

# TEXTRON INC

## FORM 10-Q (Quarterly Report)

Filed 11/12/96 for the Period Ending 09/28/96

Address	40 WESTMINSTER ST PROVIDENCE, RI 02903
Telephone	4014212800
CIK	0000217346
Symbol	TXT
SIC Code	6162 - Mortgage Bankers and Loan Correspondents
Fiscal Year	01/02

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## FORM 10-Q (Quarterly Report)

Filed 11/12/1996 For Period Ending 9/28/1996

Address	40 WESTMINSTER ST PROVIDENCE, Rhode Island 02903
Telephone	401-421-2800
CIK	0000217346
Industry	Conglomerates
Sector	Conglomerates
Fiscal Year	12/31

# SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

## FORM 10-Q

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

For the fiscal quarter ended September 28, 1996

OR

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

Commission file number 1-5480

## TEXTRON INC.

(Exact name of registrant as specified in its charter)

Delaware 05-0315468  
(State or other jurisdiction of (I.R.S. Employer Identification  
incorporation or organization) No.)

40 Westminster Street, Providence, RI 02903  
401-421-2800

(Address and telephone number of principal executive offices)

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 (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Common stock outstanding at October 26, 1996 - 82,686,000 shares

### Item 1. FINANCIAL STATEMENTS

#### TEXTRON INC.

Consolidated Statement of Income (unaudited)  
(Dollars in millions except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 28, 1996	September 30, 1995	September 28, 1996	September 30, 1995
Revenues				
Manufacturing sales	\$ 1,722	\$ 1,558	\$ 5,289	\$ 4,763
Finance revenues	526	499	1,557	1,461
Total revenues	2,248	2,057	6,846	6,224
Costs and expenses				
Cost of sales	1,395	1,276	4,308	3,905
Selling and administrative	335	310	1,008	918
Interest	183	197	549	608
Provision for losses on collection of finance receivables, less recoveries	59	42	166	120
Other	69	59	208	166
Total costs and expenses	2,041	1,884	6,239	5,717

Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	207	173	607	507
Income taxes	(81)	(69)	(237)	(201)
Distributions on preferred securities of subsidiary trust, net of income taxes	(6)	-	(16)	-
Income from continuing operations	120	104	354	306
Discontinued operation, net of income taxes:				
Income from operations	-	18	16	46
Estimated loss on disposal	(155)	-	(245)	-
	(155)	18	(229)	46
Net income (loss)	\$ (35)	\$ 122	\$ 125	\$ 352
Per common share:				
Income from continuing operations	\$ 1.40	\$ 1.20	\$ 4.10	\$ 3.52
Discontinued operation	(1.81)	.21	(2.65)	.53
Net income (loss)	\$ (.41)	\$ 1.41	\$ 1.45	\$ 4.05
Average shares outstanding*	85,790,000	86,692,000	86,296,000	86,857,000
Dividends per share:				
\$2.08 Preferred stock, Series A	\$ .52	\$ .52	\$1.56	\$1.56
\$1.40 Preferred stock, Series B	\$ .35	\$ .35	\$1.05	\$1.05
Common stock	\$ .44	\$ .39	\$1.32	\$1.17

\* Average shares outstanding assume full conversion of preferred stock and exercise of options. See notes to consolidated financial statements.

## Item 1. FINANCIAL STATEMENTS (Continued)

### TEXTRON INC. Consolidated Balance Sheet (unaudited)

(In millions)	September 28, 1996	December 30, 1995
<b>Assets</b>		
Cash	\$ 169	\$ 84
Investments	789	778
Receivables - net:		
Finance	9,510	9,362
Commercial and U.S. Government	859	777
	10,369	10,139
Inventories	1,303	1,284
Property, plant and equipment, less accumulated depreciation of \$1,633 and \$1,585	1,473	1,373
Goodwill, less accumulated amortization of \$390 and \$347	1,590	1,491
Investment in discontinued operation, less estimated net loss on disposal in 1996	799	1,161
Other (including net prepaid income taxes)	1,543	1,384
<b>Total assets</b>	<b>\$ 18,035</b>	<b>\$ 17,694</b>
<b>Liabilities and shareholders' equity</b>		
<b>Liabilities</b>		
Accounts payable	\$ 759	\$ 684
Accrued postretirement benefits other than pensions	827	919
Other accrued liabilities (including income taxes)	2,660	2,468
<b>Debt:</b>		
Textron Parent Company Borrowing Group	1,704	1,774
Finance subsidiaries	8,515	8,437
	10,219	10,211
<b>Total liabilities</b>	<b>14,465</b>	<b>14,282</b>
Textron-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely Textron junior subordinated debt securities	483	-
<b>Shareholders' equity</b>		
<b>Capital stock:</b>		
Preferred stock	14	15
Common stock*	12	12
Capital surplus	776	750
Retained earnings	2,878	2,864
Other (primarily currency translation and securities valuation adjustments)	(8)	129
	3,672	3,770
Less cost of treasury shares	585	358
<b>Total shareholders' equity</b>	<b>3,087</b>	<b>3,412</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 18,035</b>	<b>\$ 17,694</b>
 *Common shares outstanding	 82,825,000	 84,935,000

