

TEXTRON INC

FORM 8-K

(Current report filing)

Filed 07/20/06 for the Period Ending 07/20/06

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

TEXTRON INC

FORM 8-K (Current report filing)

Filed 7/20/2006 For Period Ending 7/20/2006

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

Powered By **EDGAR**Online

<http://www.edgar-online.com/>

© Copyright 2006. All Rights Reserved.

Distribution and use of this document restricted under EDGAR Online's Terms of Use.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 20, 2006

TEXTRON INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State of
Incorporation)

I-5480
(Commission File Number.)

05-0315468
(IRS Employer
Identification Number)

40 Westminster Street, Providence, Rhode Island 02903
(Address of principal executive offices)

Registrant's telephone number, including area code: (401) 421-2800

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition

On July 20, 2006, Textron Inc. ("Textron") issued a press release announcing its financial results for the fiscal quarter ended July 1, 2006. This press release is attached hereto as Exhibit 99 and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

The following exhibit is filed herewith:

99 Press release dated July 20, 2006

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 hereunto duly authorized.

TEXTRON INC.
(Registrant)

Date: July 20, 2006

By: /s/Michael D. Cahn
Michael D. Cahn
Senior Associate General Counsel-Securities and
Assistant Secretary

EXHIBIT INDEX

Exhibit No.

Exhibit

99

Press release dated July 20, 2006

**Corporate Communications
Department**

NEWS Release**Investor Contacts:**

Doug Wilburne - 401-457-3606

Bill Pitts - 401-457-2502

Media Contact:

Karen Gordon - 401-457-2362

FOR IMMEDIATE RELEASE**Textron Reports Strong Second Quarter Financial Results**

Earnings from Continuing Operations of \$1.34 per Share

Compared to \$0.86 a Year Ago

Increases Full-Year Outlook by \$0.15 per Share

Providence, Rhode Island - July 20, 2006 - Textron Inc. (NYSE: TXT) today reported second quarter 2006 earnings per share from continuing operations of \$1.34 compared to \$0.86 in the second quarter 2005. Last year's second quarter included a \$0.30 per share impairment charge related to Textron's preferred shares of Collins & Aikman. Including discontinued operations, second quarter 2006 net income was \$0.53 per share, compared to \$0.89 per share a year ago, primarily due to a \$120 million after-tax impairment charge recorded in the second quarter 2006 in connection with the disposition of Fastening Systems. Revenue in the second quarter was \$2.8 billion, up 5.7 percent from a year ago.

Year-to-date manufacturing cash flow from continuing operations was \$326 million, resulting in free cash flow of \$195 million.

"Our solid results reflected continued progress with our Transformation strategy and were highlighted by strong growth and performance at Cessna and Textron Financial," said Textron Chairman, President and CEO Lewis B. Campbell. "Furthermore, Bell made substantial progress with its many growth platforms, while Industrial performance continued to improve."

Outlook

Textron has increased its outlook for full-year 2006 earnings per share from continuing operations by \$0.15 per share to a range of \$5.10 to \$5.30. Third quarter earnings per share from continuing operations are expected to be between \$1.15 and \$1.25. The company remains on track to deliver full-year manufacturing cash flow from continuing operations of about one billion dollars and free cash flow in the range of \$550 - \$600 million.

Campbell remarked, "We see continued strength in most of our end markets through the rest of this year and decade. Coupled with the benefits of our Transformation strategy, we are positioned to generate significant shareholder value."

Segment Results

Bell

Bell segment revenue for the quarter increased \$19 million from a year ago due to higher revenue in the commercial business, partially offset by lower revenue in the U.S. Government business. Segment profit was down \$18 million.

U.S. Government revenues decreased due to lower shipments of V-22's, partially offset by increased deliveries of Armored Security Vehicles ("ASV"), higher parts and service revenue and the ramp-up of development activities for the Armed Reconnaissance Helicopter ("ARH") program.

Commercial revenues increased due to higher civil product and service volumes and pricing, partially offset by lower international military volume and decreased used aircraft sales.

