

RAYTHEON CO/  
Form 10-Q  
July 25, 2013  
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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 June 30, 2013

£ 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

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RAYTHEON COMPANY  
(Exact name of Registrant as Specified in its Charter)

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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)	

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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 S 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 S 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	S	Accelerated filer	£
Non-accelerated filer	£ (Do not check if a smaller reporting company)	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 S

Number of shares of common stock outstanding as of July 22, 2013 was 322,491,000.

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Cautionary Note Regarding Forward-Looking Statements

This Form 10-Q contains forward-looking statements within the meaning of federal securities laws, including information regarding our financial outlook, future plans, objectives, business prospects, trends and anticipated financial performance including with respect to our liquidity and capital resources, the impact and potential reductions of sequestration, our cash tax payments, our pension expense and funding, the impact of new accounting pronouncements, our unrecognized tax benefits and the outcome of legal and administrative proceedings, claims, investigations, and commitments and contingencies. You can identify these statements by the fact that they include words such as “will,” “believe,” “anticipate,” “expect,” “estimate,” “intend,” “plan,” or variations of these words or similar expressions. These forward-looking statements are not statements of historical facts and represent only our current expectations regarding such matters. These statements inherently involve a wide range of known and unknown uncertainties. Our actual actions and results could differ materially from what is expressed or implied by these statements. Specific factors that could cause such a difference include, but are not limited to, those set forth under Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2012 and other important factors disclosed previously and from time to time in our other filings with the Securities and Exchange Commission (SEC). Given these factors, as well as other variables that may affect our operating results, you should not rely on forward-looking statements, assume that past financial performance will be a reliable indicator of future performance nor use historical trends to anticipate results or trends in future periods. We expressly disclaim any obligation or intention to provide updates to the forward-looking statements and the estimates and assumptions associated with them.

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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) Jun 30, 2013	Dec 31, 2012
Assets		
Current assets		
Cash and cash equivalents	\$2,467	\$3,188
Short-term investments	995	856
Contracts in process, net	5,156	4,543
Inventories	454	381
Deferred taxes	90	96
Prepaid expenses and other current assets	114	182
Total current assets	9,276	9,246
Property, plant and equipment, net	1,924	1,986
Deferred taxes	1,140	1,367
Goodwill	12,764	12,756
Other assets, net	1,272	1,331
Total assets	\$26,376	\$26,686
Liabilities and Equity		
Current liabilities		
Advance payments and billings in excess of costs incurred	\$2,140	\$2,398
Accounts payable	1,164	1,348
Accrued employee compensation	927	1,014
Other accrued expenses	1,223	1,142
Total current liabilities	5,454	5,902
Accrued retiree benefits and other long-term liabilities	7,443	7,854
Deferred taxes	10	9
Long-term debt	4,732	4,731
Commitments and contingencies (Note 9)		
Equity		
Raytheon Company stockholders' equity		
Common stock, par value, \$0.01 per share, 1,450 shares authorized, 322 and 328 shares outstanding at June 30, 2013 and December 31, 2012, respectively.	3	3
Additional paid-in capital	2,526	2,928
Accumulated other comprehensive loss	(7,464 )	(7,788 )
Retained earnings	13,503	12,883
Total Raytheon Company stockholders' equity	8,568	8,026
Noncontrolling interests in subsidiaries	169	164
Total equity	8,737	8,190
Total liabilities and equity	\$26,376	\$26,686