See notes to consolidated financial statements.

## Item 1. FINANCIAL STATEMENTS (Continued)

TEXTRON INC.  
Consolidated Statement of Cash Flows (unaudited)  
(In millions)

	Nine Months Ended	
	September 28, 1996	September 30, 1995
Cash flows from operating activities:		
Income from continuing operations	\$ 354	\$ 306
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	286	252
Provision for losses on receivables	168	125
Changes in assets and liabilities excluding those related to acquisitions and divestitures:		
Increase in commercial and U.S. Government receivables	(8)	(89)
Increase in inventories	(150)	(32)
Increase (decrease) in other assets	(105)	68
Increase (decrease) in accounts payable	(16)	7
Increase (decrease) in accrued liabilities	176	(88)
Other - net	(83)	54
Cash provided by operating activities of continuing operations	622	603
Cash provided by operating activities of discontinued operation	382	334
Net cash provided by operating activities	1,004	937
Cash flows from investing activities:		
Purchases of investments	(204)	(155)
Proceeds from disposition of investments	143	61
Maturities and calls of investments	41	43
Finance receivables:		
Originated or purchased	(4,874)	(4,703)
Repaid or sold	4,657	4,199
Cash used in acquisitions	(172)	(40)
Proceeds from sale of business	180	-
Capital expenditures	(215)	(195)
Other investing activities - net	(25)	15
Cash used by investing activities of continuing operations	(469)	(775)
Cash used by investing activities of discontinued operation	(405)	(355)
Net cash used by investing activities	(874)	(1,130)
Cash flows from financing activities:		
Increase (decrease) in short-term debt	230	(46)
Proceeds from issuance of long-term debt	1,222	2,347
Principal payments on long-term debt	(1,648)	(1,917)
Issuance of Textron-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely Textron junior subordinated debt securities	483	-
Proceeds from exercise of stock options	29	32
Purchases of Textron common stock	(239)	(93)
Purchases of Textron common stock from Paul Revere	(34)	(22)
Dividends paid	(111)	(100)
Cash provided (used) by financing activities of continuing operations	(68)	201
Cash provided by financing activities of discontinued operation	8	21
Net cash provided (used) by financing activities	(60)	222
Net increase in cash	70	29
Elimination of cash flow of discontinued operation	15	-
Cash at beginning of period	84	49
Cash at end of period	\$ 169	\$ 78

See notes to consolidated financial statements.

**TEXTRON INC.**

**Notes to Consolidated Financial Statements (unaudited)**

**Note 1: Basis of presentation**

The financial statements should be read in conjunction with the financial statements included in Textron's Annual Report on Form 10-K for the year ended December 30, 1995 and Current Report on Form 8-K/A dated May 17, 1996. The financial statements reflect all adjustments (consisting only of normal recurring adjustments, and the recording of the estimated loss on disposal of Paul Revere) which are, in the opinion of management, necessary for a fair presentation of Textron's consolidated financial position at September 28, 1996, and its consolidated results of operations for each of the respective three and nine month periods ended September 28, 1996 and September 30, 1995 and consolidated cash flows for each of the nine month periods ended September 28, 1996 and September 30, 1995. The results of operations for the nine months ended September 28, 1996 are not necessarily indicative of results for the full year. Textron has restated its financial statements for prior periods as presented herein to treat Paul Revere, an 83.3% owned subsidiary, as a discontinued operation.

