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 30, 2023

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 1-5480

Textron Inc.
(Exact name of registrant as specified in its charter)

Delaware	**05-0315468**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
40 Westminster Street, Providence, RI	**02903**
(Address of principal executive offices)	(Zip code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol (s)	Name of each exchange on which registered
Common stock, $0.125 par value	TXT	New York Stock Exchange (NYSE)

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 every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer	☑	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐			Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of October 13, 2023, there were 196,005,457 shares of common stock outstanding.

TEXTRON INC.
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For the Quarterly Period Ended September 30, 2023

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TEXTRON INC.
Consolidated Statements of Operations (Unaudited)

(In millions, except per share amounts)	Three Months Ended September 30, 2023	Three Months Ended October 1, 2022	Nine Months Ended September 30, 2023	Nine Months Ended October 1, 2022
Revenues				
Manufacturing product revenues	$ 2,791	$ 2,608	$ 8,258	$ 7,745
Manufacturing service revenues	539	459	1,490	1,447
Finance revenues	13	11	43	41
Total revenues	3,343	3,078	9,791	9,233
Costs, expenses and other				
Cost of products sold	2,355	2,243	6,996	6,616
Cost of services sold	424	341	1,160	1,101
Selling and administrative expense	303	266	897	850
Interest expense, net	19	24	58	87
Non-service components of pension and postretirement income, net	(59)	(60)	(177)	(180)
Total costs, expenses and other	3,042	2,814	8,934	8,474
Income from continuing operations before income taxes	301	264	857	759
Income tax expense	32	39	134	123
Income from continuing operations	269	225	723	636
Loss from discontinued operations	—	—	—	(1)
Net income	$ 269	$ 225	$ 723	$ 635
Basic earnings per share				
Continuing operations	$ 1.36	$ 1.06	$ 3.59	$ 2.96
Diluted earnings per share				
Continuing operations	$ 1.35	$ 1.06	$ 3.56	$ 2.94

See Notes to the Consolidated Financial Statements.

TEXTRON INC.
Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended		Nine Months Ended	
(In millions)	**September 30, 2023**	**October 1, 2022**	**September 30, 2023**	**October 1, 2022**
Net income	$ 269	$ 225	$ 723	$ 635
Other comprehensive loss, net of tax				
Pension and postretirement benefits adjustments, net of reclassifications	—	18	—	52
Foreign currency translation adjustments	(51)	(97)	(19)	(201)
Deferred gains (losses) on hedge contracts, net of reclassifications	(3)	(8)	3	(4)
Other comprehensive loss	(54)	(87)	(16)	(153)
Comprehensive income	$ 215	$ 138	$ 707	$ 482

See Notes to the Consolidated Financial Statements.

TEXTRON INC.
Consolidated Balance Sheets (Unaudited)

(Dollars in millions)	September 30, 2023	December 31, 2022
Assets		
Manufacturing group		
Cash and equivalents	$ 1,671	$ 1,963
Accounts receivable, net	892	855
Inventories	4,207	3,550
Other current assets	815	1,033
Total current assets	7,585	7,401
Property, plant and equipment, less accumulated depreciation and amortization of $5,261 and $5,084, respectively	2,451	2,523
Goodwill	2,281	2,283
Other assets	3,508	3,422
Total Manufacturing group assets	15,825	15,629
Finance group		
Cash and equivalents	45	72
Finance receivables, net	599	563
Other assets	23	29
Total Finance group assets	667	664
Total assets	$ 16,492	$ 16,293
Liabilities and shareholders' equity		
Liabilities		
Manufacturing group		
Current portion of long-term debt	$ 357	$ 7
Accounts payable	1,216	1,018
Other current liabilities	2,814	2,645
Total current liabilities	4,387	3,670
Other liabilities	1,789	1,879
Long-term debt	2,824	3,175
Total Manufacturing group liabilities	9,000	8,724
Finance group		
Other liabilities	75	81
Debt	350	375
Total Finance group liabilities	425	456
Total liabilities	9,425	9,180
Shareholders' equity		
Common stock	26	26
Capital surplus	2,031	1,880
Treasury stock	(976)	(84)
Retained earnings	6,614	5,903
Accumulated other comprehensive loss	(628)	(612)
Total shareholders' equity	7,067	7,113
Total liabilities and shareholders' equity	$ 16,492	$ 16,293
Common shares outstanding (in thousands)	196,191	206,161

See Notes to the Consolidated Financial Statements.

TEXTRON INC.
Consolidated Statements of Cash Flows (Unaudited)
For the Nine Months Ended September 30, 2023 and October 1, 2022, respectively

	Consolidated	
(In millions)	2023	2022
Cash flows from operating activities		
Income from continuing operations	$ 723	$ 636
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Non-cash items:		
Depreciation and amortization	292	288
Deferred income taxes	(113)	(183)
Other, net	74	77
Changes in assets and liabilities:		
Accounts receivable, net	(45)	(23)
Inventories	(659)	(353)
Other assets	267	105
Accounts payable	202	116
Other liabilities	120	344
Income taxes, net	37	44
Pension, net	(152)	(123)
Captive finance receivables, net	(32)	29
Other operating activities, net	4	6
Net cash provided by operating activities of continuing operations	718	963
Net cash used in operating activities of discontinued operations	(1)	(2)
Net cash provided by operating activities	717	961
Cash flows from investing activities		
Capital expenditures	(224)	(192)
Net cash used in business acquisitions	(1)	(201)
Net proceeds from corporate-owned life insurance policies	39	23
Proceeds from sale of property, plant and equipment	4	21
Finance receivables repaid	26	21
Other investing activities, net	2	44
Net cash used in investing activities	(154)	(284)
Cash flows from financing activities		
Decrease in short-term debt	—	(15)
Principal payments on long-term debt and nonrecourse debt	(41)	(227)
Purchases of Textron common stock	(885)	(639)
Dividends paid	(12)	(13)
Proceeds from options exercised	66	36
Other financing activities, net	(5)	(3)
Net cash used in financing activities	(877)	(861)
Effect of exchange rate changes on cash and equivalents	(5)	(49)
Net decrease in cash and equivalents	(319)	(233)
Cash and equivalents at beginning of period	2,035	2,117
Cash and equivalents at end of period	$ 1,716	$ 1,884

See Notes to the Consolidated Financial Statements.

TEXTRON INC.
Consolidated Statements of Cash Flows (Unaudited) (Continued)
For the Nine Months Ended September 30, 2023 and October 1, 2022, respectively

	Manufacturing Group		Finance Group	
(In millions)	**2023**	**2022**	**2023**	**2022**
Cash flows from operating activities				
Income from continuing operations	$ 690	$ 615	$ 33	$ 21
Adjustments to reconcile income from continuing operations to net cash provided by (used in) operating activities:				
Non-cash items:				
Depreciation and amortization	292	287	—	1
Deferred income taxes	(110)	(168)	(3)	(15)
Other, net	93	85	(19)	(8)
Changes in assets and liabilities:				
Accounts receivable, net	(45)	(23)	—	—
Inventories	(659)	(353)	—	—
Other assets	260	105	7	—
Accounts payable	202	116	—	—
Other liabilities	129	356	(9)	(12)
Income taxes, net	33	42	4	2
Pension, net	(152)	(123)	—	—
Other operating activities, net	4	6	—	—
Net cash provided by (used in) operating activities of continuing operations	737	945	13	(11)
Net cash used in operating activities of discontinued operations	(1)	(2)	—	—
Net cash provided by (used in) operating activities	736	943	13	(11)
Cash flows from investing activities				
Capital expenditures	(224)	(192)	—	—
Net cash used in business acquisitions	(1)	(201)	—	—
Net proceeds from corporate-owned life insurance policies	39	23	—	—
Proceeds from sale of property, plant and equipment	4	21	—	—
Finance receivables repaid	—	—	116	108
Finance receivables originated	—	—	(122)	(58)
Other investing activities, net	—	—	2	44
Net cash provided by (used in) investing activities	(182)	(349)	(4)	94
Cash flows from financing activities				
Decrease in short-term debt	—	(15)	—	—
Principal payments on long-term debt and nonrecourse debt	(5)	(16)	(36)	(211)
Purchases of Textron common stock	(885)	(639)	—	—
Dividends paid	(12)	(13)	—	—
Proceeds from options exercised	66	36	—	—
Other financing activities, net	(5)	(3)	—	—
Net cash used in financing activities	(841)	(650)	(36)	(211)
Effect of exchange rate changes on cash and equivalents	(5)	(49)	—	—
Net decrease in cash and equivalents	(292)	(105)	(27)	(128)
Cash and equivalents at beginning of period	1,963	1,922	72	195
Cash and equivalents at end of period	$ 1,671	$ 1,817	$ 45	$ 67

See Notes to the Consolidated Financial Statements.