Profit in the U.S. Government business decreased due to lower V-22 shipments and unreimbursed launch-related costs on the ARH program, partially offset by profits on the higher ASV volume.

Commercial profit decreased in spite of higher overall commercial volumes, due to investments in production ramp-up activities, SAP, Lean projects; lower co-development income from risk-sharing partners; and increased commissions and other sales activities.

Bell Helicopter backlog was \$3.3 billion at the end of the second quarter of 2006, compared to \$3.0 billion for the first quarter.

Cessna

Cessna segment revenue and profit increased \$95 million and \$32 million, respectively.

Cessna revenue increased due to favorable pricing and higher business jet volume. Segment profit increased due to higher pricing, the impact of higher volume, improved manufacturing performance and favorable warranty performance. These increases were partially offset by inflation and increased investments in new product development, SAP, and Lean projects.

Cessna's backlog was \$6.8 billion at the end of the second quarter of 2006, compared to \$6.9 billion for the first quarter.

Industrial

Industrial segment revenues decreased \$6 million due to the divestiture of non-core product lines, partially offset by higher pricing.

Segment profit decreased \$4 million mainly due to the divested product lines and inflation, partially offset by the impact of improved cost performance and higher pricing.

Finance

Finance segment revenues increased \$45 million due to a higher interest rate environment and higher average finance receivables.

Segment profit increased \$12 million primarily due to the growth in core receivables and a lower loan loss provision, reflecting sustained improvements in credit performance.

Conference Call Information

Textron will host a conference call today, July 20, 2006, at 7 a.m. Eastern time to discuss its results and outlook. The call will be available via webcast at www.textron.com or by direct dial at (800) 553-0318 in the U.S. or (612) 288-0340 outside of the U.S. (request the Textron Earnings Call).

The call will be recorded and available for playback beginning at 12:30 p.m. Eastern time on Thursday, July 20, 2006 by dialing (320) 365-3844; Access Code: 794263.

About Textron

Textron Inc. is a \$10 billion multi-industry company operating in 33 countries with approximately 37,000 employees in continuing operations. The company leverages its global network of aircraft, industrial and finance businesses to provide customers with innovative solutions and services. Textron is known around the world for its powerful brands such as Bell Helicopter, Cessna Aircraft, Jacobsen, Kautex, Lycoming, E-Z-GO and Greenlee, among others. More information is available at www.textron.com.

###

Forward-looking Information: Certain statements in this report and other oral and written statements made by Textron from time to time are forward-looking statements, including those that discuss strategies, goals, outlook or other non-historical matters; or project revenues, income, returns or other financial measures. These forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to update or revise any forward-looking statements. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those contained in the statements, including the following: [a] changes in worldwide economic and political conditions that impact interest and foreign exchange rates; [b] the interruption of production at Textron facilities or Textron's customers or suppliers; [c] Textron's ability to perform as anticipated and to control costs under contracts with the U.S. Government; [d] the U.S. Government's ability to unilaterally modify or terminate its contracts with Textron for the Government's convenience or for Textron's failure to perform, to change applicable procurement and accounting policies, and, under certain circumstances, to suspend or debar Textron as a contractor eligible to receive future contract awards; [e] changes in national or international funding priorities and government policies on the export and import of military and commercial products; [f] the adequacy of cost estimates for various customer care programs including servicing warranties; [g] the ability to control costs and successful implementation of various cost reduction programs; [h] the timing of certifications of new aircraft products; [i] the occurrence of slowdowns or downturns in customer markets in which Textron products are sold or supplied or where Textron Financial offers financing; [j] changes in aircraft delivery schedules or cancellation of orders; [k] the impact of changes in tax legislation; [l] the extent to which Textron is able to pass raw material price increases through to customers or offset such price increases by reducing other costs; [m] Textron's ability to offset, through cost reductions, pricing pressure brought by original equipment manufacturer customers; [n] Textron's ability to realize full value of receivables and investments in securities; [o] the availability and cost of insurance; [p] increases in pension expenses related to lower than expected asset performance or changes in discount rates; [q] Textron Financial's ability to maintain portfolio credit quality; [r] Textron Financial's access to debt financing at competitive rates; [s] uncertainty in estimating contingent liabilities and establishing reserves to address such contingencies; [t] performance of acquisitions; [u] the efficacy of research and development investments to develop new products; [v] bankruptcy or other financial problems at major suppliers or customers that could cause disruptions in Textron's supply chain or difficulty in collecting amounts owed by such customers; and [w] Textron's ability to execute planned dispositions.

