

L 3 COMMUNICATIONS HOLDINGS INC  
Form 10-Q  
April 27, 2016  
Table of Contents

**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 25, 2016**

**.. 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)**

<b>Delaware</b> <b>(State or other jurisdiction of</b>	<b>13-3937434 and 13-3937436</b> <b>(I.R.S. Employer</b>
<b>incorporation or organization)</b>	<b>Identification Nos.)</b>
<b>600 Third Avenue, New York, NY</b> <b>(Address of principal executive offices)</b>	<b>10016</b> <b>(Zip Code)</b>
<b>(212) 697-1111</b>	

**(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 registrant, L-3 Communications Holdings, Inc., is a large accelerated filer, accelerated filer, 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. (Check one):

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

Indicate by check mark whether the registrant, L-3 Communications Corporation, Inc., is a large accelerated filer, accelerated filer, 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. (Check one):

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

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

There were 76,952,735 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 22, 2016.

**Table of Contents**

**L-3 COMMUNICATIONS HOLDINGS, INC.  
AND L-3 COMMUNICATIONS CORPORATION  
INDEX TO QUARTERLY REPORT ON FORM 10-Q  
For the quarterly period ended March 25, 2016**

		<b>Page No.</b>
<b>PART I FINANCIAL INFORMATION</b>		
ITEM 1.	<u>Financial Statements</u>	
	<u>Condensed Consolidated Balance Sheets as of March 25, 2016 (Unaudited) and December 31, 2015</u>	1
	<u>Unaudited Condensed Consolidated Statements of Operations for the Quarterly periods ended March 25, 2016 and March 27, 2015</u>	2
	<u>Unaudited Condensed Consolidated Statements of Comprehensive Income for the Quarterly periods ended March 25, 2016 and March 27, 2015</u>	3
	<u>Unaudited Condensed Consolidated Statements of Equity for the Quarterly periods ended March 25, 2016 and March 27, 2015</u>	4
	<u>Unaudited Condensed Consolidated Statements of Cash Flows for the Quarterly periods ended March 25, 2016 and March 27, 2015</u>	5
	<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	6
ITEM 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	35
ITEM 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	51
ITEM 4.	<u>Controls and Procedures</u>	51
<b>PART II OTHER INFORMATION</b>		
ITEM 1.	<u>Legal Proceedings</u>	52
ITEM 1A.	<u>Risk Factors</u>	52
ITEM 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	53
ITEM 6.	<u>Exhibits</u>	53
	<u>Signature</u>	54

**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****L-3 COMMUNICATIONS HOLDINGS, INC.****AND L-3 COMMUNICATIONS CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS****(in millions, except share data)**

	<b>(Unaudited)</b> <b>March 25,</b> <b>2016</b>	<b>December 31,</b> <b>2015</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 534	\$ 207
Billed receivables, net of allowances of \$13 in 2016 and \$15 in 2015	779	746
Contracts in process	2,226	2,081
Inventories	351	333
Other current assets	173	201
Assets of discontinued operations		664
<b>Total current assets</b>	<b>4,063</b>	<b>4,232</b>
Property, plant and equipment, net	1,085	1,097
Goodwill	6,306	6,281
Identifiable intangible assets	195	199
Deferred income taxes	4	3
Other assets	258	255
<b>Total assets</b>	<b>\$ 11,911</b>	<b>\$ 12,067</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ 499	\$ 499
Accounts payable, trade	407	297
Accrued employment costs	466	504
Accrued expenses	406	390
Advance payments and billings in excess of costs incurred	495	562
Income taxes	3	13
Other current liabilities	403	394
Liabilities of discontinued operations		220
<b>Total current liabilities</b>	<b>2,679</b>	<b>2,879</b>

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Pension and postretirement benefits	1,045	1,047
Deferred income taxes	238	219
Other liabilities	371	368
Long-term debt	3,127	3,125
<b>Total liabilities</b>	<b>7,460</b>	<b>7,638</b>
Commitments and contingencies (see Note 18)		
Equity:		
L-3 shareholders' equity:		
L-3 Communications Holdings, Inc.'s common stock: \$.01 par value; 300,000,000 shares authorized, 77,340,520 shares outstanding at March 25, 2016 and 78,133,763 shares outstanding at December 31, 2015 (L-3 Communications Corporation's common stock: \$.01 par value, 100 shares authorized, issued and outstanding)	6,084	6,052
L-3 Communications Holdings, Inc.'s treasury stock (at cost), 81,083,248 shares at March 25, 2016 and 79,375,063 shares at December 31, 2015	(7,049)	(6,851)
Retained earnings	5,901	5,728
Accumulated other comprehensive loss	(558)	(574)
<b>Total L-3 shareholders' equity</b>	<b>4,378</b>	<b>4,355</b>
Noncontrolling interests	73	74
<b>Total equity</b>	<b>4,451</b>	<b>4,429</b>
<b>Total liabilities and equity</b>	<b>\$ 11,911</b>	<b>\$ 12,067</b>

See notes to unaudited condensed consolidated financial statements.