TEXTRON INC.
Notes to the Consolidated Financial Statements (Unaudited)

Note 1. Basis of Presentation

Our Consolidated Financial Statements include the accounts of Textron Inc. (Textron) and its majority-owned subsidiaries. We have prepared these unaudited consolidated financial statements in accordance with accounting principles generally accepted in the U.S. for interim financial information. Accordingly, these interim financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the U.S. for complete financial statements. The consolidated interim financial statements included in this quarterly report should be read in conjunction with the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022. In the opinion of management, the interim financial statements reflect all adjustments (consisting only of normal recurring adjustments) that are necessary for the fair presentation of our consolidated financial position, results of operations and cash flows for the interim periods presented. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year.

Our financings are conducted through two separate borrowing groups. The Manufacturing group consists of Textron consolidated with its majority-owned subsidiaries that operate in the Textron Aviation, Bell, Textron Systems, Industrial and Textron eAviation segments. The Finance group, which also is the Finance segment, consists of Textron Financial Corporation and its consolidated subsidiaries. We designed this framework to enhance our borrowing power by separating the Finance group. Our Manufacturing group operations include the development, production and delivery of tangible goods and services, while our Finance group provides financial services. Due to the fundamental differences between each borrowing group's activities, investors, rating agencies and analysts use different measures to evaluate each group's performance. To support those evaluations, we present balance sheet and cash flow information for each borrowing group within the Consolidated Financial Statements. All significant intercompany transactions are eliminated from the Consolidated Financial Statements, including retail financing activities for inventory sold by our Manufacturing group and financed by our Finance group.

Use of Estimates

We prepare our financial statements in conformity with generally accepted accounting principles, which require us to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates. Our estimates and assumptions are reviewed periodically, and the effects of changes, if any, are reflected in the Consolidated Statements of Operations in the period that they are determined.

Contract Estimates

For contracts where revenue is recognized over time, we recognize changes in estimated contract revenues, costs and profits using the cumulative catch-up method of accounting. This method recognizes the cumulative effect of changes on current and prior periods with the impact of the change from inception-to-date recorded in the current period. Anticipated losses on contracts are recognized in full in the period in which the losses become probable and estimable.

In the third quarter of 2023, our cumulative catch-up adjustments increased segment profit by $18 million and net income by $14 million, $0.07 per diluted share. In the third quarter of 2022, our cumulative catch-up adjustments decreased segment profit by $3 million and net income by $2 million, $0.01 per diluted share.

In the first nine months of 2023, our cumulative catch-up adjustments increased segment profit by $36 million and net income by $28 million, $0.14 per diluted share. In the first nine months of 2022, our cumulative catch-up adjustments decreased segment profit by $24 million and net income by $18 million, $0.08 per diluted share.

Note 2. Accounts Receivable and Finance Receivables

Accounts Receivable

Accounts receivable is composed of the following:

(In millions)	September 30, 2023	December 31, 2022
Commercial	$ 813	$ 755
U.S. Government contracts	100	124
	913	879
Allowance for credit losses	(21)	(24)
Total accounts receivable, net	$ 892	$ 855

Finance Receivables

Finance receivables are presented in the following table:

(In millions)	September 30, 2023	December 31, 2022
Finance receivables	$ 624	$ 587
Allowance for credit losses	(25)	(24)
Total finance receivables, net	$ 599	$ 563

Finance Receivable Portfolio Quality

We internally assess the quality of our finance receivables based on a number of key credit quality indicators and statistics such as delinquency, loan balance to estimated collateral value and the financial strength of individual borrowers and guarantors. Because many of these indicators are difficult to apply across an entire class of receivables, we evaluate individual loans on a quarterly basis and classify these loans into three categories based on the key credit quality indicators for the individual loan. These three categories are performing, watchlist and nonaccrual.

We classify finance receivables as nonaccrual if credit quality indicators suggest full collection of principal and interest is doubtful. In addition, we automatically classify accounts as nonaccrual once they are contractually delinquent by more than three months unless collection of principal and interest is not doubtful. Accounts are classified as watchlist when credit quality indicators have deteriorated as compared with typical underwriting criteria, and we believe collection of full principal and interest is probable but not certain. All other finance receivables that do not meet the watchlist or nonaccrual categories are classified as performing.

We measure delinquency based on the contractual payment terms of our finance receivables. In determining the delinquency aging category of an account, any/all principal and interest received is applied to the most past-due principal and/or interest amounts due. If a significant portion of the contractually due payment is delinquent, the entire finance receivable balance is reported in accordance with the most past-due delinquency aging category.

Finance receivables categorized based on the credit quality indicators and by the delinquency aging category are summarized as follows:

(Dollars in millions)	September 30, 2023	December 31, 2022
Performing	$ 585	$ 515
Watchlist	23	26
Nonaccrual	16	46
Nonaccrual as a percentage of finance receivables	2.56%	7.84%
Current and less than 31 days past due	$ 614	$ 579
31-60 days past due	1	7
61-90 days past due	5	—
Over 90 days past due	4	1
60+ days contractual delinquency as a percentage of finance receivables	1.44%	0.17%

At September 30, 2023, 43% of our performing finance receivables were originated since the beginning of 2021 and 27% were originated from 2018 to 2020. For finance receivables categorized as watchlist, 100% were originated since the beginning of 2020 and for nonaccrual, 41% were originated from 2018 to 2020 with the remainder prior to 2018.

On a quarterly basis, we evaluate individual larger balance accounts for impairment. A finance receivable is considered impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement based on our review of the credit quality indicators described above. Impaired finance receivables include both nonaccrual accounts and accounts for which full collection of principal and interest remains probable, but the account's original terms have been, or are expected to be, significantly modified. If the modification specifies an interest rate equal to or greater than a market rate for a finance receivable with comparable risk, the account is not considered impaired in years subsequent to the modification.

A summary of finance receivables and the allowance for credit losses, based on the results of our impairment evaluation, is provided below. The finance receivables included in this table specifically exclude leveraged leases in accordance with U.S. generally accepted accounting principles.

(In millions)	September 30, 2023	December 31, 2022
Finance receivables evaluated collectively	$ 523	$ 450
Finance receivables evaluated individually	16	46
Allowance for credit losses based on collective evaluation	22	21
Allowance for credit losses based on individual evaluation	3	3
Impaired finance receivables with specific allowance for credit losses	$ 11	$ 15
Impaired finance receivables with no specific allowance for credit losses	5	31
Unpaid principal balance of impaired finance receivables	26	60
Allowance for credit losses on impaired finance receivables	3	3
Average recorded investment of impaired finance receivables	30	67

Note 3. Inventories

Inventories are composed of the following:

(In millions)	September 30, 2023	December 31, 2022
Finished goods	$ 1,178	$ 991
Work in process	1,877	1,540
Raw materials and components	1,152	1,019
Total inventories	$ 4,207	$ 3,550

Note 4. Warranty Liability

Changes in our warranty liability are as follows:

	Nine Months Ended	
(In millions)	September 30, 2023	October 1, 2022
Beginning of period	$ 149	$ 127
Provision	51	51
Settlements	(53)	(46)
Adjustments*	17	11
End of period	$ 164	$ 143

** Adjustments include changes to prior year estimates, new issues on prior year sales and currency translation adjustments.*

Note 5. Leases

We primarily lease certain manufacturing plants, offices, warehouses, training and service centers at various locations worldwide through operating leases. Our operating leases have remaining lease terms up to 25 years, which include options to extend the lease term for periods up to 20 years when it is reasonably certain the option will be exercised. Operating lease cost totaled $18 million and $17 million in the third quarter of 2023 and 2022, respectively, and $52 million and $51 million in the first nine months of 2023 and 2022, respectively. Variable and short-term lease costs were not significant. Cash paid for operating leases totaled $51 million for both the first nine months of 2023 and 2022, and is classified in cash flows from operating activities. Noncash transactions totaled $32 million and $34 million in the first nine months of 2023 and 2022, respectively, reflecting the recognition of operating lease assets and liabilities for new or extended leases.

Balance sheet and other information related to our operating leases is as follows:

(Dollars in millions)	**September 30, 2023**	**December 31, 2022**
Other assets	$ 362	$ 372
Other current liabilities	53	54
Other liabilities	319	326
Weighted-average remaining lease term (in years)	10.2	10.4
Weighted-average discount rate	4.41%	4.14%

At September 30, 2023, maturities of our operating lease liabilities on an undiscounted basis totaled $19 million for the remainder of 2023, $65 million for 2024, $57 million for 2025, $44 million for 2026, $39 million for 2027 and $249 million thereafter.