**Discontinued operation**

On April 29, 1996, Textron announced that The Paul Revere Corporation, an 83.3% owned subsidiary, had entered into an agreement with

Provident Companies, Inc. whereby Provident will acquire all of the outstanding shares of Paul Revere's common stock. For its Paul Revere shares, Textron would receive approximately \$20 per share in cash and \$6 per share in Provident common stock. (The number of shares of Provident common stock to be received will be determined in accordance with an exchange ratio based upon closing prices of Provident common stock prior to the closing of the transaction, subject to certain limitations.)

On November 6, 1996, Textron announced certain modifications to this agreement. Based on the \$41 5/8 closing price of Provident's stock on November 8, 1996, Textron would own approximately 5.9 million of Provident shares had the closing occurred on that date. Under the revised agreement, Textron agreed to provide additional capital to Paul Revere, the amount of which will depend upon a final determination of the required levels of Paul Revere's statutory reserves, subject to certain limits. Textron also agreed to grant certain other concessions to Provident.

As a result of the revised agreement, Textron recorded in its financial statements an additional loss from discontinued operation in the third quarter of 1996 of \$155 million. The total loss of \$245 million for the nine months ended September 28, 1996 is net of Textron's share of Paul Revere's estimated net loss for the period April 1996 through the expected closing date (approximately \$165 million).

The transaction remains subject to the regulatory review process relating to the joint proxy/prospectus being prepared for the required vote of the shareholders of Provident and Paul Revere, and remains subject to the approval of the Commonwealth of Massachusetts Division of Insurance. The transaction is targeted to close early in the first quarter of 1997.

Paul Revere's revenues for the three month periods ended September 30, 1996 and September 30, 1995 were \$398 million and \$368 million, respectively, and for the nine month periods ended on those dates were \$1.2 billion and \$1.1 billion, respectively.

## Note 2: Inventories

	September 28, 1996	December 30, 1995
	(In millions)	
Finished goods	\$ 371	\$ 352
Work in process	825	911
Raw materials	273	217
	1,469	1,480
Less progress payments and customer deposits	166	196
	\$1,303	\$1,284

## Note 3: Textron-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely Textron junior subordinated debt securities

On February 9, 1996, a trust sponsored and wholly-owned by Textron issued preferred securities to the public (for \$500 million) and shares of its common securities to Textron (for \$15.5 million), the proceeds of which were invested by the trust in \$515.5 million aggregate principal amount of Textron's newly issued 7.92% Junior Subordinated Deferrable Interest Debentures, due 2045. The debentures are the sole asset of the trust. The amounts due to the trust under the debentures and the related income statement amounts have been eliminated in Textron's consolidated financial statements.

The preferred securities accrue and pay cash distributions quarterly at a rate of 7.92% per annum. Textron has guaranteed, on a subordinated basis, distributions and other payments due on the preferred securities. The guarantee, when taken together with Textron's obligations under the debentures and in the indenture pursuant to which the debentures were issued and Textron's obligations under the Amended and Restated Declaration of Trust governing the trust, provides a full and unconditional guarantee of amounts due on the preferred securities.

The preferred securities are mandatorily redeemable upon the maturity of the debentures on March 31, 2045, or earlier to the extent of any redemption by Textron of any debentures. The redemption price in either such case will be \$25 per share plus accrued and unpaid distributions to the date fixed for redemption.

## Note 4: Contingencies

There are pending or threatened against Textron and its subsidiaries lawsuits and other proceedings, some of which allege violations of federal government procurement regulations, involve environmental matters, or are or purport to be class actions. Among these suits and proceedings are some which seek compensatory, treble or punitive damages in substantial amounts; fines, penalties or restitution; or the remediation of allegedly hazardous wastes; or, which under federal government procurement regulations could result in suspension or debarment of Textron or its subsidiaries from U.S. Government contracting for a period of time. On the basis of information presently available, Textron believes that any liability for these suits and proceedings, or the impact of the application of such government regulations, would not have a material effect on Textron's net income or financial condition.

## Note 5: Financial information by borrowing group

Textron consists of two borrowing groups - the Textron Parent Company Borrowing Group (comprised of all entities of Textron other than its finance subsidiaries) and its finance subsidiaries.

