

TEXTRON INC  
Form 10-Q  
October 28, 2015  
Table of Contents

**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 October 3, 2015

**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**

(State or other jurisdiction of incorporation or organization)

**05-0315468**

(I.R.S. Employer Identification No.)

**40 Westminster Street, Providence, RI**

(Address of principal executive offices)

**02903**

(Zip code)

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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 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 [  ]

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

As of October 16, 2015, there were 273,670,398 shares of common stock outstanding.

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Table of Contents

**TEXTRON INC.**

**Index to Form 10-Q**

**For the Quarterly Period Ended October 3, 2015**

	<b>Page</b>
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
<u>Item 1. Financial Statements</u>	
<u>Consolidated Statements of Operations (Unaudited)</u>	3
<u>Consolidated Statements of Comprehensive Income (Unaudited)</u>	4
<u>Consolidated Balance Sheets (Unaudited)</u>	5
<u>Consolidated Statements of Cash Flows (Unaudited)</u>	6
<u>Notes to the Consolidated Financial Statements (Unaudited)</u>	
<u>Note 1. Basis of Presentation</u>	8
<u>Note 2. Retirement Plans</u>	9
<u>Note 3. Earnings Per Share</u>	9
<u>Note 4. Accounts Receivable and Finance Receivables</u>	10
<u>Note 5. Inventories</u>	12
<u>Note 6. Accrued Liabilities</u>	12
<u>Note 7. Derivative Instruments and Fair Value Measurements</u>	12
<u>Note 8. Accumulated Other Comprehensive Loss and Other Comprehensive Income</u>	14
<u>Note 9. Commitments and Contingencies</u>	16
<u>Note 10. Segment Information</u>	16
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	28
<u>Item 4. Controls and Procedures</u>	28
<b><u>PART II. OTHER INFORMATION</u></b>	
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	28
<u>Item 6. Exhibits</u>	29
<u>Signatures</u>	29

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****TEXTRON INC.****Consolidated Statements of Operations (Unaudited)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>October 3, 2015</b>	<b>September 27, 2014</b>	<b>October 3, 2015</b>	<b>September 27, 2014</b>
<i>(In millions, except per share amounts)</i>				
<b>Revenues</b>				
Manufacturing revenues	\$ 3,163	\$ 3,405	\$ 9,437	\$ 9,701
Finance revenues	17	25	63	81
Total revenues	3,180	3,430	9,500	9,782
<b>Costs and expenses</b>				
Cost of sales	2,584	2,845	7,728	8,077
Selling and administrative expense	303	304	969	959
Interest expense	41	47	126	141
Acquisition and restructuring costs		3		39
Total costs and expenses	2,928	3,199	8,823	9,216
Income from continuing operations before income taxes	252	231	677	566
Income tax expense	76	71	204	174
<b>Income from continuing operations</b>	176	160	473	392
Loss from discontinued operations, net of income taxes		(1)	(2)	(4)
<b>Net income</b>	\$ 176	\$ 159	\$ 471	\$ 388
<b>Basic earnings per share</b>				
Continuing operations	\$ 0.64	\$ 0.57	\$ 1.71	\$ 1.40
Discontinued operations			(0.01)	(0.02)
<b>Basic earnings per share</b>	\$ 0.64	\$ 0.57	\$ 1.70	\$ 1.38
<b>Diluted earnings per share</b>				
Continuing operations	\$ 0.63	\$ 0.57	\$ 1.69	\$ 1.39
Discontinued operations			(0.01)	(0.02)
<b>Diluted earnings per share</b>	\$ 0.63	\$ 0.57	\$ 1.68	\$ 1.37
<b>Dividends per share</b>				
Common stock	\$ 0.02	\$ 0.02	\$ 0.06	\$ 0.06

See Notes to the Consolidated Financial Statements.

Table of Contents**TEXTRON INC.****Consolidated Statements of Comprehensive Income (Unaudited)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>October 3, 2015</b>	<b>September 27, 2014</b>	<b>October 3, 2015</b>	<b>September 27, 2014</b>
<i>(In millions)</i>				
<b>Net income</b>	\$ 176	\$ 159	\$ 471	\$ 388
Other comprehensive income (loss), net of tax:				
Pension and postretirement benefits adjustments, net of reclassifications	22	17	133	62
Foreign currency translation adjustments	1	(43)	(45)	(47)
Deferred gains (losses) on hedge contracts, net of reclassifications	(1)	(5)	(9)	2
Other comprehensive income (loss)	22	(31)	79	17
<b>Comprehensive income</b>	\$ 198	\$ 128	\$ 550	\$ 405