Note 6. Derivative Instruments and Fair Value Measurements

We measure fair value at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We prioritize the assumptions that market participants would use in pricing the asset or liability into a three-tier fair value hierarchy. This fair value hierarchy gives the highest priority (Level 1) to quoted prices in active markets for identical assets or liabilities and the lowest priority (Level 3) to unobservable inputs in which little or no market data exist, requiring companies to develop their own assumptions. Observable inputs that do not meet the criteria of Level 1, which include quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets and liabilities in markets that are not active, are categorized as Level 2. Level 3 inputs are those that reflect our estimates about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances. Valuation techniques for assets and liabilities measured using Level 3 inputs may include methodologies such as the market approach, the income approach or the cost approach and may use unobservable inputs such as projections, estimates and management's interpretation of current market data. These unobservable inputs are utilized only to the extent that observable inputs are not available or cost effective to obtain.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

We manufacture and sell our products in a number of countries throughout the world, and, therefore, we are exposed to movements in foreign currency exchange rates. We primarily utilize foreign currency exchange contracts with maturities of no more than three years to manage this volatility. These contracts qualify as cash flow hedges and are intended to offset the effect of exchange rate fluctuations on forecasted sales, inventory purchases and overhead expenses. Net gains and losses recognized in earnings and Accumulated other comprehensive loss on cash flow hedges, including gains and losses related to hedge ineffectiveness, were not significant in the periods presented.

Our foreign currency exchange contracts are measured at fair value using the market method valuation technique. The inputs to this technique utilize current foreign currency exchange forward market rates published by third-party leading financial news and data providers. These are observable data that represent the rates that the financial institution uses for contracts entered into at that date; however, they are not based on actual transactions, so they are classified as Level 2. At September 30, 2023 and December 31, 2022, we had foreign currency exchange contracts with notional amounts upon which the contracts were based of $487 million and $354 million, respectively. At September 30, 2023, the fair value amounts of our foreign currency exchange contracts were a $1 million asset and a $9 million liability. At December 31, 2022, the fair value amount of our foreign currency exchange contracts was an $11 million liability.

Our Finance group enters into interest rate swap agreements to mitigate certain exposures to fluctuations in interest rates. By using these contracts, we are able to convert the floating-rate cash flows to fixed-rate cash flows on certain debt. These agreements are designated as cash flow hedges.

In 2023, we entered into swap agreements related to our Floating Rate Junior Subordinated Notes for an aggregate notional amount of $185 million and a weighted-average fixed rate of 5.17%, with maturities ranging from August 2025 to August 2028. In compliance with the Adjustable Interest Rate (LIBOR) Act of 2022, in the third quarter of 2023, the benchmark interest rate on these Notes changed to the three-month CME Term Secured Overnight Funding Rate + 1.99661%. At December 31, 2022, we had a swap agreement related to these Notes with a notional amount of $272 million that matured in August 2023. We also entered into an interest rate swap agreement in May 2022 with a notional amount of $25 million that matures in June 2025 and effectively converts variable-rate interest on a term loan to a fixed rate of 2.75%.

At September 30, 2023 and December 31, 2022, the fair value of our outstanding swap agreements was a $9 million asset and an $8 million asset, respectively. The fair value of these swap agreements is determined using values published by third-party leading financial news and data providers. These values are observable data that represent the value that financial institutions use for contracts entered into at that date, but are not based on actual transactions, so they are classified as Level 2.

Assets and Liabilities Not Recorded at Fair Value
The carrying value and estimated fair value of our financial instruments that are not reflected in the financial statements at fair value are as follows:

	September 30, 2023		December 31, 2022	
(In millions)	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Manufacturing group				
Debt, excluding leases	$ (3,172)	$ (2,856)	$ (3,175)	$ (2,872)
Finance group				
Finance receivables, excluding leases	430	418	390	369
Debt	(350)	(292)	(375)	(294)

Fair value for the Manufacturing group debt is determined using market observable data for similar transactions (Level 2). The fair value for the Finance group debt was determined primarily based on discounted cash flow analyses using observable market inputs from debt with similar duration, subordination and credit default expectations (Level 2). Fair value estimates for finance receivables were determined based on internally developed discounted cash flow models primarily utilizing significant unobservable inputs (Level 3), which include estimates of the rate of return, financing cost, capital structure and/or discount rate expectations of current market participants combined with estimated loan cash flows based on credit losses, payment rates and expectations of borrowers' ability to make payments on a timely basis.

Note 7. Shareholders' Equity

A reconciliation of Shareholders' equity is presented below:

(In millions)		Common Stock		Capital Surplus		Treasury Stock		Retained Earnings		Accumulated Other Comprehensive Loss		Total Shareholders' Equity
Three months ended September 30, 2023												
Beginning of period	$	26	$	1,973	$	(740)	$	6,349	$	(574)	$	7,034
Net income		—		—		—		269		—		269
Other comprehensive loss		—		—		—		—		(54)		(54)
Share-based compensation activity		—		58		—		—		—		58
Dividends declared		—		—		—		(4)		—		(4)
Purchases of common stock, including excise tax*		—		—		(236)		—		—		(236)
End of period	$	26	$	2,031	$	(976)	$	6,614	$	(628)	$	7,067
Three months ended October 1, 2022												
Beginning of period	$	28	$	1,953	$	(596)	$	6,271	$	(855)	$	6,801
Net income		—		—		—		225		—		225
Other comprehensive loss		—		—		—		—		(87)		(87)
Share-based compensation activity		—		27		—		—		—		27
Dividends declared		—		—		—		(4)		—		(4)
Purchases of common stock		—		—		(200)		—		—		(200)
End of period	$	28	$	1,980	$	(796)	$	6,492	$	(942)	$	6,762
Nine months ended September 30, 2023												
Beginning of period	$	26	$	1,880	$	(84)	$	5,903	$	(612)	$	7,113
Net income		—		—		—		723		—		723
Other comprehensive loss		—		—		—		—		(16)		(16)
Share-based compensation activity		—		151		—		—		—		151
Dividends declared		—		—		—		(12)		—		(12)
Purchases of common stock, including excise tax*		—		—		(892)		—		—		(892)
End of period	$	26	$	2,031	$	(976)	$	6,614	$	(628)	$	7,067
Nine months ended October 1, 2022												
Beginning of period	$	28	$	1,863	$	(157)	$	5,870	$	(789)	$	6,815
Net income		—		—		—		635		—		635
Other comprehensive loss		—		—		—		—		(153)		(153)
Share-based compensation activity		—		117		—		—		—		117
Dividends declared		—		—		—		(13)		—		(13)
Purchases of common stock		—		—		(639)		—		—		(639)
End of period	$	28	$	1,980	$	(796)	$	6,492	$	(942)	$	6,762

**Includes amounts accrued for excise tax imposed on common share repurchases beginning on January 1, 2023 as part of the Inflation Reduction Act that totaled $1 million for the third quarter of 2023 and $7 million for first nine months of 2023.*

Dividends per share of common stock were $0.02 for both the third quarter of 2023 and 2022 and $0.06 for both the first nine months of 2023 and 2022.

Earnings Per Share

We calculate basic and diluted earnings per share (EPS) based on net income, which approximates income available to common shareholders for each period. Basic EPS is calculated using the two-class method, which includes the weighted-average number of common shares outstanding during the period and restricted stock units to be paid in stock that are deemed participating securities as they provide nonforfeitable rights to dividends. Diluted EPS considers the dilutive effect of all potential future common stock, including stock options.

The weighted-average shares outstanding for basic and diluted EPS are as follows:

	Three Months Ended		Nine Months Ended	
(In thousands)	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Basic weighted-average shares outstanding	197,947	211,307	201,161	214,301
Dilutive effect of stock options	2,045	1,833	2,009	2,167
Diluted weighted-average shares outstanding	199,992	213,140	203,170	216,468

Stock options to purchase 1.0 million and 1.7 million shares of common stock were excluded from the calculation of diluted weighted-average shares outstanding for the third quarter and first nine months of 2023, respectively, as their effect would have been anti-dilutive. For both the third quarter and first nine months of 2022, stock options to purchase 1.0 million shares of common stock were excluded from the calculation of diluted weighted-average shares outstanding as their effect would have been anti-dilutive.