**Item 1. FINANCIAL STATEMENTS (Continued)****Note 5: Financial information by borrowing group (continued) TEXTRON PARENT COMPANY BORROWING GROUP**  
(unaudited) (In millions)

Statement of Income	Three Months Ended		Nine Months Ended	
	September 28, 1996	September 30, 1995	September 28, 1996	September 30, 1995
Sales	\$1,722	\$1,558	\$5,289	\$4,763
Costs and expenses				
Cost of sales	1,395	1,276	4,308	3,905
Selling and administrative	182	159	548	474
Interest	36	46	111	148
Total costs and expenses	1,613	1,481	4,967	4,527
	109	77	322	236
Pretax income of finance subsidiaries	98	96	285	271
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust				
Income taxes	207	173	607	507
Distributions on preferred securities of subsidiary trust, net of income taxes	(81)	(69)	(237)	(201)
Income from continuing operations	(6)	-	(16)	-
Discontinued operation, net of income taxes:	120	104	354	306
Income from operations	-	18	16	46
Estimated loss on disposal	(155)	-	(245)	-
	(155)	18	(229)	46
Net income (loss)	\$ (35)	\$ 122	\$ 125	\$ 352

Balance Sheet	September 28, 1996	December 30, 1995
Assets		
Cash	\$ 127	\$ 56
Receivables - net	859	777
Inventories	1,303	1,284
Investments in finance subsidiaries	1,554	1,475
Property, plant and equipment - net	1,395	1,297
Goodwill, less accumulated amortization of \$267 and \$233	1,450	1,344
Investment in discontinued operation, less estimated net loss on disposal in 1996	799	1,161
Other (including net prepaid income taxes)	1,311	1,177
Total assets	\$8,798	\$8,571
Liabilities and shareholders' equity		
Accounts payable and accrued liabilities (including income taxes)	\$3,524	\$3,385
Debt	1,704	1,774
Textron-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely Textron junior subordinated debt securities	483	-
Shareholders' equity	3,087	3,412
Total liabilities and shareholders' equity	\$8,798	\$8,571

**Item 1. FINANCIAL STATEMENTS (Continued)****Note 5: Financial information by borrowing group (continued) TEXTRON PARENT COMPANY BORROWING GROUP**  
(unaudited) (In millions)

Statement of Cash Flows	Nine Months Ended	
	September 28, 1996	September 30, 1995
Cash flows from operating activities:		
Income from continuing operations	\$ 354	\$ 306
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Undistributed earnings of finance subsidiaries	(80)	(78)
Depreciation and amortization	188	165
Deferred income taxes	(8)	24
Changes in assets and liabilities excluding those related to acquisitions and divestitures:		
Increase in receivables	(8)	(89)
Increase in inventories	(150)	(32)
Decrease (increase) in other assets	(95)	41
Increase (decrease) in accounts payable and accrued liabilities	137	(64)
Other - net	3	53
Net cash provided by operating activities	341	326
Cash flows from investing activities:		
Capital expenditures	(197)	(180)
Cash used in acquisitions	(172)	-
Proceeds from sale of business	180	-
Other investing activities - net	(24)	(13)
Net cash used by investing activities	(213)	(193)
Cash flows from financing activities:		

Decrease in short-term debt	(46)	(1)
Proceeds from issuance of long-term debt	808	810
Principal payments on long-term debt	(947)	(722)
Issuance of Textron-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely Textron junior subordinated debt securities	483	-
Proceeds from exercise of stock options	29	32
Purchases of Textron common stock	(239)	(93)
Purchases of Textron common stock from Paul Revere	(34)	(22)
Dividends paid	(111)	(100)
Net cash used by financing activities	(57)	(96)
Net increase in cash	71	37
Cash at beginning of period	56	20
Cash at end of period	\$ 127	\$ 57

## Item 1. FINANCIAL STATEMENTS (Continued)

### Note 5: Financial information by borrowing group (continued) FINANCE SUBSIDIARIES (unaudited) (In millions)

	Three Months Ended		Nine Months Ended	
	September 30, 1996	September 30, 1995	September 30, 1996	September 30, 1995
Statement of Income				
Revenues	\$ 526	\$ 499	\$1,557	\$1,461
Costs and expenses				
Selling and administrative	153	151	460	444
Interest	147	151	438	460
Provision for losses on collection of finance receivables, less recoveries	59	42	166	120
Other	69	59	208	166
Total costs and expenses	428	403	1,272	1,190
Income before income taxes	98	96	285	271
Income taxes	(38)	(38)	(112)	(106)
Net income	\$ 60	\$ 58	\$ 173	\$ 165