Income from continuing operations																
before investment impairment	\$	227	\$	(67)	\$	160	29.5%	\$	408	\$	(121)	\$	287	29.7%		
Investment impairment		<u>(39)</u>		<u>(3)</u>		<u>(42)</u>		<u>(7.7)</u>		<u>(91)</u>		<u>6</u>		<u>(85)</u>		<u>6.6</u>
Income from continuing operations	\$	<u>188</u>	\$	<u>(70)</u>	\$	<u>118</u>	<u>37.2%</u>	\$	<u>317</u>	\$	<u>(115)</u>	\$	<u>202</u>	<u>36.3%</u>		

(c) Discontinued operations by segment are summarized in the tables below:

	Three Months Ended				Six Months Ended											
	July 1, 2006		July 2, 2005		July 1, 2006		July 2, 2005									
	After-tax	EPS	After-tax	EPS	After-tax	EPS	After-tax	EPS								
Fastening Systems*	\$	(111)	\$	(0.84)	\$	12	\$	0.08	\$	(101)	\$	(0.77)	\$	7	\$	0.04
Industrial		<u>3</u>		<u>0.03</u>		<u>(7)</u>		<u>(0.05)</u>		<u>3</u>		<u>0.03</u>		<u>40</u>		<u>0.29</u>
Total	\$	<u>(108)</u>	\$	<u>(0.81)</u>	\$	<u>5</u>	\$	<u>0.03</u>	\$	<u>(98)</u>	\$	<u>(0.74)</u>	\$	<u>47</u>	\$	<u>0.33</u>

*2006 amounts exclude depreciation and amortization expense as the segment's assets were classified as held for sale. In 2005, the pre-tax depreciation and amortization expense was \$19 million for the second quarter and \$38 million for the first half of the year.

TEXTRON INC.
Condensed Consolidated Balance Sheets
(In millions)
(Unaudited)

	July 1	December 31,
	2006	2005
Assets		
Cash and cash equivalents	\$ 302	\$ 786
Accounts receivable, net	1,024	891
Inventories	2,072	1,712
Other current assets	451	464
Net property, plant and equipment	1,597	1,574
Other assets	2,576	2,509
Assets of discontinued operations	1,007	1,122
Textron Finance assets	8,321	7,441
Total Assets	<u>\$ 17,350</u>	<u>\$ 16,499</u>
Liabilities and Shareholders' Equity		
Current portion of long-term debt and short-term debt	\$ 164	\$ 275
Other current liabilities	2,635	2,426
Other liabilities	2,083	2,026
Long-term debt	1,694	1,659
Liabilities of discontinued operations	492	446
Textron Finance liabilities	7,260	6,391
Total Liabilities	14,328	13,223
Total Shareholders' Equity	3,022	3,276
Total Liabilities and Shareholders' Equity	<u>\$ 17,350</u>	<u>\$ 16,499</u>

Textron Inc.
Calculation of Free Cash Flow
Q2 2006
(Dollars in millions)

	Second Quarter		Year-to-Date	
	2006	2005	2006	2005
Net cash provided by operating activities of continuing operations	\$ 198	\$ 309	\$ 326	\$ 468
Less: capital expenditures	(72)	(72)	(129)	(127)
Plus: proceeds on sale of property, plant and equipment	1	8	3	10
Less: capital expenditures financed through capital leases	-	(1)	(5)	(2)
Free cash flow	\$ 127	\$ 244	\$ 195	\$ 349