Accumulated Other Comprehensive Loss and Other Comprehensive Loss

The components of Accumulated other comprehensive loss are presented below:

(In millions)	Pension and Postretirement Benefits Adjustments	Foreign Currency Translation Adjustments	Deferred Gains (Losses) on Hedge Contracts	Accumulated Other Comprehensive Loss
Balance at December 31, 2022	$ (516)	$ (94)	$ (2)	$ (612)
Other comprehensive loss before reclassifications	—	(19)	(1)	(20)
Reclassified from Accumulated other comprehensive loss	—	—	4	4
Balance at September 30, 2023	$ (516)	$ (113)	$ 1	$ (628)
Balance at January 1, 2022	$ (799)	$ 9	$ 1	$ (789)
Other comprehensive loss before reclassifications	—	(201)	(4)	(205)
Reclassified from Accumulated other comprehensive loss	52	—	—	52
Balance at October 1, 2022	$ (747)	$ (192)	$ (3)	$ (942)

The before and after-tax components of Other comprehensive loss are presented below:

	September 30, 2023			October 1, 2022		
(In millions)	Pre-Tax Amount	Tax (Expense) Benefit	After-tax Amount	Pre-Tax Amount	Tax (Expense) Benefit	After-tax Amount
Three Months Ended						
Pension and postretirement benefits adjustments:						
Amortization of net actuarial (gain) loss*	$ (2)	$ 1	$ (1)	$ 21	$ (4)	$ 17
Amortization of prior service cost*	2	(1)	1	2	(1)	1
Pension and postretirement benefits adjustments, net	—	—	—	23	(5)	18
Foreign currency translation adjustments	(51)	—	(51)	(97)	—	(97)
Deferred gains (losses) on hedge contracts:						
Current deferrals	(6)	2	(4)	(11)	3	(8)
Reclassification adjustments	2	(1)	1	—	—	—
Deferred gains (losses) on hedge contracts, net	(4)	1	(3)	(11)	3	(8)
Total	$ (55)	$ 1	$ (54)	$ (85)	$ (2)	$ (87)
Nine Months Ended						
Pension and postretirement benefits adjustments:						
Amortization of net actuarial (gain) loss*	$ (5)	$ 2	$ (3)	$ 63	$ (15)	$ 48
Amortization of prior service cost*	6	(3)	3	6	(2)	4
Pension and postretirement benefits adjustments, net	1	(1)	—	69	(17)	52
Foreign currency translation adjustments	(19)	—	(19)	(201)	—	(201)
Deferred gains (losses) on hedge contracts:						
Current deferrals	(3)	2	(1)	(6)	2	(4)
Reclassification adjustments	6	(2)	4	—	—	—
Deferred gains (losses) on hedge contracts, net	3	—	3	(6)	2	(4)

Total	$ (15)	$ (1)	$ (16)	$ (138)	$ (15)	$ (153)

**These components of other comprehensive loss are included in the computation of net periodic pension cost (income). See Note 15 of our 2022 Annual Report on Form 10-K for additional information.*

Note 8. Segment Information

We operate in, and reported financial information for, the following six business segments: Textron Aviation, Bell, Textron Systems, Industrial, Textron eAviation and Finance. Segment profit is an important measure used for evaluating performance and for decision-making purposes. Beginning in 2023, we changed how we measure our manufacturing segment operating results to exclude the non-service components of pension and postretirement income, net; LIFO inventory provision; and intangible asset amortization. This measure also continues to exclude interest expense, net for Manufacturing group; certain corporate expenses; gains/losses on major business dispositions; and special charges. The prior period has been recast to conform to this presentation. The measurement for the Finance segment includes interest income and expense along with intercompany interest income and expense.

Our revenues by segment, along with a reconciliation of segment profit to income from continuing operations before income taxes, are included in the table below:

	Three Months Ended		Nine Months Ended	
(In millions)	**September 30, 2023**	**October 1, 2022**	**September 30, 2023**	**October 1, 2022**
Revenues				
Textron Aviation	$ 1,338	$ 1,167	$ 3,849	$ 3,491
Bell	754	754	2,076	2,275
Textron Systems	309	292	921	858
Industrial	922	849	2,880	2,558
Textron eAviation	7	5	22	10
Finance	13	11	43	41
Total revenues	$ 3,343	$ 3,078	$ 9,791	$ 9,233
Segment Profit				
Textron Aviation	$ 160	$ 131	$ 456	$ 390
Bell	77	74	202	219
Textron Systems	41	31	112	97
Industrial	51	36	171	112
Textron eAviation	(19)	(7)	(40)	(14)
Finance	22	7	42	26
Segment profit	332	272	943	830
Corporate expenses and other, net	(38)	(21)	(98)	(93)
Interest expense, net for Manufacturing group	(16)	(21)	(49)	(77)
LIFO inventory provision	(26)	(13)	(86)	(42)
Intangible asset amortization	(10)	(13)	(30)	(39)
Non-service components of pension and postretirement income, net	59	60	177	180
Income from continuing operations before income taxes	$ 301	$ 264	$ 857	$ 759

Note 9. Revenues

Disaggregation of Revenues

Our revenues for our segments disaggregated by major product type are presented below:

	Three Months Ended		Nine Months Ended	
(In millions)	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Aircraft	$ 891	$ 733	$ 2,529	$ 2,235
Aftermarket parts and services	447	434	1,320	1,256
Textron Aviation	1,338	1,167	3,849	3,491
Military aircraft and support programs	472	376	1,252	1,375
Commercial helicopters, parts and services	282	378	824	900
Bell	754	754	2,076	2,275
Textron Systems	309	292	921	858
Fuel systems and functional components	465	436	1,476	1,335
Specialized vehicles	457	413	1,404	1,223
Industrial	922	849	2,880	2,558
Textron eAviation	7	5	22	10
Finance	13	11	43	41
Total revenues	$ 3,343	$ 3,078	$ 9,791	$ 9,233

Our revenues for our segments by customer type and geographic location are presented below:

(In millions)	Textron Aviation	Bell	Textron Systems	Industrial	Textron eAviation	Finance	Total
Three months ended September 30, 2023							
Customer type:							
Commercial	$ 1,302	$ 270	$ 66	$ 915	$ 7	$ 13	$ 2,573
U.S. Government	36	484	243	7	—	—	770
Total revenues	$ 1,338	$ 754	$ 309	$ 922	$ 7	$ 13	$ 3,343
Geographic location:							
United States	$ 906	$ 573	$ 275	$ 488	$ 4	$ 4	$ 2,250
Europe	133	41	10	174	2	—	360
Other international	299	140	24	260	1	9	733
Total revenues	$ 1,338	$ 754	$ 309	$ 922	$ 7	$ 13	$ 3,343
Three months ended October 1, 2022							
Customer type:							
Commercial	$ 1,134	$ 362	$ 70	$ 849	$ 5	$ 11	$ 2,431
U.S. Government	33	392	222	—	—	—	647
Total revenues	$ 1,167	$ 754	$ 292	$ 849	$ 5	$ 11	$ 3,078
Geographic location:							
United States	$ 872	$ 534	$ 261	$ 470	$ 3	$ 3	$ 2,143
Europe	93	47	10	153	1	1	305
Other international	202	173	21	226	1	7	630
Total revenues	$ 1,167	$ 754	$ 292	$ 849	$ 5	$ 11	$ 3,078
Nine months ended September 30, 2023							
Customer type:							
Commercial	$ 3,730	$ 803	$ 210	$ 2,866	$ 22	$ 43	$ 7,674
U.S. Government	119	1,273	711	14	—	—	2,117
Total revenues	$ 3,849	$ 2,076	$ 921	$ 2,880	$ 22	$ 43	$ 9,791
Geographic location:							
United States	$ 2,675	$ 1,567	$ 824	$ 1,548	$ 12	$ 12	$ 6,638
Europe	358	95	41	579	8	1	1,082
Other international	816	414	56	753	2	30	2,071
Total revenues	$ 3,849	$ 2,076	$ 921	$ 2,880	$ 22	$ 43	$ 9,791
Nine months ended October 1, 2022							
Customer type:							
Commercial	$ 3,408	$ 875	$ 201	$ 2,549	$ 10	$ 41	$ 7,084
U.S. Government	83	1,400	657	9	—	—	2,149
Total revenues	$ 3,491	$ 2,275	$ 858	$ 2,558	$ 10	$ 41	$ 9,233
Geographic location:							
United States	$ 2,380	$ 1,708	$ 775	$ 1,362	$ 4	$ 13	$ 6,242
Europe	451	118	28	528	4	2	1,131
Other international	660	449	55	668	2	26	1,860
Total revenues	$ 3,491	$ 2,275	$ 858	$ 2,558	$ 10	$ 41	$ 9,233

Remaining Performance Obligations

Our remaining performance obligations, which is the equivalent of our backlog, represent the expected transaction price allocated to our contracts that we expect to recognize as revenues in future periods when we perform under the contracts. These remaining obligations exclude unexercised contract options and potential orders under ordering-type contracts such as Indefinite Delivery, Indefinite Quantity contracts. At September 30, 2023, we had $14.5 billion in remaining performance obligations of which we expect to recognize revenues of approximately 70% through 2024, an additional 26% through 2026, and the balance thereafter.

