

TEXTRON INC  
Form 10-Q  
July 24, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**Form 10-Q**

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(Mark One)

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

For the quarterly period ended June 29, 2013

OR

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

For the transition period from            to            .

## 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)

**(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 July 12, 2013, there were 280,504,882 shares of common stock outstanding.



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Table of Contents**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	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
<b>Revenues</b>				
Manufacturing revenues	\$ 2,808	\$ 2,964	\$ 5,621	\$ 5,759
Finance revenues	31	55	73	116
Total revenues	2,839	3,019	5,694	5,875
<b>Costs and expenses</b>				
Cost of sales	2,338	2,435	4,720	4,747
Selling and administrative expense	296	276	575	588
Interest expense	42	53	93	108
Total costs and expenses	2,676	2,764	5,388	5,443
Income from continuing operations before income taxes	163	255	306	432
Income tax expense	49	82	77	139
<b>Income from continuing operations</b>	114	173	229	293
Income (loss) from discontinued operations, net of income taxes	(1)	(1)	3	(3)
<b>Net income</b>	\$ 113	\$ 172	\$ 232	\$ 290
<b>Basic earnings per share</b>				
Continuing operations	\$ 0.41	\$ 0.61	\$ 0.83	\$ 1.04
Discontinued operations	(0.01)		0.01	(0.01)
<b>Basic earnings per share</b>	\$ 0.40	\$ 0.61	\$ 0.84	\$ 1.03
<b>Diluted earnings per share</b>				
Continuing operations	\$ 0.40	\$ 0.58	\$ 0.80	\$ 0.99
Discontinued operations			0.01	(0.01)
<b>Diluted earnings per share</b>	\$ 0.40	\$ 0.58	\$ 0.81	\$ 0.98
<b>Dividends per share</b>				
Common stock	\$ 0.02	\$ 0.02	\$ 0.04	\$ 0.04

See Notes to the consolidated financial statements.

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

(In millions)	Three Months Ended		Six Months Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
<b>Net income</b>	\$ 113	\$ 172	\$ 232	\$ 290
Other comprehensive income, net of tax:				
Pension adjustments, net of reclassifications	31	21	63	42
Deferred gains/losses on hedge contracts, net of reclassifications	(6)	(3)	(13)	(3)
Foreign currency translation adjustments	1	(16)	(9)	(13)
Other comprehensive income	26	2	41	26
<b>Comprehensive income</b>	\$ 139	\$ 174	\$ 273	\$ 316

See Notes to the consolidated financial statements.

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## TEXTRON INC.

## Consolidated Balance Sheets (Unaudited)

(Dollars in millions)	June 29, 2013	December 29, 2012
<b>Assets</b>		
<b>Manufacturing group</b>		
Cash and equivalents	\$ 459	\$ 1,378
Accounts receivable, net	1,007	829
Inventories	3,203	2,712
Other current assets	489	470
<b>Total current assets</b>	<b>5,158</b>	<b>5,389</b>
Property, plant and equipment, less accumulated depreciation and amortization of \$3,386 and \$3,277	2,141	2,149
Goodwill	1,670	1,649
Other assets	1,514	1,524
<b>Total Manufacturing group assets</b>	<b>10,483</b>	<b>10,711</b>
<b>Finance group</b>		
Cash and equivalents	112	35
Finance receivables held for investment, net	1,510	1,850
Finance receivables held for sale	106	140
Other assets	229	297
<b>Total Finance group assets</b>	<b>1,957</b>	<b>2,322</b>
<b>Total assets</b>	<b>\$ 12,440</b>	<b>\$ 13,033</b>
<b>Liabilities and shareholders equity</b>		
<b>Liabilities</b>		
<b>Manufacturing group</b>		
Current portion of long-term debt and short-term debt	\$ 374	\$ 535
Accounts payable	966	1,021
Accrued liabilities	1,649	1,956
<b>Total current liabilities</b>	<b>2,989</b>	<b>3,512</b>
Other liabilities	2,559	2,798
Long-term debt	1,904	1,766
<b>Total Manufacturing group liabilities</b>	<b>7,452</b>	<b>8,076</b>
<b>Finance group</b>		
Other liabilities	277	280
Debt	1,331	1,686
<b>Total Finance group liabilities</b>	<b>1,608</b>	<b>1,966</b>
<b>Total liabilities</b>	<b>9,060</b>	<b>10,042</b>
<b>Shareholders equity</b>		
Common stock	37	35
Capital surplus	1,344	1,177
Retained earnings	4,044	3,824
Accumulated other comprehensive loss	(1,729)	(1,770)
	3,696	3,266
Less cost of treasury shares	316	275
<b>Total shareholders equity</b>	<b>3,380</b>	<b>2,991</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 12,440</b>	<b>\$ 13,033</b>
<b>Common shares outstanding (in thousands)</b>	<b>280,390</b>	<b>271,263</b>

See Notes to the consolidated financial statements.





