

GENERAL DYNAMICS CORP
Form 10-Q
August 05, 2008
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 29, 2008

OR

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

Commission File Number 1-3671

GENERAL DYNAMICS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
State or other jurisdiction of
incorporation or organization

13-1673581
I.R.S. Employer
Identification No.

2941 Fairview Park Drive Suite 100

Falls Church, Virginia
Address of principal executive offices

22042-4513
Zip code

(703) 876-3000
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 and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ 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 ☐ Accelerated Filer ☐ Non-Accelerated Filer ☐ 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 ☒

397,260,758 shares of the registrant's common stock, \$1 par value per share, were outstanding at July 27, 2008.

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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS****CONSOLIDATED BALANCE SHEET**

	(Unaudited) June 29 2008	December 31 2007
(Dollars in millions)		
ASSETS		
Current assets:		
Cash and equivalents	\$ 2,740	\$ 2,891
Accounts receivable	2,962	2,874
Contracts in process	4,505	4,337
Inventories	1,672	1,621
Other current assets	569	575
Total current assets	12,448	12,298
Noncurrent assets:		
Property, plant and equipment, net	2,546	2,472
Intangible assets, net	920	972
Goodwill	8,986	8,942
Other assets	1,189	1,049
Total noncurrent assets	13,641	13,435
Total assets	\$ 26,089	\$ 25,733
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt and current portion of long-term debt	\$ 172	\$ 673
Accounts payable	2,115	2,318
Customer advances and deposits	3,776	3,440
Other current liabilities	2,643	2,733
Total current liabilities	8,706	9,164
Noncurrent liabilities:		
Long-term debt	2,117	2,118
Other liabilities	3,082	2,683
Commitments and contingencies (See Note J)		
Total noncurrent liabilities	5,199	4,801
Shareholders' equity:		
Common stock	482	482
Surplus	1,255	1,141
Retained earnings	12,313	11,379
Treasury stock	(2,545)	(1,881)
Accumulated other comprehensive income	679	647
Total shareholders' equity	12,184	11,768
Total liabilities and shareholders' equity	\$ 26,089	\$ 25,733

The accompanying Notes to Unaudited Consolidated Financial Statements are an integral part of this statement.

Table of Contents**CONSOLIDATED STATEMENT OF EARNINGS****(UNAUDITED)**

	Three Months Ended	
	June 29	July 1
	2008	2007
(Dollars in millions, except per share amounts)		
Net sales:		
Products	\$ 5,104	\$ 4,500
Services	2,199	2,091
	7,303	6,591
Operating costs and expenses:		
Products	4,404	3,959
Services	1,978	1,872
	6,382	5,831
Operating earnings	921	760
Interest, net	(12)	(21)
Other, net		1
Earnings from continuing operations before income taxes	909	740
Provision for income taxes, net	268	222
Earnings from continuing operations	641	518
Discontinued operations, net of tax		(5)
Net earnings	\$ 641	\$ 513
Earnings per share		
Basic:		
Continuing operations	\$ 1.61	\$ 1.28
Discontinued operations		(0.01)
Net earnings	\$ 1.61	\$ 1.27
Diluted:		
Continuing operations	\$ 1.60	\$ 1.27
Discontinued operations		(0.01)
Net earnings	\$ 1.60	\$ 1.26
Supplemental information:		
General and administrative expenses included in operating costs and expenses	\$ 451	\$ 417
Dividends per share	\$ 0.35	\$ 0.29

The accompanying Notes to Unaudited Consolidated Financial Statements are an integral part of this statement.

Table of Contents**CONSOLIDATED STATEMENT OF EARNINGS****(UNAUDITED)**

	Six Months Ended	
	June 29	July 1
	2008	2007
(Dollars in millions, except per share amounts)		
Net sales:		
Products	\$ 9,964	\$ 8,841
Services	4,344	4,050
	14,308	12,891
Operating costs and expenses:		
Products	8,614	7,805
Services	3,912	3,645
	12,526	11,450
Operating earnings	1,782	1,441
Interest, net	(31)	(47)
Other, net	3	2
Earnings from continuing operations before income taxes	1,754	1,396
Provision for income taxes, net	540	438
Earnings from continuing operations	1,214	958
Discontinued operations, net of tax	(1)	(11)
Net earnings	\$ 1,213	\$ 947
Earnings per share		
Basic:		
Continuing operations	\$ 3.04	\$ 2.36
Discontinued operations		(0.03)
Net earnings	\$ 3.04	\$ 2.33
Diluted:		
Continuing operations	\$ 3.01	\$ 2.34
Discontinued operations		(0.03)
Net earnings	\$ 3.01	\$ 2.31
Supplemental information:		
General and administrative expenses included in operating costs and expenses	\$ 881	\$ 810
Dividends per share	\$ 0.70	\$ 0.58

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	Six Months Ended	
	June 29	July 1
(Dollars in millions)	2008	2007
Cash flows from operating activities:		
Net earnings	\$ 1,213	\$ 947
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation of property, plant and equipment	146	132
Amortization of intangible assets	67	75
Stock-based compensation expense	50	41
Excess tax benefit from stock-based compensation	(24)	(26)
Deferred income tax provision	26	53
Discontinued operations, net of tax	1	11
(Increase) decrease in assets, net of effects of business acquisitions		
Accounts receivable	(83)	(186)
Contracts in process	(163)	(188)
Inventories	(73)	(100)
Increase (decrease) in liabilities, net of effects of business acquisitions		
Accounts payable	(207)	(159)
Customer advances and deposits	548	417
Other current liabilities	(27)	(54)
Other, net	(18)	(36)
Net cash provided by operating activities from continuing operations	1,456	927
Net cash used by discontinued operations - operating activities	(5)	(8)
Net cash provided by operating activities	1,451	919
Cash flows from investing activities:		
Purchases of available-for-sale securities	(1,247)	(48)
Sales/maturities of available-for-sale securities	1,186	42
Capital expenditures	(200)	(166)
Business acquisitions, net of cash acquired	(66)	(299)
Proceeds from sale of assets, net	30	93
Other, net		