Contract Assets and Liabilities

Assets and liabilities related to our contracts with customers are reported on a contract-by-contract basis at the end of each reporting period. At September 30, 2023 and December 31, 2022, contract assets totaled $513 million and $680 million, respectively, and contract liabilities totaled $1.7 billion and $1.5 billion, respectively, reflecting timing differences between revenues recognized, billings and payments from customers. We recognized revenues of $70 million and $130 million in the third quarter of 2023 and 2022, respectively, and $766 million and $629 million in the first nine months of 2023 and 2022, respectively, that were included in the contract liability balance at the beginning of each year.

Note 10. Retirement Plans

We provide defined benefit pension plans and other postretirement benefits to eligible employees. The components of net periodic benefit income for these plans are as follows:

	Three Months Ended		Nine Months Ended	
(In millions)	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Pension Benefits				
Service cost	$ 17	$ 28	$ 50	$ 81
Interest cost	91	68	273	205
Expected return on plan assets	(152)	(152)	(457)	(458)
Amortization of net actuarial loss	—	22	1	66
Amortization of prior service cost	3	3	9	9
Net periodic benefit income*	$ (41)	$ (31)	$ (124)	$ (97)
Postretirement Benefits Other Than Pensions				
Service cost	$ 1	$ 1	$ 2	$ 2
Interest cost	2	1	6	4
Amortization of net actuarial gain	(2)	(1)	(6)	(3)
Amortization of prior service credit	(1)	(1)	(3)	(3)
Net periodic benefit income	$ —	$ —	$ (1)	$ —

** Excludes the cost associated with the defined contribution component, included in certain of our U.S.-based defined benefit pension plans, that totaled $2 million and $2 million for the third quarter of 2023 and 2022, respectively, and $8 million and $9 million for the first nine months of 2023 and 2022, respectively.*

Note 11. Income Taxes

Our effective tax rate for the third quarter and first nine months of 2023 was 10.6% and 15.6%, respectively. In the third quarter and first nine months of 2023, the effective tax rate was lower than the U.S. federal statutory rate of 21%, largely due to the favorable impact of research and development credits and tax deductions for foreign-derived intangible income.

Our effective tax rate for the third quarter and first nine months of 2022 was 14.8% and 16.2%, respectively. In the third quarter and first nine months of 2022, the effective tax rate was lower than the U.S. federal statutory rate of 21%, largely due to the favorable impact of research and development credits and tax deductions for foreign derived intangible income. In the third quarter of 2022, these benefits were partially offset by a $13 million provision for withholding taxes due to the planned repatriation of cash related to a non-U.S. jurisdiction.

Note 12. Commitments and Contingencies

We are subject to actual and threatened legal proceedings and other claims arising out of the conduct of our business, including proceedings and claims relating to commercial and financial transactions; government contracts; alleged lack of compliance with applicable laws and regulations; disputes with suppliers, production partners or other third parties; product liability; patent and trademark infringement; employment disputes; and environmental, health and safety matters. Some of these legal proceedings and claims seek damages, fines or penalties in substantial amounts or remediation of environmental contamination. As a government contractor, we are subject to audits, reviews and investigations to determine whether our operations are being conducted in accordance with applicable regulatory requirements. Under federal government procurement regulations, certain claims brought by the U.S. Government could result in our suspension or debarment from U.S. Government contracting for a period of time. On the basis of information presently available, we do not believe that existing proceedings and claims will have a material effect on our financial position or results of operations.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Consolidated Results of Operations

	Three Months Ended			Nine Months Ended		
(Dollars in millions)	September 30, 2023	October 1, 2022	% Change	September 30, 2023	October 1, 2022	% Change
Revenues	$ 3,343	$ 3,078	9%	$ 9,791	$ 9,233	6%
Cost of sales	2,779	2,584	8%	8,156	7,717	6%
Gross margin as a % of Manufacturing revenues	16.5%	15.7%		16.3%	16.0%	
Selling and administrative expense	$ 303	$ 266	14%	$ 897	$ 850	6%

An analysis of our consolidated operating results is set forth below. A more detailed analysis of our segments’ operating results is provided in the Segment Analysis section on pages 20 to 25.

Revenues
Revenues increased $265 million, 9%, in the third quarter of 2023, compared with the third quarter of 2022. The revenue increase primarily included the following factors:

- Higher Textron Aviation revenues of $171 million, reflecting higher volume and mix of $89 million and higher pricing of $82 million.
- Higher Industrial revenues of $73 million, largely due to higher volume and mix of $45 million at both product lines and an $18 million favorable impact from pricing.
- Higher Textron Systems revenues of $17 million, largely reflecting higher volume.
- Bell’s revenues were unchanged as lower commercial volume was largely offset by higher military volume.

Revenues increased $558 million, 6%, in the first nine months of 2023, compared with the first nine months of 2022. The revenue increase primarily included the following factors:

- Higher Textron Aviation revenues of $358 million, reflecting higher pricing of $235 million and higher volume and mix of $123 million.
- Higher Industrial revenues of $322 million, largely reflecting higher volume and mix of $254 million at both product lines and a $79 million favorable impact from pricing.
- Higher Textron Systems revenues of $63 million, largely reflecting higher volume.
- Lower Bell revenues of $199 million, largely due to lower volume and mix of $242 million, which included lower military volume of $123 million and commercial volume of $119 million.

Cost of Sales and Selling and Administrative Expense
Cost of sales increased $195 million, 8%, in the third quarter of 2023, compared with the third quarter of 2022, largely due to higher net volume and mix described above and $69 million of inflation and LIFO inventory provision. Cost of sales increased $439 million, 6%, in the first nine months of 2023, compared with the first nine months of 2022, largely due to $235 million of inflation and LIFO inventory provision and the impact of higher net volume and mix described above. Gross margin as a percentage of Manufacturing revenues increased 80 basis points in the third quarter of 2023 primarily due to higher margins at the Industrial segment, reflecting higher volume and pricing, and at the Bell segment.

Selling and administrative expense increased $37 million, 14%, and $47 million, 6%, in the third quarter and first nine months of 2023, respectively, compared with the corresponding periods in 2022, primarily reflecting higher share-based compensation expense, partially offset by a $17 million recovery of amounts that were previously written off related to one customer relationship at the Finance segment.

Interest Expense, Net
Interest expense, net includes interest expense for both the Finance and Manufacturing borrowing groups, with interest on intercompany borrowings eliminated, and interest income earned on cash and equivalents for the Manufacturing borrowing group. In the third quarter and first nine months of 2023, interest expense, net decreased $5 million, 21%, and $29 million, 33%, respectively, compared with the corresponding periods in 2022, largely due to an increase in interest income of $6 million and $28 million, respectively.

Income Taxes
Our effective tax rate for the third quarter and first nine months of 2023 was 10.6% and 15.6%, respectively. In the third quarter and first nine months of 2023, the effective tax rate was lower than the U.S. federal statutory rate of 21%, largely due to the favorable impact of research and development credits and tax deductions for foreign-derived intangible income.

Our effective tax rate for the third quarter and first nine months of 2022 was 14.8% and 16.2%, respectively. In the third quarter and first nine months of 2022, the effective tax rate was lower than the U.S. federal statutory rate of 21%, largely due to the favorable impact of research and development credits and tax deductions for foreign derived intangible income. In the third quarter of 2022, these benefits were partially offset by a $13 million provision for withholding taxes due to the planned repatriation of cash related to a non-U.S. jurisdiction.

Backlog
Our backlog is summarized below:

(In millions)	September 30, 2023	December 31, 2022
Textron Aviation	$ 7,359	$ 6,387
Bell	5,168	4,781
Textron Systems	2,000	2,098
Total backlog	$ 14,527	$ 13,266

Textron Aviation's backlog increased $972 million, 15%, in the first nine months of 2023, reflecting orders in excess of deliveries.

Segment Analysis
We operate in, and report financial information for, the following six business segments: Textron Aviation, Bell, Textron Systems, Industrial, Textron eAviation and Finance. Segment profit is an important measure used for evaluating performance and for decision-making purposes. Beginning in 2023, we changed how we measure our manufacturing segment operating results to exclude the non-service components of pension and postretirement income, net; LIFO inventory provision; and intangible asset amortization. This measure also continues to exclude interest expense, net for Manufacturing group; certain corporate expenses; gains/losses on major business dispositions; and special charges. The prior period has been recast to conform to this presentation. The measurement for the Finance segment includes interest income and expense along with intercompany interest income and expense. Operating expenses for the Manufacturing segments include cost of sales and selling and administrative expense, while excluding certain corporate expenses, LIFO inventory provision, intangible asset amortization and special charges.

