

L 3 COMMUNICATIONS CORP

Form 10-Q

May 05, 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 March 27, 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).

o Yes o 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. (Check one):

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 116,553,106 shares of L-3 Communications Holdings, Inc. common stock with a par value of \$0.01 outstanding as of the close of business on April 30, 2009.

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

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For the quarterly period ended March 27, 2009**

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

	March 27, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 638	\$ 867
Billed receivables, net of allowances of \$26 in 2009 and 2008	1,327	1,226
Contracts in process	2,424	2,267
Inventories	266	259
Deferred income taxes	210	211
Other current assets	138	131
Total current assets	5,003	4,961
Property, plant and equipment, net	825	821
Goodwill	8,076	8,029
Identifiable intangible assets	411	417
Deferred debt issue costs	41	44
Other assets	209	212
Total assets	\$ 14,565	\$ 14,484
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 650	\$
Accounts payable, trade	679	602
Accrued employment costs	608	700
Accrued expenses	541	479
Advance payments and billings in excess of costs incurred	503	530
Income taxes	96	45
Other current liabilities	341	351
Total current liabilities	3,418	2,707
Pension and postretirement benefits	826	802
Deferred income taxes	135	127
Other liabilities	424	414

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Long-term debt	3,849	4,493
Total liabilities	8,652	8,543
Commitments and contingencies (see Note 16)		
Equity:		
L-3 Holdings shareholders equity:		
L-3 Holdings common stock: \$.01 par value; 300,000,000 shares authorized, 116,343,766 shares outstanding at March 27, 2009 and 118,633,746 shares outstanding at December 31, 2008 (L-3 Communications common stock: \$.01 par value, 100 shares authorized, issued and outstanding)	4,187	4,136
L-3 Holdings treasury stock at cost, 17,381,432 shares at March 27, 2009 and 13,995,450 shares at December 31, 2008	(1,551)	(1,319)
Retained earnings	3,530	3,373
Accumulated other comprehensive loss	(337)	(332)
Total L-3 Holdings shareholders equity	5,829	5,858
Noncontrolling interests	84	83
Total equity	5,913	5,941
Total liabilities and equity	\$ 14,565	\$ 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)

	First Quarter Ended	
	March 27, 2009	March 28, 2008
Net sales:		
Products	\$ 1,762	\$ 1,603
Services	1,874	1,903
Total net sales	3,636	3,506
Cost of sales:		
Products	1,566	1,428
Services	1,694	1,710
Total cost of sales	3,260	3,138
Operating income	376	368
Interest and other income, net	3	8
Interest expense	66	76
Income before income taxes	313	300
Provision for income taxes	112	108
Net income	\$ 201	\$ 192
Less: Net income attributable to noncontrolling interests	2	3
Net income attributable to L-3 Holdings	\$ 199	\$ 189
Less: Net income allocable to participating securities	2	1
Net income allocable to L-3 Holdings common shareholders	\$ 197	\$ 188
L-3 Holdings earnings per common share:		
Basic	\$ 1.66	\$ 1.53
Diluted	\$ 1.66	\$ 1.51
L-3 Holdings weighted average common shares outstanding:		
Basic	118.4	122.6
Diluted	118.8	124.1

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		Noncontrolling Interests	Total Equity
	Shares Issued	Par Value	Capital		Stock	Earnings		(Loss)		
For the quarter ended March 27, 2009:										
Balance at December 31, 2008	118.6	\$ 1	\$ 4,135		\$ (1,319)	\$ 3,373	\$ (332)		\$ 83	\$ 5,941
Comprehensive income:										
Net income						199			2	201
Pension and postretirement benefit plans:										
Amortization of net loss, net of income taxes of \$5								8		8
Foreign currency translation adjustment								(13)		(13)
Total comprehensive income										196
Distributions to noncontrolling interests									(1)	(1)
Cash dividends paid on common stock (\$0.35 per share)						(42)				(42)
Shares issued:										
Employee savings plans	0.5		32							32
Exercise of stock options			2							2
Employee stock purchase plan	0.6									
Stock-based compensation expense			17							17
Treasury stock purchased	(3.4)				(232)					(232)
Balance at March 27, 2009	116.3	\$ 1	\$ 4,186		\$ (1,551)	\$ 3,530	\$ (337)		\$ 84	\$ 5,913
For the quarter ended March 28, 2008:										
	124.2	\$ 1	\$ 3,816		\$ (525)	\$ 2,582	\$ 153		\$ 87	\$ 6,114

Balance at December 31,
2007

Comprehensive income:

Net income	189	3	192
Pension and postretirement benefit plans:			
Amortization of net loss, net of income taxes of \$1		1	1
Unrealized gain on hedging instruments, net of income taxes of \$1		1	1