

L 3 COMMUNICATIONS HOLDINGS INC

Form 10-Q

August 04, 2009

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

FORM 10-Q

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

For the quarterly period ended June 26, 2009

**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

(Telephone number)

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. x Yes o 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).

x Yes o No

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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 Smaller reporting company
(Do not check if a smaller reporting company)

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

There were 116,576,254 shares of L-3 Communications Holdings, Inc. common stock with a par value of \$0.01 outstanding as of the close of business on July 31, 2009.

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

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For the quarterly period ended June 26, 2009**

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ITEM 1. FINANCIAL STATEMENTS****L-3 COMMUNICATIONS HOLDINGS, INC.
AND L-3 COMMUNICATIONS CORPORATION****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except share data)**

	June 26, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 897	\$ 867
Billed receivables, net of allowances, of \$35 in 2009 and \$26 in 2008	1,332	1,226
Contracts in process	2,402	2,267
Inventories	267	259
Deferred income taxes	211	211
Other current assets	124	131
Total current assets	5,233	4,961
Property, plant and equipment, net	830	821
Goodwill	8,127	8,029
Identifiable intangible assets	399	417
Deferred debt issue costs	38	44
Other assets	209	212
Total assets	\$ 14,836	\$ 14,484
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 650	\$
Accounts payable, trade	652	602
Accrued employment costs	654	700
Accrued expenses	518	479
Advance payments and billings in excess of costs incurred	482	530
Income taxes	56	45
Other current liabilities	347	351
Total current liabilities	3,359	2,707
Pension and postretirement benefits	833	802
Deferred income taxes	155	127

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Other liabilities	432	414
Long-term debt	3,854	4,493
Total liabilities	8,633	8,543
Commitments and contingencies (see Note 16)		
Equity:		
L-3 shareholders' equity:		
L-3 Communications Holdings, Inc.'s common stock: \$.01 par value; 300,000,000 shares authorized, 116,031,097 shares outstanding at June 26, 2009 and 118,633,746 shares outstanding at December 31, 2008 (L-3 Communications Corporation's common stock: \$.01 par value, 100 shares authorized, issued and outstanding)	4,286	4,136
L-3 Communications Holdings, Inc.'s treasury stock at cost, 18,352,663 shares at June 26, 2009 and 13,995,450 shares at December 31, 2008	(1,620)	(1,319)
Retained earnings	3,713	3,373
Accumulated other comprehensive loss	(268)	(332)
Total L-3 shareholders' equity	6,111	5,858
Noncontrolling interests	92	83
Total equity	6,203	5,941
Total liabilities and equity	\$ 14,836	\$ 14,484

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)

	Second Quarter Ended	
	June 26, 2009	June 27, 2008
Net sales:		
Products	\$ 1,884	\$ 1,765
Services	2,045	1,957
Total net sales	3,929	3,722
Cost of sales:		
Products	1,690	1,598
Services	1,822	1,749
Total cost of sales	3,512	3,347
Litigation Gain		126
Operating income	417	501
Interest and other income, net	6	7
Interest expense	69	66
Income before income taxes	354	442
Provision for income taxes	127	164
Net income	\$ 227	\$ 278
Less: Net income attributable to noncontrolling interests	2	3
Net income attributable to L-3	\$ 225	\$ 275
Less: Net income allocable to participating securities	2	2
Net income allocable to L-3 Communications Holdings, Inc.'s common shareholders	\$ 223	\$ 273
L-3 Communications Holdings, Inc.'s earnings per common share:		
Basic	\$ 1.91	\$ 2.24
Diluted	\$ 1.90	\$ 2.21
L-3 Communications Holdings, Inc.'s weighted average common shares outstanding:		
Basic	116.5	122.0

Diluted

117.2

123.5

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)

	First Half Ended	
	June 26, 2009	June 27, 2008
Net sales:		
Products	\$ 3,646	\$ 3,368
Services	3,919	3,860
Total net sales	7,565	7,228
Cost of sales:		
Products	3,256	3,027
Services	3,516	3,458
Total cost of sales	6,772	6,485
Litigation Gain		126
Operating income	793	869
Interest and other income, net	9	15
Interest expense	135	142
Income before income taxes	667	742
Provision for income taxes	239	272
Net income	\$ 428	\$ 470
Less: Net income attributable to noncontrolling interests	4	6
Net income attributable to L-3	\$ 424	\$ 464
Less: Net income allocable to participating securities	4	3
Net income allocable to L-3 Communications Holdings, Inc.'s common shareholders	\$ 420	\$ 461
L-3 Communications Holdings, Inc.'s earnings per common share:		
Basic	\$ 3.58	\$ 3.77
Diluted	\$ 3.56	\$ 3.72
L-3 Communications Holdings, Inc.'s weighted average common shares outstanding:		
Basic	117.4	122.3
Diluted	118.0	123.8

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 Communications Holdings, Inc. s				Accumulated				
	Common Stock		Additional Paid-in	Treasury Stock	Retained Earnings	Other Comprehensive (Loss)		Noncontrolling Interests	Total Equity
	Shares Issued	Par Value				Income	Interests		
	\$	\$	\$	\$	\$	\$	\$	\$	
For the first half ended June 26, 2009:									
Balance at December 31, 2008	118.6	\$ 1	\$ 4,135	\$ (1,319)	\$ 3,373	\$ (332)	\$ 83	\$ 5,941	
Comprehensive income:									
Net income					424		4	428	
Pension and postretirement benefit plans:									
Amortization of net loss and prior service cost, net of income taxes of \$10						15		15	
Unrealized loss on hedging instruments, net of income taxes of \$1						(1)		(1)	
Foreign currency translation adjustment						50		50	
Total comprehensive income								492	
Distributions to noncontrolling interests							(3)	(3)	
Cash dividends paid on common stock (\$0.35 per share)					(84)			(84)	
Recognition of non-controlling interest in consolidated subsidiary									