In our discussion of comparative results for the Manufacturing group, changes in revenues and segment profit for our commercial businesses typically are expressed in terms of volume and mix, pricing, foreign exchange, acquisitions and dispositions, inflation and performance. For revenues, volume and mix represents changes in revenues from increases or decreases in the number of units delivered or services provided and the composition of products and/or services sold. For segment profit, volume and mix represents a change due to the number of units delivered or services provided and the composition of products and/or services sold at different profit margins. Pricing represents changes in unit pricing. Foreign exchange is the change resulting from translating foreign-denominated amounts into U.S. dollars at exchange rates that are different from the prior period. Revenues generated by acquired businesses are reflected in Acquisitions for a twelve-month period, while reductions in revenues and segment profit from the sale of businesses are reflected as Dispositions. Inflation represents higher material, wages, benefits, pension service cost or other costs. Performance reflects an increase or decrease in research and development, depreciation, selling and administrative costs, warranty, product liability, quality/scrap, labor efficiency, overhead, product line profitability, start-up, ramp up and cost-reduction initiatives or other manufacturing inputs.

Approximately 22% of our 2022 revenues were derived from contracts with the U.S. Government, including those under the U.S. Government-sponsored foreign military sales program. For our segments that contract with the U.S. Government, changes in revenues related to these contracts are expressed in terms of volume. Changes in segment profit for these contracts are typically expressed in terms of volume and mix and performance; these include cumulative catch-up adjustments associated with a) revisions to the transaction price that may reflect contract modifications or changes in assumptions related to award fees and other variable consideration or b) changes in the total estimated costs at completion due to improved or deteriorated operating performance.

Textron Aviation

(Dollars in millions)	Three Months Ended September 30, 2023	Three Months Ended October 1, 2022	% Change	Nine Months Ended September 30, 2023	Nine Months Ended October 1, 2022	% Change
Revenues:						
Aircraft	$ 891	$ 733	22%	$ 2,529	$ 2,235	13%
Aftermarket parts and services	447	434	3%	1,320	1,256	5%
Total revenues	1,338	1,167	15%	3,849	3,491	10%
Operating expenses	1,178	1,036	14%	3,393	3,101	9%
Segment profit	$ 160	$ 131	22%	$ 456	$ 390	17%
Profit margin	12.0%	11.2%		11.8%	11.2%	

Textron Aviation Revenues and Operating Expenses
The following factors contributed to the change in Textron Aviation's revenues for the periods:

(In millions)	Q3 2023 versus Q3 2022	YTD 2023 versus YTD 2022
Pricing	$ 82	$ 235
Volume and mix	89	123
Total change	$ 171	$ 358

Textron Aviation's revenues increased $171 million, 15%, in the third quarter of 2023, compared with the third quarter of 2022, reflecting higher volume and mix of $89 million and higher pricing of $82 million. The increase in volume and mix was largely related to the mix of Citation jets sold in the period and higher commercial turboprop volume. We delivered 39 Citation jets and 38 commercial turboprops in the third quarter of 2023, compared with 39 Citation jets and 33 commercial turboprops in the third quarter of 2022.

Textron Aviation's revenues increased $358 million, 10%, in the first nine months of 2023, compared with the first nine months of 2022, reflecting higher pricing of $235 million and higher volume and mix of $123 million. The increase in volume and mix was largely related to higher defense volume. We delivered 118 Citation jets and 109 commercial turboprops in the first nine months of 2023, compared with 126 Citation jets and 99 commercial turboprops in the first nine months of 2022.

Textron Aviation's operating expenses increased $142 million, 14%, in the third quarter of 2023, compared with the third quarter of 2022, primarily reflecting the impact of higher volume and mix described above and $43 million of inflation.

Textron Aviation's operating expenses increased $292 million, 9%, in the first nine months of 2023, compared with the first nine months of 2022, primarily reflecting inflation of $127 million and higher volume and mix described above.

Textron Aviation Segment Profit
The following factors contributed to the change in Textron Aviation's segment profit for the periods:

(In millions)	Q3 2023 versus Q3 2022	YTD 2023 versus YTD 2022
Pricing, net of inflation	$ 39	$ 108
Volume and mix	23	31
Performance	(33)	(73)
Total change	$ 29	$ 66

Segment profit at Textron Aviation increased $29 million, 22%, in the third quarter of 2023, compared with the third quarter of 2022, due to favorable pricing, net of inflation of $39 million and the impact from higher volume and mix described above, partially offset by an unfavorable impact from performance of $33 million. Performance included unfavorable manufacturing performance, largely related to supply chain and labor inefficiencies.

Segment profit at Textron Aviation increased $66 million, 17%, in the first nine months of 2023, compared with the first nine months of 2022, due to favorable pricing, net of inflation of $108 million and the impact from higher volume and mix described above, partially offset by an unfavorable impact from performance of $73 million. Performance included unfavorable manufacturing performance, largely related to supply chain and labor inefficiencies.

Bell

	Three Months Ended			Nine Months Ended		
(Dollars in millions)	September 30, 2023	October 1, 2022	% Change	September 30, 2023	October 1, 2022	% Change
Revenues:						
Military aircraft and support programs	$ 472	$ 376	26%	$ 1,252	$ 1,375	(9)%
Commercial helicopters, parts and services	282	378	(25)%	824	900	(8)%
Total revenues	754	754	—%	2,076	2,275	(9)%
Operating expenses	677	680	—%	1,874	2,056	(9)%
Segment profit	$ 77	$ 74	4%	$ 202	$ 219	(8)%
Profit margin	10.2%	9.8%		9.7%	9.6%	

A significant portion of Bell's military aircraft and support program revenues is from the U.S. Government for the V-22 tiltrotor aircraft and the H-1 helicopter platforms, which are transitioning from production to the support stage over the next few years. Under the current contracts, production is expected to end in 2023 for the H-1 helicopter and 2025 for the V-22 tiltrotor. In December 2022, Bell was awarded the development contract for the U.S. Army's FLRAA program.

Bell Revenues and Operating Expenses

The following factors contributed to the change in Bell's revenues for the periods:

(In millions)	Q3 2023 versus Q3 2022	YTD 2023 versus YTD 2022
Volume and mix	$ (10)	$ (242)
Pricing	10	43
Total change	$ —	$ (199)

Bell's revenues were unchanged in the third quarter of 2023, compared with the third quarter of 2022, as higher pricing of $10 million was offset by lower volume and mix of $10 million. Volume and mix included lower commercial volume, largely reflecting supply chain constraints, partially offset by higher military volume, primarily related to the FLRAA program discussed above. We delivered 23 commercial helicopters in the third quarter of 2023, compared with 49 commercial helicopters in the third quarter of 2022.

Bell's revenues decreased $199 million, 9%, in the first nine months of 2023, compared with the first nine months of 2022, largely due to lower volume and mix of $242 million, which included lower military volume of $123 million and commercial volume of $119 million. We delivered 80 commercial helicopters in the first nine months of 2023, compared with 108 commercial helicopters in the first nine months of 2022.

Bell's operating expenses decreased $3 million in the third quarter of 2023, and $182 million, 9% in the first nine months of 2023, compared with the corresponding periods of 2022. The decrease in the first nine months of 2023 was primarily due to lower volume and mix described above.

Bell Segment Profit

The following factors contributed to the change in Bell's segment profit for the periods:

(In millions)	Q3 2023 versus Q3 2022	YTD 2023 versus YTD 2022
Volume and mix	$ (16)	$ (88)
Performance	23	65
Pricing, net of inflation	(4)	6
Total change	$ 3	$ (17)

Bell's segment profit increased $3 million, 4%, in the third quarter of 2023, compared with the third quarter of 2022, largely due to a favorable impact from performance of $23 million, which includes $23 million of lower research and development costs, partially offset by lower volume and mix described above.

Bell's segment profit decreased $17 million, 8%, in the first nine months of 2023, compared with the first nine months of 2022, largely due to lower volume and mix described above, partially offset by a favorable impact from performance of $65 million, which includes $55 million of lower research and development costs.