	September 30, 1996	December 31, 1995
Balance Sheet		
Assets		
Cash	\$ 42	\$ 28
Investments	779	771
Finance receivables - net	9,514	9,370
Other	689	657
Total assets	\$11,024	\$10,826
Liabilities and equity		
Accounts payable and accrued liabilities (including income taxes)	\$ 955	\$ 914
Debt	8,515	8,437
Equity	1,554	1,475
Total liabilities and equity	\$11,024	\$10,826

## Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### TEXTRON INC. Revenues and Income by Business Segment (In millions)

	Three Months Ended		Nine Months Ended	
	September 28, 1996	September 30, 1995	September 28, 1996	September 30, 1995
REVENUES				
MANUFACTURING:				
Aircraft	\$ 610	\$ 609	\$ 1,858	\$1,786
Automotive	365	349	1,229	1,171
Industrial	518	324	1,521	1,026
Systems and Components	229	276	681	780
	1,722	1,558	5,289	4,763
FINANCE	526	499	1,557	1,461
Total revenues	\$2,248	\$2,057	\$ 6,846	\$6,224
INCOME				
MANUFACTURING:				
Aircraft	\$ 69	\$ 66	\$ 188	\$ 171
Automotive	28	26	108	99
Industrial	53	36	162	120
Systems and Components	23	24	61	66
	173	152	519	456
FINANCE	98	96	285	271
Segment operating income	271	248	804	727



Corporate expenses and other - net	(28)	(29)	(86)	(72)
Interest expense - net	(36)	(46)	(111)	(148)
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	\$ 207	\$ 173	\$ 607	\$ 507

## Financial Condition

Textron Parent Company Borrowing Group: During the nine months ended September 28, 1996, the Textron Parent Company Borrowing Group's operating activities provided cash of \$341 million versus \$326 million during the corresponding period of 1995. Operating cash flows for 1996 were affected by income from continuing operations partially offset by inventory buildups at the Aircraft divisions related to the Citation X aircraft and certain helicopter models. The Group's debt decreased as cash provided by operations, the issuance of preferred securities, and the sale of Textron Aerostructures exceeded cash used for (a) financing acquisitions, (b) repurchases of Textron common stock, (c) capital expenditures, and (d) payments of dividends.

During the nine months ended September 30, 1995, the Group's operating activities provided cash of \$326 million versus \$357 million during the corresponding period of 1994. The decrease in 1995 was principally due to an increase in receivables and inventory due principally to increased business and a decrease in accrued liabilities due to increased tax payments, partially offset by reductions in cash value of company-owned life insurance (approximately \$90 million).

On February 1, 1996, a new shelf registration statement became effective, covering, in addition to the remaining unused \$211 million of unsecured debt securities previously registered, an aggregate amount of \$800 million of (a) debt issuable by Textron and (b) preferred securities issuable by entities formed by Textron on behalf of which Textron would provide certain guarantees. On February 9, 1996, a trust sponsored by Textron issued \$500 million of such preferred securities, the proceeds of which were invested by the trust in Textron's newly issued 7.92% Junior Subordinated Deferrable Interest Debentures, due 2045. The proceeds from the issuance of the debentures were initially used by Textron for the repayment of long-term borrowings. Textron had \$511 million available at September 28, 1996 under its shelf registration statements filed with the Securities and Exchange Commission.

The Textron Parent Company Borrowing Group's credit facilities not used or reserved as support for outstanding commercial paper or bank borrowings at September 28, 1996 were \$880 million.

In July 1996, Textron entered into a five year multi-currency credit agreement with 14 banks for \$350 million to be used for its foreign operations, of which \$60 million was available at September 28, 1996.

Of the Textron Parent Company Borrowing Group's \$602 million principal notional amount of interest rate exchange agreements outstanding at December 30, 1995, \$140 million subsequently expired through September 28, 1996.

During the nine months ended September 28, 1996, Textron acquired (a) Xact Products, Inc., a precision-formed metal parts manufacturer based in Michigan, (b) Valois Industries (which has been re-named Textron Industries, S.A.), a Paris-based manufacturer of engineered fastening systems, (c) Klauke, a German manufacturer of electrical connectors, sleeves, and battery-powered tools for the utility and electrical contracting markets, (d) the UK-based washer systems business of Valeo Wiper Systems Ltd, a division of France-based Valeo S.A., and (e) The Bunton Company, a Louisville, Kentucky-based manufacturer of rotary lawn-care equipment for commercial markets for an aggregate of approximately \$315 million.

