

RAYTHEON CO/
 Form 10-Q
 October 25, 2012
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UNITED STATES
 SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549
 FORM 10-Q

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

For the quarterly period ended September 30, 2012

£ 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)

Delaware	95-1778500
(State or other jurisdiction of incorporation or organization)	(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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(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

Number of shares of common stock outstanding as of October 22, 2012 was 329,867,000.

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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) Sep 30, 2012	Dec 31, 2011
ASSETS		
Current assets		
Cash and cash equivalents	\$3,032	\$4,000
Short-term investments	614	—
Contracts in process, net	4,789	4,526
Inventories	482	336
Deferred taxes	83	221
Prepaid expenses and other current assets	260	226
Total current assets	9,260	9,309
Property, plant and equipment, net	1,929	2,006
Deferred taxes	720	657
Goodwill	12,546	12,544
Other assets, net	1,242	1,338
Total assets	\$25,697	\$25,854
LIABILITIES AND EQUITY		
Current liabilities		
Advance payments and billings in excess of costs incurred	\$2,169	\$2,542
Accounts payable	1,190	1,507
Accrued employee compensation	1,130	941
Other accrued expenses	1,179	1,140
Total current liabilities	5,668	6,130
Accrued retiree benefits and other long-term liabilities	6,192	6,774
Deferred taxes	3	5
Long-term debt	4,609	4,605
Commitments and contingencies (Note 9)		
Equity		
Raytheon Company stockholders' equity		
Common stock, par value, \$0.01 per share, 1,450 shares authorized, 330 and 339 shares outstanding at September 30, 2012 and December 31, 2011, respectively, after deducting 178 and 163 treasury shares at September 30, 2012 and December 31, 2011, respectively.	3	3
Additional paid-in capital	11,900	11,676
Accumulated other comprehensive loss	(6,506)	(7,001)
Treasury stock, at cost	(8,913)	(8,153)
Retained earnings	12,578	11,656
Total Raytheon Company stockholders' equity	9,062	8,181
Noncontrolling interests in subsidiaries	163	159
Total equity	9,225	8,340
Total liabilities and equity	\$25,697	\$25,854

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

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CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(In millions, except per share amounts)	Three Months Ended		Nine Months Ended	
	Sep 30, 2012	Oct 2, 2011	Sep 30, 2012	Oct 2, 2011
Net sales				
Products	\$5,065	\$5,115	\$14,937	\$15,399
Services	980	1,001	3,038	2,970
Total net sales	6,045	6,116	17,975	18,369
Operating expenses				
Cost of sales—products	3,848	3,971	11,438	12,163
Cost of sales—services	841	844	2,562	2,483
Administrative and selling expenses	389	426	1,198	1,288
Research and development expenses	181	153	543	454
Total operating expenses	5,259	5,394	15,741	16,388
Operating income	786	722	2,234	1,981
Non-operating (income) expense				
Interest expense	49	41	149	127
Interest income	(3)	(5)	(6)	(12)
Other (income) expense	(5)	14	(10)	15
Total non-operating (income) expense, net	41	50	133	130
Income from continuing operations before taxes	745	672	2,101	1,851
Federal and foreign income taxes	237	165	668	521
Income from continuing operations	508	507	1,433	1,330
Income (loss) from discontinued operations, net of tax	(1)	3	(4)	14
Net income	507	510	1,429	1,344
Less: Net income (loss) attributable to noncontrolling interests in subsidiaries	7	9	10	21
Net income attributable to Raytheon Company	\$500	\$501	\$1,419	\$1,323
Basic earnings (loss) per share attributable to Raytheon				
Company common stockholders:				
Income from continuing operations	\$1.51	\$1.42	\$4.26	\$3.70
Income (loss) from discontinued operations, net of tax	—	0.01	(0.01)	0.04
Net income	1.51	1.43	4.25	3.73
Diluted earnings (loss) per share attributable to Raytheon				
Company common stockholders:				
Income from continuing operations	\$1.51	\$1.42	\$4.24	\$3.68
Income (loss) from discontinued operations, net of tax	—	0.01	(0.01)	0.04
Net income	1.50	1.43	4.23	3.71
Amounts attributable to Raytheon Company common stockholders:				
Income from continuing operations	\$501	\$498	\$1,423	\$1,309
Income (loss) from discontinued operations, net of tax	(1)	3	(4)	14

Net income	\$500	\$501	\$1,419	\$1,323
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The accompanying notes are an integral part of the unaudited consolidated financial statements.

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RAYTHEON COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(In millions)	Three Months Ended		Nine Months Ended	
	Sep 30, 2012	Oct 2, 2011	Sep 30, 2012	Oct 2, 2011
Net income	\$507	\$510	\$1,429	\$1,344
Other comprehensive income (loss), before tax:				
Foreign exchange translation	44	(48)	43	(2)
Cash flow hedges and interest rate locks	7	(15)	7	(5)
Unrealized gain (loss) on short term investments and other	(2)	(2)	(2)	(2)
Pension and other employee benefit plans:				
Net change in initial net obligation	—	1	—	3
Prior service cost arising during period	—	—	—	45
Net loss arising during period	(21)	(113)	(21)	(120)
Amortization of prior service cost included in net periodic expense	1	—	5	2
Amortization of net actuarial loss included in net income	227	197	706	596
Defined benefit pension and other employee benefit plans, net	207	85	690	526
Other comprehensive income (loss), before tax	256	20	738	517
Income tax (expense) benefit related to items of other comprehensive income	(74)	(25)	(243)	(179)
Other comprehensive income (loss), net of tax	182	(5)	495	338
Total comprehensive income (loss)	689	505	1,924	1,682
Less: Comprehensive income (loss) attributable to noncontrolling interests in subsidiaries	7	9	10	21
Comprehensive income (loss) attributable to Raytheon Company	\$682	\$496	\$1,914	\$1,661

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

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CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

Nine months ended September 30, 2012 and October 2, 2011 (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, 2010	\$4	\$ 11,406	\$ (5,146)	\$(6,900)	\$10,390	\$ 9,754	\$ 136	\$9,890
Net income					1,323	1,323	21	1,344
Other comprehensive income (loss)			338			338		338
Dividends declared Distributions and other activity related to noncontrolling interests					(455)	(455)		(455)
Common stock plans activity	(1)	111				110		110
Warrants exercised		123				123		123
Treasury stock activity				(938)		(938)		(938)
Balance at October 2, 2011	\$3	\$ 11,640	\$ (4,808)	\$(7,838)	\$11,258	\$ 10,255	\$ 152	\$10,407
Balance at December 31, 2011	\$3	\$ 11,676	\$ (7,001)	\$(8,153)	\$11,656	\$ 8,181	\$ 159	\$8,340
Net income					1,419	1,419	10	1,429
Other comprehensive income (loss)			495			495		495
Dividends declared Distributions and other activity related to noncontrolling interests					(497)	(497)		(497)
Common stock plans activity		224				224		224
Treasury stock activity				(760)		(760)		(760)
Balance at September 30, 2012	\$3	\$ 11,900	\$ (6,506)	\$(8,913)				