Textron Systems

	Three Months Ended			Nine Months Ended		
(Dollars in millions)	September 30, 2023	October 1, 2022	% Change	September 30, 2023	October 1, 2022	% Change
Revenues	$ 309	$ 292	6%	$ 921	$ 858	7%
Operating expenses	268	261	3%	809	761	6%
Segment profit	$ 41	$ 31	32%	$ 112	$ 97	15%
Profit margin	13.3%	10.6%		12.2%	11.3%	

Textron Systems Revenues and Operating Expenses
The following factors contributed to the change in Textron Systems' revenues for the periods:

(In millions)	Q3 2023 versus Q3 2022	YTD 2023 versus YTD 2022
Volume	$ 12	$ 49
Pricing	5	14
Total change	$ 17	$ 63

Textron Systems' revenues increased $17 million, 6%, and $63 million, 7%, in the third quarter and first nine months of 2023, respectively, compared with the corresponding periods in 2022, largely due to higher volume. The higher volume in the first nine months of 2023 was primarily related to weapons products.

Textron Systems' operating expenses increased $7 million, 3%, and $48 million, 6%, in the third quarter and first nine months of 2023, respectively, compared with the corresponding periods in 2022, largely related to higher volume.

Textron Systems Segment Profit
The following factors contributed to the change in Textron Systems' segment profit for the periods:

(In millions)	Q3 2023 versus Q3 2022	YTD 2023 versus YTD 2022
Performance	$ 8	$ 17
Pricing, net of inflation	4	7
Volume and mix	(2)	(9)
Total change	$ 10	$ 15

Textron Systems' segment profit increased $10 million, 32%, in the third quarter of 2023, compared with the third quarter of 2022, primarily due to a favorable impact from performance of $8 million and higher pricing, net of inflation of $4 million.

Textron Systems' segment profit increased $15 million, 15%, in the first nine months of 2023, compared with the first nine months of 2022, due to a favorable impact from performance of $17 million and higher pricing, net of inflation of $7 million, partially offset by an unfavorable impact from the mix of products and services sold.

Industrial

	Three Months Ended			Nine Months Ended		
(Dollars in millions)	September 30, 2023	October 1, 2022	% Change	September 30, 2023	October 1, 2022	% Change
Revenues:						
Fuel systems and functional components	$ 465	$ 436	7%	$ 1,476	$ 1,335	11%
Specialized vehicles	457	413	11%	1,404	1,223	15%
Total revenues	922	849	9%	2,880	2,558	13%
Operating expenses	871	813	7%	2,709	2,446	11%
Segment profit	$ 51	$ 36	42%	$ 171	$ 112	53%
Profit margin	5.5%	4.2%		5.9%	4.4%	

Industrial Revenues and Operating Expenses
The following factors contributed to the change in Industrial's revenues for the periods:

(In millions)	Q3 2023 versus Q3 2022	YTD 2023 versus YTD 2022
Volume and mix	$ 45	$ 254
Pricing	18	79
Foreign exchange	10	(11)
Total change	$ 73	$ 322

Industrial segment revenues increased $73 million, 9%, in the third quarter of 2023, compared with the third quarter of 2022, largely due to higher volume and mix of $45 million at both product lines and an $18 million favorable impact from pricing, principally in the Specialized Vehicles product line.

Industrial segment revenues increased $322 million, 13%, in the first nine months of 2023, compared with the first nine months of 2022, largely reflecting higher volume and mix of $254 million at both product lines and a $79 million favorable impact from pricing.

Industrial's operating expenses increased $58 million, 7%, and $263 million, 11%, in the third quarter and first nine months of 2023, respectively, compared with the corresponding periods in 2022, principally reflecting the impact of higher volume and mix described above.

Industrial Segment Profit
The following factors contributed to the change in Industrial's segment profit for the periods:

(In millions)	Q3 2023 versus Q3 2022	YTD 2023 versus YTD 2022
Volume and mix	$ 8	$ 48
Pricing, net of inflation	15	40
Performance	(10)	(32)
Foreign exchange	2	3
Total change	$ 15	$ 59

Segment profit for the Industrial segment increased $15 million, 42%, in the third quarter of 2023, compared with the third quarter of 2022, largely due to a favorable impact from pricing, net of inflation of $15 million, principally in the Specialized Vehicles product line.

Segment profit for the Industrial segment increased $59 million, 53%, in the first nine months of 2023, compared with the first nine months of 2022, largely due to higher volume and mix of $48 million as described above and a favorable impact from pricing, net of inflation of $40 million, partially offset by an unfavorable impact of $32 million from performance.

Textron eAviation

	Three Months Ended			Nine Months Ended		
(Dollars in millions)	September 30, 2023	October 1, 2022	% Change	September 30, 2023	October 1, 2022	% Change
Revenues	$ 7	$ 5	40%	$ 22	$ 10	120%
Operating expenses	26	12	117%	62	24	158%
Segment loss	$ (19)	$ (7)	171%	$ (40)	$ (14)	186%

Textron eAviation Revenues and Operating Expenses

The following factors contributed to the change in Textron eAviation's revenues for the periods:

(In millions)	Q3 2023 versus Q3 2022	YTD 2023 versus YTD 2022
Volume and mix	$ 1	$ 6
Acquisition	—	4
Other	1	2
Total change	$ 2	$ 12

Textron eAviation segment revenues increased $2 million and $12 million in the third quarter and first nine months of 2023, respectively, compared with the corresponding periods in 2022, primarily reflecting higher volume and mix.

Textron eAviation's operating expenses increased $14 million and $38 million in the third quarter and first nine months of 2023, respectively, compared with the corresponding periods in 2022, primarily related to higher research and development costs.

Textron eAviation Segment Loss

The following factors contributed to the change in Textron eAviation's segment loss for the periods:

(In millions)	Q3 2023 versus Q3 2022	YTD 2023 versus YTD 2022
Performance and other	$ (12)	$ (29)
Volume and mix	—	3
Total change	$ (12)	$ (26)

Textron eAviation's segment loss increased $12 million and $26 million in the third quarter and first nine months of 2023, respectively, compared with the corresponding periods in 2022, largely due to an unfavorable impact from performance and other, primarily reflecting higher research and development costs.

Finance

	Three Months Ended		Nine Months Ended	
(In millions)	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Revenues	$ 13	$ 11	$ 43	$ 41
Segment profit	22	7	42	26

Finance segment revenues increased $2 million in both the third quarter and the first nine months of 2023, compared with the corresponding periods in 2022. Segment profit increased $15 million and $16 million, in the third quarter and the first nine months of 2023, respectively, compared with the corresponding periods in 2022, largely due to a $17 million recovery of amounts that were previously written off related to one customer relationship. The following table reflects information about the Finance segment's credit performance related to finance receivables.

(Dollars in millions)	September 30, 2023	December 31, 2022
Finance receivables	$ 624	$ 587
Allowance for credit losses	25	24
Ratio of allowance for credit losses to finance receivables	4.01%	4.09%
Nonaccrual finance receivables	16	46
Ratio of nonaccrual finance receivables to finance receivables	2.56%	7.84%
60+ days contractual delinquency	9	1
60+ days contractual delinquency as a percentage of finance receivables	1.44%	0.17%

We believe our allowance for credit losses adequately covers our exposure on these loans as our estimated collateral values largely exceed the outstanding loan amounts. Key portfolio quality indicators are discussed in Note 2 to the Consolidated Financial Statements.

Liquidity and Capital Resources

Our financings are conducted through two separate borrowing groups. The Manufacturing group consists of Textron consolidated with its majority-owned subsidiaries that operate in the Textron Aviation, Bell, Textron Systems, Industrial and Textron eAviation segments. The Finance group, which also is the Finance segment, consists of Textron Financial Corporation and its consolidated subsidiaries. We designed this framework to enhance our borrowing power by separating the Finance group. Our Manufacturing group operations include the development, production and delivery of tangible goods and services, while our Finance group provides financial services. Due to the fundamental differences between each borrowing group's activities, investors, rating agencies and analysts use different measures to evaluate each group's performance. To support those evaluations, we present balance sheet and cash flow information for each borrowing group within the Consolidated Financial Statements.

Key information that is utilized in assessing our liquidity is summarized below:

(Dollars in millions)	September 30, 2023	December 31, 2022
Manufacturing group		
Cash and equivalents	$ 1,671	$ 1,963
Debt	3,181	3,182
Shareholders' equity	7,067	7,113
Capital (debt plus shareholders' equity)	10,248	10,295
Net debt (net of cash and equivalents) to capital	18%	15%
Debt to capital	31%	31%
Finance group		
Cash and equivalents	$ 45	$ 72
Debt	350	375

We believe that our calculations of debt to capital and net debt to capital are useful measures as they provide a summary indication of the level of debt financing (i.e., leverage) that is in place to support our capital structure, as well as to provide an indication of the capacity to add further leverage. We expect to have sufficient cash to meet our needs based on our existing cash balances, the cash we expect to generate from our manufacturing operations and the availability of our existing credit facility.