On September 9, 1996, Textron sold its Aerostructures division for \$180 million in cash plus a subordinated note. The transaction resulted in no book gain or loss to Textron. Proceeds from the sale will be used to finance acquisitions and repurchase Textron common shares.

On November 6, 1996, Textron announced that the April 1996 agreement with Provident Companies, Inc. has been revised. As a result of modifications relating to capital and other considerations under the revised agreement, Textron will provide additional capital to Paul Revere upon a final determination of the required levels of Paul Revere's statutory reserves, subject to certain limits. See Note 1 to the consolidated financial statements for additional information.

On November 7, 1996, Textron announced that it has signed a definitive agreement to acquire Bonn, Germany-based Kautex Werke Reinold Hagen AG, a supplier of blow-molded plastic automotive systems and components. Textron will acquire the worldwide Kautex Group from Klockner-Werke AG for approximately \$300 million in cash. The transaction, which is subject to European Commission, U.S. and Canadian regulatory approvals, is expected to be completed in early 1997.

Textron has approximately two million shares remaining under a prior five million share repurchase program authorization. In September 1996, Textron's Board of Directors authorized the repurchase of an additional five million shares of common stock under its shares repurchase program.

Management believes that the Textron Parent Company Borrowing Group will continue to have adequate access to credit markets and that its credit facilities and cash flows from operations --including dividends received from Textron's finance operations-- will continue to be more

than sufficient to meet its operating needs and to finance growth.

Finance subsidiaries: The finance subsidiaries paid dividends of \$93 million and \$87 million to the Textron Parent Company Borrowing Group during the nine month periods ended September 30, 1996 and September 30, 1995, respectively.

During the nine months ended September 30, 1996, the finance subsidiaries had \$246 million of interest rate exchange agreements expire and \$368 million of interest rate exchange agreements go into effect. The new agreements, which have a weighted average original term of 2.1 years and expire through 1999, had the effect of fixing the rate of interest at approximately 7.83% on \$368 million of variable rate borrowings at September 30, 1996.

Results of Operations - Three months ended September 28, 1996 vs. Three months ended September 30, 1995

Textron reported third quarter 1996 earnings per share from continuing operations of \$1.40 per share, up 17% from the 1995 amount of \$1.20. Income from continuing operations in 1996 of \$120 million was up from \$104 million for 1995. Revenues increased 9% to \$2.2 billion in 1996 from \$2.1 billion in 1995.

On November 6, 1996, Textron announced that the April 1996 agreement with Provident Companies, Inc. has been revised. As a result of the revised agreement, Textron recorded in its financial statements an additional loss from discontinued operation in the third quarter of 1996 of \$155 million (\$1.81 loss per share). See Note 1 to the consolidated financial statements for additional information.

The Aircraft segment's revenues approximated 1995's level, while income increased \$3 million (5%). Bell Helicopter's revenues and income decreased, primarily as a result of lower sales of military helicopters to the U.S. Government (\$32 million) and lower revenues on the V-22 program (\$36 million). These decreases were partially offset by higher commercial helicopter sales (\$12 million). Cessna's revenues and income increased primarily as a result of higher sales of business jets and utility turboprop aircraft.

The Automotive segment's revenues and income increased \$16 million (5%) and \$2 million (8%), respectively, due primarily to higher overall North American automotive production, particularly from the improved volume of light trucks at Chrysler.

The Industrial segment's revenues increased \$194 million (60%) and income increased \$17 million (47%). These increases were due principally to higher sales in the fastening systems business (\$170 million), reflecting the acquisitions of Elco Industries, Friedr. Boesner GmbH, and Textron Industries, S.A. In addition, income increased at E-Z-GO as a result of higher sales of golf cars and improved operating performance.

The Systems and Components segment's revenues and income decreased \$47 million (17%) and \$1 million (4%), respectively. The decreases were principally due to reduced shipments on certain U.S. Government and commercial aerospace contracts and the impact of the divestiture of the Textron Aerostructures division as of September 6, 1996.

The Finance segment's revenues increased \$27 million (5%), while income increased \$2 million (2%). AFS' revenues increased \$21 million, primarily as a result of an increase in yields on finance receivables, an increase in earned premiums in both the finance-related and the independent insurance operations, and an increase in capital gains, due primarily to a higher volume of sales in the bond investment portfolio. Its income was equal to 1995's level due to those factors and a decrease in the average cost of borrowed funds, partially offset by an increase in the ratio of net credit losses to average finance receivables and an increase in the ratio of insurance losses to earned insurance premiums in AFS' insurance operations. TFC's income increased \$2 million on higher revenues of \$6 million, due to a higher level of finance receivables and higher fee income, principally due to increased arrangement fee income and higher prepayment and late charges income, and a decrease in the average cost of borrowed funds, partially offset by a higher provision for loan losses, principally due to higher charge-offs in the equipment portfolio.

