	<b>March 26, 2010</b>	<b>March 27, 2009</b>
Net sales:		
Products	\$ 1,714	\$ 1,762
Services	1,910	1,874
 Total net sales	 3,624	 3,636
Cost of sales:		
Products	1,488	1,566
Services	1,726	1,694
 Total cost of sales	 3,214	 3,260
 Operating income	 410	 376
Interest and other income, net	4	3
Interest expense	64	66
 Income before income taxes	 350	 313
Provision for income taxes	128	112
 Net income	 \$ 222	 \$ 201
Less: Net income attributable to noncontrolling interests	1	2
 Net income attributable to L-3	 \$ 221	 \$ 199
Less: Net income allocable to participating securities	2	2
 Net income allocable to L-3 Holdings common shareholders	 \$ 219	 \$ 197
 Earnings per share allocable to L-3 Holdings common shareholders:		
Basic	\$ 1.89	\$ 1.66
Diluted	\$ 1.87	\$ 1.66
 L-3 Holdings weighted average common shares outstanding:		
Basic	115.9	118.4
Diluted	116.9	118.8





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**L-3 COMMUNICATIONS HOLDINGS, INC.  
AND L-3 COMMUNICATIONS CORPORATION**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF EQUITY  
(in millions, except per share data)**

	L-3 Holdings				Accumulated				
	Common	Stock	Additional	Treasury	Retained	Other	Noncontrolling	Total	
	Shares	Par	Paid-in	Stock	Earnings	Comprehensive	Interests	Equity	
	Issued	Value	Capital			(Loss)			
<b>For the quarter ended</b>									
<b>March 26, 2010:</b>									
Balance at December 31, 2009	115.4	\$ 1	\$ 4,448	\$ (1,824)	\$ 4,108	\$ (166)	\$ 93	\$ 6,660	
Comprehensive income:									
Net income					221		1	222	
Pension and postretirement benefit plans:									
Net gain arising during the period						2		2	
Amortization of net loss previously recognized, net of income taxes of \$4						6		6	
Foreign currency translation adjustment						(19)		(19)	
Unrealized gains on hedging instruments, net of income taxes of \$2						3		3	
Total comprehensive income								214	
Distributions to noncontrolling interests							(2)	(2)	
Cash dividends paid on common stock (\$0.40 per share)						(47)		(47)	
Shares issued:									
Employee savings plans	0.4		30					30	
Exercise of stock options	0.8		48					48	
Employee stock purchase plan	0.5								
Stock-based compensation expense			19					19	
Treasury stock purchased	(1.4)			(123)				(123)	

Other				(2)		(1)				(3)					
Balance at March 26, 2010	115.7	\$	1	\$	4,543	\$	(1,947)	\$	4,281	\$	(174)	\$	92	\$	6,796
<b>For the quarter ended March 27, 2009:</b>															
Balance at December 31, 2008	118.6	\$	1	\$	4,135	\$	(1,319)	\$	3,373	\$	(332)	\$	83	\$	5,941
Comprehensive income:															