

L 3 COMMUNICATIONS CORP

Form 10-Q

November 02, 2010

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

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

For the quarterly period ended September 24, 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)

13-3937434 and 13-3937436
(I.R.S. Employer
Identification Nos.)

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

10016
(Zip Code)

(212) 697-1111
(Registrant's telephone number, including area code)

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

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.

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

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Act). Yes No

There were 113,186,391 shares of L-3 Communications Holdings, Inc. common stock with a par value of \$0.01 outstanding as of the close of business on October 27, 2010.

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

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For the quarterly period ended September 24, 2010**

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AND L-3 COMMUNICATIONS CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except share data)**

	(Unaudited) September 24, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 650	\$ 1,016
Billed receivables, net of allowances of \$33 in 2010 and \$32 in 2009	1,265	1,149
Contracts in process	2,567	2,395
Inventories	321	258
Deferred income taxes	152	247
Other current assets	140	123
Total current assets	5,095	5,188
Property, plant and equipment, net	884	854
Goodwill	8,690	8,190
Identifiable intangible assets	462	377
Deferred debt issue costs	42	47
Other assets	209	194
Total assets	\$ 15,382	\$ 14,850
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 693	\$
Accounts payable, trade	469	447
Accrued employment costs	707	642
Accrued expenses	550	537
Advance payments and billings in excess of costs incurred	524	512
Income taxes	6	10
Other current liabilities	362	371
Total current liabilities	3,311	2,519
Pension and postretirement benefits	780	817

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Deferred income taxes	351	272
Other liabilities	501	470
Long-term debt	3,439	4,112
Total liabilities	8,382	8,190
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, 113,116,182 shares outstanding at September 24, 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)	4,705	4,449
L-3 Communications Holdings, Inc.'s treasury stock (at cost), 26,936,736 shares at September 24, 2010 and 21,040,541 shares at December 31, 2009	(2,293)	(1,824)
Retained earnings	4,654	4,108
Accumulated other comprehensive loss	(156)	(166)
Total L-3 shareholders' equity	6,910	6,567
Noncontrolling interests	90	93
Total equity	7,000	6,660
Total liabilities and equity	\$ 15,382	\$ 14,850

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)

	Third Quarter Ended	
	September 24, 2010	September 25, 2009
Net sales:		
Products	\$ 1,769	\$ 1,810
Services	2,066	2,032
 Total net sales	 3,835	 3,842
Cost of sales:		
Products	1,540	1,586
Services	1,858	1,838
 Total cost of sales	 3,398	 3,424
 Operating income	 437	 418
Interest and other income, net	3	3
Interest expense	64	68
Debt retirement charge	5	
 Income before income taxes	 371	 353
Provision for income taxes	130	100
 Net income	 \$ 241	 \$ 253
Less: Net income attributable to noncontrolling interests	3	3
 Net income attributable to L-3	 \$ 238	 \$ 250
Less: Net income allocable to participating securities	1	2
 Net income allocable to L-3 Holdings common shareholders	 \$ 237	 \$ 248
 Earnings per share allocable to L-3 Holdings common shareholders:		
Basic	\$ 2.08	\$ 2.13
Diluted	\$ 2.07	\$ 2.12
 Cash dividends paid per common share	 \$ 0.40	 \$ 0.35
 L-3 Holdings weighted average common shares outstanding:		
Basic	114.0	116.4

Diluted

114.7

117.0

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)

	Year-to-Date Ended	
	September 24,	September 25,
	2010	2009
Net sales:		
Products	\$ 5,404	\$ 5,456
Services	6,021	5,951
Total net sales	11,425	11,407
Cost of sales:		
Products	4,702	4,842
Services	5,434	5,354
Total cost of sales	10,136	10,196
Operating income	1,289	1,211
Interest and other income, net	15	12
Interest expense	200	203
Debt retirement charge	18	
Income before income taxes	1,086	1,020
Provision for income taxes	392	339
Net income	\$ 694	\$ 681
Less: Net income attributable to noncontrolling interests	7	7
Net income attributable to L-3	\$ 687	\$ 674
Less: Net income allocable to participating securities	4	6
Net income allocable to L-3 Holdings common shareholders	\$ 683	\$ 668
Earnings per share allocable to L-3 Holdings common shareholders:		
Basic	\$ 5.93	\$ 5.70
Diluted	\$ 5.89	\$ 5.68
Cash dividends paid per common share	\$ 1.20	\$ 1.05
L-3 Holdings weighted average common shares outstanding:		
Basic	115.1	117.1

Diluted

116.0

117.6

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 EQUITY
(in millions, except per share data)**

	L-3 Holdings Common Stock		Additional Paid-in Treasury		Accumulated Other Comprehensive Income (Loss)			Noncontrolling Interests	Total Equity
	Shares Issued	Par Value	Capital	Stock	Retained Earnings	Income	Interests		
For the Year-to-Date ended September 24, 2010:									
Balance at December 31, 2009	115.4	\$ 1	\$ 4,448	\$ (1,824)	\$ 4,108	\$ (166)	\$ 93	\$ 6,660	
Comprehensive income:									
Net income					687		7	694	
Pension and postretirement benefit plans:									
Net gain arising during the period						3		3	
Amortization of net loss and prior service cost previously recognized, net of income taxes of \$12						19		19	
Foreign currency translation adjustment						(14)		(14)	
Unrealized gains on hedging instruments, net of income taxes of \$2						2		2	
Total comprehensive income								704	
Distributions to noncontrolling interests							(10)	(10)	
Cash dividends paid on common stock (\$1.20 per share)									