Table of Contents

**L-3 COMMUNICATIONS HOLDINGS, INC.**  
**AND L-3 COMMUNICATIONS CORPORATION**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in millions, except per share data)

	<b>First Quarter Ended</b>	
	<b>March 25, 2016</b>	<b>March 27, 2015</b>
Net sales:		
Products	\$ 1,423	\$ 1,538
Services	930	950
Total net sales	2,353	2,488
Cost of sales:		
Products	(1,266)	(1,382)
Services	(835)	(897)
Total cost of sales	(2,101)	(2,279)
Loss related to business divestiture		(22)
Operating income	252	187
Interest expense	(41)	(39)
Interest and other income, net	4	3
Income from continuing operations before income taxes	215	151
Provision for income taxes	(48)	(46)
Income from continuing operations	167	105
Income from discontinued operations, net of income taxes	63	4
Net income	230	109
Net income from continuing operations attributable to noncontrolling interests	(3)	(4)
Net income attributable to L-3	\$ 227	\$ 105
Basic earnings per share attributable to L-3 Holdings common shareholders:		
Continuing operations	\$ 2.11	\$ 1.23
Discontinued operations	0.81	0.05
Basic earnings per share	\$ 2.92	\$ 1.28

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Diluted earnings per share attributable to L-3 Holdings common shareholders:

Continuing operations	\$ 2.08	\$ 1.20
Discontinued operations	0.79	0.05
Diluted earnings per share	\$ 2.87	\$ 1.25
Cash dividends declared per common share	\$ 0.70	\$ 0.65
L-3 Holdings weighted average common shares outstanding:		
Basic	77.8	82.3
Diluted	79.0	83.8

See notes to unaudited condensed consolidated financial statements.

**Table of Contents**

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(in millions)

	<b>First Quarter Ended</b>	
	<b>March 25, 2016</b>	<b>March 27, 2015</b>
Net income	\$ 230	\$ 109
Other comprehensive income (loss):		
Foreign currency translation adjustments	1	(87)
Unrealized gains (losses) on hedging instruments <sup>(1)</sup>	7	(3)
Pension and postretirement benefit plans:		
Amortization of net loss and prior service cost previously recognized <sup>(2)</sup>	8	11
Total other comprehensive income (loss)	16	(79)
Comprehensive income	246	30
Comprehensive income attributable to noncontrolling interests	(3)	(4)
Comprehensive income attributable to L-3	\$ 243	\$ 26

<sup>(1)</sup> Net of income taxes of \$3 million for the quarterly period ended March 25, 2016.

<sup>(2)</sup> Net of income taxes of \$4 million and \$6 million for the quarterly periods ended March 25, 2016 and March 27, 2015, respectively.

See notes to unaudited condensed consolidated financial statements.



Table of Contents

**L-3 COMMUNICATIONS HOLDINGS, INC.**  
**AND L-3 COMMUNICATIONS CORPORATION**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**

(in millions, except per share data)

	<b>L-3 Holdings Common Stock</b>		<b>Additional Paid-in Capital</b>		<b>Treasury Stock</b>	<b>Accumulated Other Comprehensive Income</b>		<b>Noncontrolling Interests</b>	<b>Total Equity</b>
	<b>Shares Outstanding</b>	<b>Par Value</b>				<b>Retained Earnings</b>			
<b>For the Quarter Ended March 25, 2016:</b>									
Balance at December 31, 2015	78.1	\$ 1	\$ 6,051		\$ (6,851)	\$ 5,728	\$ (574)	\$ 74	\$ 4,429
Net income						227		3	230
Other comprehensive income							16		16
Distributions to noncontrolling interests								(4)	(4)
Cash dividends declared on common stock (\$0.70 per share)						(54)			(54)
Shares issued:									
Employee savings plans	0.3		32						32
Exercise of stock options	0.2		14						14
Employee stock purchase plan	0.1								
Vesting of restricted stock and performance units	0.5								
Employee restricted stock units surrendered in lieu of income tax withholding	(0.2)		(20)						(20)
Stock-based compensation expense			6						6
Treasury stock purchased	(1.7)				(198)				(198)
Balance at March 25, 2016	77.3	\$ 1	\$ 6,083		\$ (7,049)	\$ 5,901	\$ (558)	\$ 73	\$ 4,451
<b>For the Quarter Ended March 27, 2015:</b>									
Balance at December 31, 2014	82.0	\$ 1	\$ 5,798		\$ (6,111)	\$ 6,181	\$ (584)	\$	