Corporate expenses and other - net approximated 1995's level, as lower expenses were partially offset by the reclassification of certain nondebt related expenses from the interest expense line (\$4 million). Interest expense - net for the Textron Parent Company Borrowing Group decreased \$10 million due to the reclassification and lower average debt, due principally to the payment of debt with the proceeds from the issuance of preferred securities in February 1996.

Results of Operations - Nine months ended September 28, 1996 vs. Nine months ended September 30, 1995

Earnings per share from continuing operations for the nine months were \$4.10 per share, up 16% from the 1995 amount of \$3.52. Income from continuing operations in 1996 of \$354 million was up from \$306 million for 1995. Revenues increased 10% to \$6.8 billion in 1996 from \$6.2 billion in 1995.

As a result of the revised agreement with Provident Companies, Inc., Textron recorded in its financial statements an additional loss from discontinued operation in the third quarter of 1996 of \$155 million or a total loss of \$245 million (\$2.65 loss per share) for the nine months ended September 28, 1996. See Note 1 to the consolidated financial statements for additional information.

The Aircraft segment's revenues and income increased \$72 million (4%) and \$17 million (10%), respectively. Bell Helicopter's revenues decreased primarily as a result of lower sales of military helicopters to the U.S. Government (\$108 million) and lower revenues on the V-22

program (\$48 million), partially offset by higher domestic and international helicopter sales, including increased deliveries on the Canadian Forces contract (\$58 million). Bell's income approximated 1995's level as additional income on the V-22 program and lower product development expenses related to new helicopter models offset the impact of the lower revenues. Cessna's revenues increased primarily as a result of higher sales of business jets and utility turboprop aircraft. Its income increased as a result of the higher revenues, partially offset by higher product development and selling and administrative expenses due to the introduction and support of new products.

The Automotive segment's revenues and income increased \$58 million (5%) and \$9 million (9%), respectively. Despite the impact of a strike at certain General Motors' plants in the first quarter 1996, revenues increased as a result of improved volume of light trucks at Chrysler as well as a ramp-up in sales at Textron's Saltillo, Mexico facility. Income increased as a result of the higher revenues and improved operating performance.

The Industrial segment's revenues and income increased \$495 million (48%) and \$42 million (35%), respectively. These increases were due principally to higher sales in the fastening systems business (\$434 million), reflecting the acquisitions of Elco Industries, Friedr. Boesner GmbH and Textron Industries, S.A. In addition, income increased at E-Z-GO as a result of higher sales of golf cars and better operating performance.

The Systems and Components segment's revenues and income decreased \$99 million (13%) and \$5 million (8%), respectively. The decreases were principally due to reduced shipments on certain U.S. Government and commercial aerospace contracts and the impact of the divestiture of the Textron Aerostructures division as of September 6, 1996.

The Finance segment's revenues increased \$96 million (7%), while income increased \$14 million (5%). AFS' revenues increased \$82 million, primarily as a result of an increase in yields on finance receivables (18.58% in the first nine months of 1996 vs. 18.04% in the first nine months of 1995), an increase in earned premiums in both the finance-related and the independent insurance operations and an increase in capital gains, due primarily to a higher volume of sales in the bond investment portfolio. Its income increased \$8 million due to those factors, a decrease in the average cost of borrowed funds (6.93% in the first nine months of 1996 vs. 7.35% in the first nine months of 1995) and an increase in investment income due to a higher level of invested assets. This favorable impact was partially offset by an increase in the ratio of net credit losses to average finance receivables (2.74% in the first nine months of 1996 vs. 1.99% in the first nine months of 1995) and an increase in the ratio of insurance losses to earned insurance premiums in AFS' independent insurance operations. The proliferation of credit cards and the resulting increase in the level of consumer debt has not only overburdened the consumer, resulting in higher delinquencies and charge-offs, but has provided the consumer an alternate source of funds, thereby negatively effecting AFS' receivable growth. TFC's income increased \$6 million on higher revenues of \$14 million, due to a higher level of finance receivables (\$3.022 billion in the first nine months of 1996 vs. \$2.815 billion in the first nine months of 1995) and higher fee income, principally due to increased arrangement fee income and higher late charges and prepayment income, and a decrease in the average cost of borrowed funds, partially offset by a higher provision for loan losses, principally due to higher charge-offs in the equipment portfolio.