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

For the Six Months Ended June 29, 2013 and June 30, 2012, respectively

(In millions)	2013	Consolidated	2012
<b>Cash flows from operating activities</b>			
Net income	\$	232	\$ 290
Less: Income (loss) from discontinued operations		3	(3)
Income from continuing operations		229	293
Adjustments to reconcile income from continuing operations to net cash provided by (used in) operating activities:			
Non-cash items:			
Depreciation and amortization		192	183
Deferred income taxes		42	85
Other, net		24	44
Changes in assets and liabilities:			
Accounts receivable, net		(169)	(67)
Inventories		(445)	(387)
Other assets		(23)	16
Accounts payable		(61)	57
Accrued and other liabilities		(374)	(236)
Income taxes, net		(90)	9
Pension, net		(55)	(82)
Captive finance receivables, net		276	117
Other operating activities, net		(8)	(4)
Net cash provided by (used in) operating activities of continuing operations		(462)	28
Net cash used in operating activities of discontinued operations		(7)	(3)
Net cash provided by (used in) operating activities		(469)	25
<b>Cash flows from investing activities</b>			
Finance receivables repaid		112	336
Proceeds from sales of receivables and other finance assets		53	117
Capital expenditures		(190)	(158)
Net cash used in acquisitions		(53)	
Other investing activities, net		10	11
Net cash provided by (used in) investing activities		(68)	306
<b>Cash flows from financing activities</b>			
Principal payments on long-term and nonrecourse debt		(925)	(393)
Settlement of convertible debt		(215)	(2)
Proceeds from long-term debt		402	88
Increase in short-term debt		366	
Proceeds from settlement of capped call		75	
Dividends paid		(11)	(11)
Other financing activities, net		13	14
Net cash used in financing activities		(295)	(304)
Effect of exchange rate changes on cash and equivalents		(10)	(1)
<b>Net increase (decrease) in cash and equivalents</b>		(842)	26
Cash and equivalents at beginning of period		1,413	885
Cash and equivalents at end of period	\$	571	\$ 911

See Notes to the consolidated financial statements.



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

For the Six Months Ended June 29, 2013 and June 30, 2012, respectively

(In millions)	Manufacturing Group		Finance Group	
	2013	2012	2013	2012
<b>Cash flows from operating activities</b>				
Net income	\$ 209	\$ 264	\$ 23	\$ 26
Less: Income (loss) from discontinued operations	3	(3)		
Income from continuing operations	206	267	23	26
Adjustments to reconcile income from continuing operations to net cash provided by (used in) operating activities:				
Dividends received from Finance Group	30	315		
Capital contribution paid to Finance Group	(1)	(240)		
Non-cash items:				
Depreciation and amortization	182	170	10	13
Deferred income taxes	29	57	13	28
Other, net	44	50	(20)	(6)
Changes in assets and liabilities:				
Accounts receivable, net	(169)	(67)		
Inventories	(460)	(388)		
Other assets	(23)	18		(2)
Accounts payable	(61)	57		
Accrued and other liabilities	(372)	(213)	(12)	(23)
Income taxes, net	(98)	140	8	(131)
Pension, net	(49)	(81)	(6)	(1)
Other operating activities, net		(4)	(8)	
Net cash provided by (used in) operating activities of continuing operations	(742)	81	8	(96)
Net cash used in operating activities of discontinued operations	(7)	(3)		
Net cash provided by (used in) operating activities	(749)	78	8	(96)
<b>Cash flows from investing activities</b>				
Finance receivables repaid			422	548
Proceeds from sales of receivables and other finance assets			77	117
Finance receivables originated or purchased			(78)	(114)
Capital expenditures	(190)	(158)		
Net cash used in acquisitions	(53)			
Other investing activities, net	17	2	38	29
Net cash provided by (used in) investing activities	(226)	(156)	459	580
<b>Cash flows from financing activities</b>				
Principal payments on long-term and nonrecourse debt	(312)	(139)	(613)	(254)
Settlement of convertible debt	(215)	(2)		
Proceeds from long-term debt	150		252	88
Increase in short-term debt	366			
Proceeds from settlement of capped call	75			
Intergroup financing		245		(245)
Capital contributions paid to Finance group			1	240
Dividends paid				