

HARRIS CORP /DE/
Form 10-Q
October 29, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 26, 2014

or

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

For the transition period from _____ to _____

Commission File Number: 1-3863

HARRIS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

1025 West NASA Boulevard

Melbourne, Florida
(Address of principal executive offices)

(321) 727-9100

34-0276860
(I.R.S. Employer Identification No.)

32919
(Zip Code)

(Registrant's telephone number, including area code)

No changes

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(Former name, former address and former fiscal year, if changed since last report)

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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.

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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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the registrant's common stock as of October 24, 2014 was 104,591,722 shares.

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HARRIS CORPORATION

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For the Quarter Ended September 26, 2014

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This Quarterly Report on Form 10-Q contains trademarks, service marks and registered marks of Harris Corporation and its subsidiaries.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements.****HARRIS CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENT OF INCOME****(Unaudited)**

	Quarter Ended	
	September 26, 2014	September 27, 2013
	(In millions, except per share amounts)	
Revenue from product sales and services	\$ 1,155.4	\$ 1,191.9
Cost of product sales and services	(762.6)	(774.5)
Engineering, selling and administrative expenses	(195.2)	(207.8)
Non-operating income		1.3
Interest income	0.7	0.6
Interest expense	(22.8)	(23.7)
Income from continuing operations before income taxes	175.5	187.8
Income taxes	(50.4)	(60.4)
Income from continuing operations	125.1	127.4
Discontinued operations, net of income taxes		(1.7)
Net income	125.1	125.7
Noncontrolling interests, net of income taxes		0.1
Net income attributable to Harris Corporation	\$ 125.1	\$ 125.8
Amounts attributable to Harris Corporation common shareholders		
Income from continuing operations	\$ 125.1	\$ 127.5
Discontinued operations, net of income taxes		(1.7)
Net income	\$ 125.1	\$ 125.8
Net income per common share attributable to Harris Corporation common shareholders		
Basic net income per common share attributable to Harris Corporation common shareholders		
Continuing operations	\$ 1.19	\$ 1.19
Discontinued operations		(0.02)
	\$ 1.19	\$ 1.17
Diluted net income per common share attributable to Harris Corporation common shareholders		
Continuing operations	\$ 1.18	\$ 1.18
Discontinued operations		(0.02)
	\$ 1.18	\$ 1.16

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Cash dividends paid per common share	\$ 0.47	\$ 0.42
Basic weighted average common shares outstanding	104.6	106.4
Diluted weighted average common shares outstanding	105.8	107.3

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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HARRIS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)

	Quarter Ended	
	September 26, 2014	September 27, 2013
	(In millions)	
Net income	\$ 125.1	\$ 125.7
Other comprehensive income (loss):		
Foreign currency translation gain (loss)	(28.6)	24.0
Net unrealized loss on hedging derivatives, net of income taxes	(0.8)	(0.3)
Amortization of loss on treasury lock, net of income taxes	0.2	0.1
Net unrecognized gain on post-retirement obligations, net of income taxes	8.5	0.6
Other comprehensive income (loss), net of income taxes	(20.7)	24.4
Total comprehensive income	104.4	150.1
Comprehensive loss attributable to noncontrolling interests		0.1
Total comprehensive income attributable to Harris Corporation	\$ 104.4	\$ 150.2

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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HARRIS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

	September 26, 2014	June 27, 2014
	(In millions, except shares)	
Assets		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 449.1	\$ 561.0
Receivables	603.7	566.1
Inventories	648.3	618.7
Income taxes receivable	14.0	28.1
Current deferred income taxes	112.9	112.2
Other current assets	96.6	105.2
Total current assets	1,924.6	1,991.3
<i>Non-current Assets</i>		
Property, plant and equipment	730.5	728.1
Goodwill	1,698.8	1,711.2
Intangible assets	240.5	257.5
Non-current deferred income taxes	83.7	87.3
Other non-current assets	158.5	155.8
Total non-current assets	2,912.0	2,939.9
	\$ 4,836.6	\$ 4,931.2
Liabilities and Equity		
<i>Current Liabilities</i>		
Short-term debt	\$ 52.2	\$ 58.3
Accounts payable	302.9	324.3
Compensation and benefits	153.3	212.8
Other accrued items	260.9	249.8
Advance payments and unearned income	278.1	265.9
Income taxes payable	32.8	
Current deferred income taxes	0.6	2.1
Current portion of long-term debt	1.4	1.4
Total current liabilities	1,082.2	1,114.6
<i>Non-current Liabilities</i>		
Long-term debt	1,575.8	1,575.8
Long-term contract liability	80.5	83.8
Other long-term liabilities	302.1	331.6
Total non-current liabilities	1,958.4	1,991.2
<i>Equity</i>		
Shareholders' Equity:		
Preferred stock, without par value; 1,000,000 shares authorized; none issued		
Common stock, \$1.00 par value; 500,000,000 shares authorized; issued and outstanding 104,556,029 shares at September 26, 2014 and 105,509,073 shares at June 27, 2014	104.6	105.5

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Other capital	495.7	509.1
Retained earnings	1,231.4	1,226.3
Accumulated other comprehensive loss	(35.6)	(14.9)
Total shareholders' equity	1,796.1	1,826.0
Noncontrolling interests	(0.1)	(0.6)
Total equity	1,796.0	1,825.4
	\$ 4,836.6	\$ 4,931.2

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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HARRIS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

	Quarter Ended	
	September 26, 2014	September 27, 2013
	(In millions)	
Operating Activities		
Net income	\$ 125.1	\$ 125.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	50.8	50.0
Share-based compensation	8.0	8.4
Non-current deferred income taxes	(1.5)	29.9
Loss on sale of discontinued operations		1.7
(Increase) decrease in:		
Accounts and notes receivable	(37.6)	20.8
Inventories	(29.7)	12.4
Increase (decrease) in:		
Accounts payable and accrued expenses	(102.3)	(81.8)
Advance payments and unearned income	12.1	0.7
Income taxes	45.0	15.3
Other	10.2	(10.5)
Net cash provided by operating activities	80.1	172.6