

Company Choice

Raytheon

Raytheon is an eighty-six year old aerospace and defense company that employs over 72,000 people world wide. The company specializes in the development of advanced technology for defense and homeland security. Sales in 2007 were \$21.3 billion. Due to its consistently good cash flow; its reduction in debt; its positive outlook for potential, future sales; and its culture, Raytheon will be able to continue to be a strong player in the global market.

Raytheon's cash flow has had a steady increase over the past four years. Year-after-year increase in sales, along with a reduction in debt, has contributed to the increase in cash. In 2004, the company had \$556 million cash. Raytheon's cash more than doubled in each of the next two years, ending 2006 with \$2.46 billion. The company ended 2007 with \$2.655 billion cash. The small increase in 2007 was mainly due to a large pay down in the company debt, the repurchase of company stock, and the cost of discontinued operations. The continued increase in cash will allow the company to make capital improvements, make acquisitions, or reduce debt.

In 2004, Raytheon began reducing its debt. Between 2004 and 2007, Raytheon has reduced its debt by over \$5 billion. In 2007, it used \$1.7 billion from the \$3.3 billion sale of its aircraft unit to lower its debt. In conjunction with solid company earnings, Moody's and Fitch Ratings both raised the company's debt rating. This puts the company in a position to more easily expand through acquisitions.

With almost 80% of sales coming from the United States government, and about 20% internationally, the outlook for continued sales is positive, according to Fitch Ratings. The company bookings and backlog of work have increased to \$25.5 billion and \$36.6 billion respectively. Overseas sales have increased at a greater rate than domestic sales, and grew by 13% in 2007. The U.S. expenditures on the global war on terror and the wars in Afghanistan and Iraq will continue to bring new sales in the short term, and once the wars are discontinued there will be a necessity to replenish stocks of weapons used by the military.

Raytheon's established culture is one of driving for growth, inclusiveness, and developing a learning environment. Along with the consistent growth in sales, cash, bookings, and backlog of work, the company was given the Secretary of Labor's 2007 EPIC Award. This award is for the Federal contractor that has broad strategies to ensure equal employment opportunities (EEO). Sited in the award were Raytheon's EEO programs; talent retention and acquisition; "Rdiversity Initiative"; employee resource groups and diversity council; open communications; the "MathMovesU" program; and community outreach. Raytheon has also implemented a Six Sigma program as a key to the employee learning process. Through these programs, the company should be able to retain experienced employees and attract new talent.

Raytheon will continue to be a strong player in the global market. Its increase in cash, along with debt reduction, will allow the company to grow through acquisitions. With increasing sales and backlog of work there should be a continued, solid influx of cash. Raytheon's culture will help keep it competitive by retaining experienced employees and recruiting new talent.