Corporate expenses and other - net increased \$14 million, due principally to the reclassification of certain nondebt related expenses from the interest expense line (\$18 million). Interest expense - net for the Textron Parent Company Borrowing Group decreased \$37 million due to the reclassification and lower average debt, due in part to the payment of debt with the proceeds from the issuance of preferred securities in February 1996.

## **PART II. OTHER INFORMATION**

### **Item 6. EXHIBITS AND REPORTS ON FORM 8-K**

#### (a) Exhibits

12.1 Computation of ratio of income to combined fixed charges and preferred securities dividends of the Textron Parent Company Borrowing Group.

12.2 Computation of ratio of income to combined fixed charges and preferred securities dividends of Textron Inc. including all majority-owned subsidiaries.

### **27 Financial Data Schedule (filed electronically only)**

#### (b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended September 28, 1996.

## **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**TEXTRON INC.**

Date: November 12, 1996

*s/R. L. Yates  
R. L. Yates  
Vice President and Controller  
(principal accounting officer)*

**LIST OF EXHIBITS**

The following exhibits are filed as part of this report on Form 10-Q:

	Name of Exhibit
12.1	Computation of ratio of income to combined fixed charges and preferred securities dividends of the Textron Parent Company Borrowing Group
12.2	Computation of ratio of income to combined fixed charges and preferred securities dividends of Textron Inc. including all majority-owned subsidiaries
27	Financial Data Schedule (filed electronically only)

## EXHIBIT 12.1

### TEXTRON PARENT COMPANY BORROWING GROUP

#### COMPUTATION OF RATIO OF INCOME TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(unaudited)

(In millions except ratio)

	Nine Months Ended September 28, 1996
Fixed charges:	
Interest expense	\$111
Distributions on preferred securities of subsidiary trust, net of income taxes	16
Estimated interest portion of rents	13
Total fixed charges	\$140
Income:	
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	\$607
Eliminate equity in undistributed pretax income of finance subsidiaries	(192)
Fixed charges	140
Adjusted income	\$555
Ratio of income to fixed charges	3.96

## EXHIBIT 12.2

TEXTRON INC. INCLUDING ALL MAJORITY-OWNED SUBSIDIARIES

COMPUTATION OF RATIO OF INCOME TO  
COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(unaudited)

(In millions except ratio)

	Nine Months Ended September 28, 1996
Fixed charges:	
Interest expense	\$ 549
Distributions on preferred securities of subsidiary trust, net of income taxes	16
Estimated interest portion of rents	26
Total fixed charges	\$ 591
Income:	
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	\$ 607
Fixed charges	591
Adjusted income	\$1,198
Ratio of income to fixed charges	2.03

**ARTICLE 5**

This schedule contains summary financial information extracted from Textron Inc.'s Consolidated Balance Sheet as of September 28, 1996 and Consolidated Statement of Income for the nine months ended September 28, 1996 and is qualified in its entirety by reference to such financial statements.

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 28 1996
PERIOD END	SEP 28 1996
CASH	169
SECURITIES	0
RECEIVABLES	0*
ALLOWANCES	0*
INVENTORY	1,303
CURRENT ASSETS	0
PP&E	3,106
DEPRECIATION	1,633
TOTAL ASSETS	18,035
CURRENT LIABILITIES	0
BONDS	10,219
COMMON	12
PREFERRED MANDATORY	0
PREFERRED	14
OTHER SE	3,061
TOTAL LIABILITY AND EQUITY	18,035
SALES	5,289
TOTAL REVENUES	6,846
CGS	4,308
TOTAL COSTS	4,516
OTHER EXPENSES	0
LOSS PROVISION	166
INTEREST EXPENSE	549
INCOME PRETAX	607
INCOME TAX	237
INCOME CONTINUING	354
DISCONTINUED	(229)
EXTRAORDINARY	0
CHANGES	0
NET INCOME	125
EPS PRIMARY	1.45
EPS DILUTED	1.45 *Beginning in the 2nd quarter of 1996, such amounts are not disclosed in interim periods.

**End of Filing**

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