*See Notes to the Consolidated Financial Statements.*

Table of Contents

## TEXTRON INC.

## Consolidated Balance Sheets (Unaudited)

<i>(Dollars in millions)</i>	October 3, 2015	January 3, 2015
<b>Assets</b>		
<b>Manufacturing group</b>		
Cash and equivalents	\$ 497	\$ 731
Accounts receivable, net	1,159	1,035
Inventories	4,574	3,928
Other current assets	507	579
<b>Total current assets</b>	<b>6,737</b>	<b>6,273</b>
Property, plant and equipment, less accumulated depreciation and amortization of \$3,854 and \$3,685	2,488	2,497
Goodwill	2,026	2,027
Other assets	2,234	2,279
<b>Total Manufacturing group assets</b>	<b>13,485</b>	<b>13,076</b>
<b>Finance group</b>		
Cash and equivalents	117	91
Finance receivables, net	1,138	1,238
Other assets	158	200
<b>Total Finance group assets</b>	<b>1,413</b>	<b>1,529</b>
<b>Total assets</b>	<b>\$ 14,898</b>	<b>\$ 14,605</b>
<b>Liabilities and shareholders' equity</b>		
<b>Liabilities</b>		
<b>Manufacturing group</b>		
Short-term debt and current portion of long-term debt	\$ 414	\$ 8
Accounts payable	1,173	1,014
Accrued liabilities	2,602	2,616
<b>Total current liabilities</b>	<b>4,189</b>	<b>3,638</b>
Other liabilities	2,426	2,587
Long-term debt	2,391	2,803
<b>Total Manufacturing group liabilities</b>	<b>9,006</b>	<b>9,028</b>
<b>Finance group</b>		
Other liabilities	229	242
Debt	967	1,063
<b>Total Finance group liabilities</b>	<b>1,196</b>	<b>1,305</b>
<b>Total liabilities</b>	<b>10,202</b>	<b>10,333</b>
<b>Shareholders' equity</b>		
Common stock	36	36
Capital surplus	1,561	1,459
Treasury stock	(551)	(340)
Retained earnings	5,077	4,623
Accumulated other comprehensive loss	(1,427)	(1,506)
<b>Total shareholders' equity</b>	<b>4,696</b>	<b>4,272</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 14,898</b>	<b>\$ 14,605</b>
<b>Common shares outstanding (in thousands)</b>	<b>273,862</b>	<b>276,582</b>

See Notes to the Consolidated Financial Statements.



Table of Contents**TEXTRON INC.****Consolidated Statements of Cash Flows (Unaudited)**

For the Nine Months Ended October 3, 2015 and September 27, 2014, respectively

<i>(In millions)</i>	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 471	\$ 388
Less: Loss from discontinued operations	(2)	(4)
Income from continuing operations	473	392
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Non-cash items:		
Depreciation and amortization	332	325
Deferred income taxes	(11)	(41)
Other, net	78	80
Changes in assets and liabilities:		
Accounts receivable, net	(122)	(55)
Inventories	(654)	(370)
Other assets	6	24
Accounts payable	156	(120)
Accrued and other liabilities	(18)	137
Income taxes, net	64	61
Pension, net	61	31
Captive finance receivables, net	58	107
Other operating activities, net	(4)	(2)
Net cash provided by operating activities of continuing operations	419	569
Net cash used in operating activities of discontinued operations	(4)	(3)
Net cash provided by operating activities	415	566
<b>Cash flows from investing activities</b>		
Capital expenditures	(286)	(255)
Net cash used in acquisitions	(81)	(1,580)
Finance receivables repaid	66	77
Other investing activities, net	31	33
Net cash used in investing activities	(270)	(1,725)
<b>Cash flows from financing activities</b>		
Principal payments on long-term and nonrecourse debt	(196)	(462)
Proceeds from long-term debt	55	1,187
Increase in short-term debt		25
Purchases of Textron common stock	(211)	(302)
Dividends paid	(17)	(17)
Other financing activities, net	25	33
Net cash provided by (used in) financing activities	(344)	464
Effect of exchange rate changes on cash and equivalents	(9)	(5)
<b>Net decrease in cash and equivalents</b>	<b>(208)</b>	<b>(700)</b>
Cash and equivalents at beginning of period	822	1,211
Cash and equivalents at end of period	\$ 614	\$ 511



*See Notes to the Consolidated Financial Statements.*

Table of Contents**TEXTRON INC.****Consolidated Statements of Cash Flows (Unaudited) (Continued)**

For the Nine Months Ended October 3, 2015 and September 27, 2014, respectively

<i>(In millions)</i>	<b>Manufacturing Group</b>		<b>Finance Group</b>		<b>2014</b>
	<b>2015</b>	<b>2014</b>	<b>2015</b>		
<b>Cash flows from operating activities</b>					
Net income	\$ 458	\$ 378	\$ 13	\$	10
Less: Loss from discontinued operations	(2)	(4)			
Income from continuing operations	460	382	13		10
Adjustments to reconcile income from continuing operations to net cash provided by (used in) operating activities:					
Non-cash items:					
Depreciation and amortization	324	315	8		10
Deferred income taxes	(3)	(25)	(8)		(16)
Other, net	74	69	4		11
Changes in assets and liabilities:					
Accounts receivable, net	(122)	(55)			
Inventories	(661)	(344)			
Other assets	(6)	38	12		(14)
Accounts payable	156	(120)			
Accrued and other liabilities	(10)	145	(8)		(8)
Income taxes, net	58	57	6		4
Pension, net	61	31			
Dividends received from Finance Group	20				
Other operating activities, net	(4)	(2)			
Net cash provided by (used in) operating activities of continuing operations	347	491	27		(3)