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		Six Months Ended	
	Jun 30, 2013	Jul 1, 2012	Jun 30, 2013	Jul 1, 2012
Net sales				
Products	\$5,091	\$4,973	\$10,034	\$9,872
Services	1,024	1,019	1,960	2,058
Total net sales	6,115	5,992	11,994	11,930
Operating expenses				
Cost of sales—products	3,904	3,805	7,729	7,590
Cost of sales—services	849	847	1,629	1,721
Administrative and selling expenses	420	404	828	809
Research and development expenses	176	194	336	362
Total operating expenses	5,349	5,250	10,522	10,482
Operating income	766	742	1,472	1,448
Non-operating (income) expense, net				
Interest expense	53	50	106	100
Interest income	(3)	(1)	(6)	(3)
Other (income) expense, net	3	3	(4)	(5)
Total non-operating (income) expense, net	53	52	96	92
Income from continuing operations before taxes	713	690	1,376	1,356
Federal and foreign income taxes	220	219	387	431
Income from continuing operations	493	471	989	925
Income (loss) from discontinued operations, net of tax	—	(1)	(2)	(3)
Net income	493	470	987	922
Less: Net income (loss) attributable to noncontrolling interests in subsidiaries	5	(1)	11	3
Net income attributable to Raytheon Company	\$488	\$471	\$976	\$919
Basic earnings (loss) per share attributable to Raytheon Company common stockholders:				
Income from continuing operations	\$1.50	\$1.41	\$3.00	\$2.75
Income (loss) from discontinued operations, net of tax	—	—	(0.01)	(0.01)
Net income	1.50	1.41	2.99	2.74
Diluted earnings (loss) per share attributable to Raytheon Company common stockholders:				
Income from continuing operations	\$1.50	\$1.41	\$2.99	\$2.74
Income (loss) from discontinued operations, net of tax	—	—	(0.01)	(0.01)
Net income	1.50	1.41	2.99	2.73
Amounts attributable to Raytheon Company common stockholders:				
Income from continuing operations	\$488	\$472	\$978	\$922
Income (loss) from discontinued operations, net of tax	—	(1)	(2)	(3)
Net income	\$488	\$471	\$976	\$919

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

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(In millions)	Three Months Ended		Six Months Ended	
	Jun 30, 2013	Jul 1, 2012	Jun 30, 2013	Jul 1, 2012
Net income	\$493	\$470	\$987	\$922
Other comprehensive income (loss), before tax:				
Foreign exchange translation	(6 )	(24 )	(51 )	(1 )
Cash flow hedges and interest rate locks	(6 )	(6 )	(10 )	—
Unrealized gains (losses) on investments, and other, net	—	—	(2 )	—
Pension and other employee benefit plans, net:				
Amortization of prior service cost (credit) included in net periodic cost	2	3	3	4
Amortization of net actuarial loss included in net income	293	239	587	479
Pension and other employee benefit plans, net	295	242	590	483
Other comprehensive income (loss), before tax	283	212	527	482
Income tax (expense) benefit related to items of other comprehensive income (loss)	(101 )	(83 )	(203 )	(169 )
Other comprehensive income (loss), net of tax	182	129	324	313
Total comprehensive income	675	599	1,311	1,235
Less: Comprehensive income (loss) attributable to noncontrolling interests in subsidiaries	5	(1 )	11	3
Comprehensive income attributable to Raytheon Company	\$670	\$600	\$1,300	\$1,232

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



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CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

Six months ended June 30, 2013 and July 1, 2012 (in millions)	Common stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total Raytheon Company stockholders' equity	Noncontrolling interests in subsidiaries	Total equity
Balance at December 31, 2012	\$3	\$2,928	\$ (7,788 )	\$12,883	\$ 8,026	\$ 164	\$8,190
Net income				976	976	11	987
Other comprehensive income (loss), net of tax			324		324		324
Dividends declared				(356 )	(356 )		(356 )
Distributions and other activity related to noncontrolling interests					—	(6 )	(6 )
Common stock plans activity		94			94		94
Share repurchases		(496 )			(496 )		(496 )
Balance at June 30, 2013	\$3	\$2,526	\$ (7,464 )	\$13,503	\$ 8,568	\$ 169	\$8,737
Balance at December 31, 2011	\$3	\$3,523	\$ (7,001 )	\$11,656	\$ 8,181	\$ 159	\$8,340
Net income				919	919	3	922
Other comprehensive income (loss), net of tax			313		313		313
Dividends declared				(333 )	(333 )		(333 )
Distributions and other activity related to noncontrolling interests					—	(4 )	(4 )
Common stock plans activity		187			187		187
Share repurchases		(626 )			(626 )		(626 )
Balance at July 1, 2012	\$3	\$3,084	\$ (6,688 )	\$12,242	\$ 8,641	\$ 158	\$8,799

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In millions)	Six Months Ended	
	Jun 30, 2013	Jul 1, 2012
Cash flows from operating activities		
Net income	\$987	\$922
(Income) loss from discontinued operations, net of tax	2	3
Income from continuing operations	989	925
Adjustments to reconcile to net cash provided by (used in) operating activities from continuing operations, net of the effect of acquisitions and divestitures		
Depreciation and amortization	221	228
Stock-based compensation	64	56
Deferred income taxes	(78 )	66
Tax benefit from stock-based awards	(10 )	(10 )
Changes in assets and liabilities		