Credit Facilities and Other Sources of Capital

Textron has a senior unsecured revolving credit facility for an aggregate principal amount of $1.0 billion, of which $100 million is available for the issuance of letters of credit. We may elect to increase the aggregate amount of commitments under the facility to up to $1.3 billion by designating an additional lender or by an existing lender agreeing to increase its commitment. The facility expires in October 2027 and provides for two one-year extensions at our option with the consent of lenders representing a majority of the commitments under the facility. At September 30, 2023 and December 31, 2022, there were no amounts borrowed against the facility and there were $9 million of outstanding letters of credit issued under the facility.

We also maintain an effective shelf registration statement filed with the Securities and Exchange Commission that allows us to issue an unlimited amount of public debt and other securities.

Manufacturing Group Cash Flows

Cash flows for the Manufacturing group as presented in our Consolidated Statements of Cash Flows are summarized below:

	Nine Months Ended	
(In millions)	September 30, 2023	October 1, 2022
Operating activities	$ 737	$ 945
Investing activities	(182)	(349)
Financing activities	(841)	(650)

In the first nine months of 2023, cash flows from operating activities decreased $208 million to $737 million, compared with $945 million in the first nine months of 2022, largely due to changes in working capital, partially offset by higher earnings and $42 million in lower income tax payments.

Cash flows used in investing activities in the first nine months of 2023 included $224 million of capital expenditures, partially offset by $39 million of net proceeds from corporate-owned life insurance policies. Investing activities in the first nine months of 2022 included $201 million of net cash paid for business acquisitions, largely related to the Pipistrel acquisition, and $192 million of capital expenditures.

Cash flows used in financing activities in the first nine months of 2023 included $885 million of cash paid to repurchase an aggregate of 12.5 million shares of our common stock. In the first nine months of 2022, cash flows used in financing activities included $639 million of cash paid to repurchase an aggregate of 9.8 million shares of our common stock.

On July 24, 2023, Textron's Board of Directors approved a new program for the repurchase of up to 35 million shares of our common stock. This share repurchase program allows us to continue our practice of repurchasing shares to offset the impact of dilution from stock-based compensation and benefit plans and for opportunistic capital management purposes. The new program has no expiration date and replaced the prior 2022 share repurchase program.

Finance Group Cash Flows
Cash flows for the Finance group as presented in our Consolidated Statements of Cash Flows are summarized below:

	Nine Months Ended	
(In millions)	**September 30, 2023**	**October 1, 2022**
Operating activities	$ 13	$ (11)
Investing activities	(4)	94
Financing activities	(36)	(211)

In the first nine months of 2023, cash flows from operating activities increased $24 million to $13 million, compared with $(11) million in the first nine months of 2022, primarily due to $10 million in lower income tax payments.

The Finance group’s cash flows from investing activities included collections on finance receivables totaling $116 million and $108 million in the first nine months of 2023 and 2022, respectively, and finance receivable originations of $122 million and $58 million, respectively. Cash flows provided by investing activities in the first nine months of 2022 also included $44 million of other investing activities, largely related to proceeds from the sale of operating lease assets. In the first nine months of 2023 and 2022, financing activities included payments on long-term and nonrecourse debt of $36 million and $211 million, respectively.

Consolidated Cash Flows
The consolidated cash flows after elimination of activity between the borrowing groups, are summarized below:

	Nine Months Ended	
(In millions)	**September 30, 2023**	**October 1, 2022**
Operating activities	$ 718	$ 963
Investing activities	(154)	(284)
Financing activities	(877)	(861)

In the first nine months of 2023, cash flows from operating activities decreased $245 million to $718 million, compared with $963 million in the first nine months of 2022, largely due to changes in working capital and a net cash outflow from captive finance receivables of $61 million, partially offset by higher earnings and $52 million in lower income tax payments.

Cash flows used in investing activities in the first nine months of 2023 included $224 million of capital expenditures, partially offset by $39 million of net proceeds from corporate-owned life insurance policies. Investing activities in the first nine months of 2022 included $201 million of net cash paid for business acquisitions, largely related to the Pipistrel acquisition, and $192 million of capital expenditures, partially offset by $44 million of other investing activities, which included proceeds from the sale of operating lease assets.

Cash flows used in financing activities in the first nine months of 2023 included $885 million of cash paid to repurchase shares of our outstanding common stock. In the first nine months of 2022, cash flows used in financing activities included $639 million of cash paid to repurchase shares of our outstanding common stock and $227 million of payments on long-term debt.

Captive Financing and Other Intercompany Transactions

The Finance group provides financing primarily to purchasers of new and pre-owned Textron Aviation aircraft and Bell helicopters manufactured by our Manufacturing group, otherwise known as captive financing. In the Consolidated Statements of Cash Flows, cash received from customers is reflected as operating activities when received from third parties. However, in the cash flow information provided for the separate borrowing groups, cash flows related to captive financing activities are reflected based on the operations of each group. For example, when product is sold by our Manufacturing group to a customer and is financed by the Finance group, the origination of the finance receivable is recorded within investing activities as a cash outflow in the Finance group's statement of cash flows. Meanwhile, in the Manufacturing group's statement of cash flows, the cash received from the Finance group on the customer's behalf is recorded within operating cash flows as a cash inflow. Although cash is transferred between the two borrowing groups, there is no cash transaction reported in the consolidated cash flows at the time of the original financing. These captive financing activities, along with all significant intercompany transactions, are reclassified or eliminated from the Consolidated Statements of Cash Flows.

Reclassification adjustments included in the Consolidated Statements of Cash Flows are summarized below:

	Nine Months Ended	
(In millions)	**September 30, 2023**	**October 1, 2022**
Reclassification adjustments from investing activities to operating activities:		
Finance receivable originations for Manufacturing group inventory sales	$ (122)	$ (58)
Cash received from customers	90	87
Total reclassification adjustments from investing activities to operating activities	$ (32)	$ 29

Critical Accounting Estimates Update

Our Consolidated Financial Statements are prepared in conformity with U.S. generally accepted accounting principles, which require us to make estimates and assumptions that affect the amounts reported in the financial statements. The accounting estimates that we believe are most critical to the portrayal of our financial condition and results of operations are reported in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2022. The following section provides an update of the year-end disclosure.

Revenue Recognition

A substantial portion of our revenues is related to long-term contracts with the U.S. Government, including those under the U.S. Government-sponsored foreign military sales program, for the design, development, manufacture or modification of aerospace and defense products as well as related services. We generally use the cost-to-cost method to measure progress for these contracts because it best depicts the transfer of control to the customer that occurs as we incur costs on our contracts. Under this measure, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the estimated costs at completion of the performance obligation, and revenue is recorded proportionally as costs are incurred.

Changes in our estimate of the total expected cost or in the transaction price for a contract typically impact our profit booking rate. We utilize the cumulative catch-up method of accounting to recognize the impact of these changes on our profit booking rate for a contract. Under this method, the inception-to-date impact of a profit adjustment on a contract is recognized in the period the adjustment is identified. The impact of our cumulative catch-up adjustments on segment profit recognized in prior periods is presented below:

	Three Months Ended		Nine Months Ended	
(In millions)	**September 30, 2023**	**October 1, 2022**	**September 30, 2023**	**October 1, 2022**
Gross favorable	$ 29	$ 25	$ 78	$ 66
Gross unfavorable	(11)	(28)	(42)	(90)
Net adjustments	$ 18	$ (3)	$ 36	$ (24)

Forward-Looking Information

Certain statements in this Quarterly Report on Form 10-Q and other oral and written statements made by us from time to time are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements, which may describe strategies, goals, outlook or other non-historical matters, or project revenues, income, returns or other financial measures, often include words such as "believe," "expect," "anticipate," "intend," "plan," "estimate," "guidance," "project," "target," "potential," "will," "should," "could," "likely" or "may" and similar expressions intended to identify forward-looking statements. These statements are only predictions and involve known and unknown risks, uncertainties, and other factors that may cause our actual results to differ materially from those expressed or implied by such forward-looking statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements. 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. In addition to those factors described in our 2022 Annual Report on Form 10-K under "Risk Factors," among the factors that could cause actual results to differ materially from past and projected future results are the following:

- Interruptions in the U.S. Government's ability to fund its activities and/or pay its obligations;
- Changing priorities or reductions in the U.S. Government defense budget, including those related to military operations in foreign countries;
- Our ability to perform as anticipated and to control costs under contracts with the U.S. Government;
- The U.S. Government's ability to unilaterally modify or terminate its contracts with us for the U.S. Government's convenience or for our failure to perform, to change applicable procurement and accounting policies, or, under certain circumstances, to withhold payment or suspend or debar us as a contractor eligible to receive future contract awards;
- Changes in foreign military funding priorities or budget constraints and determinations, or changes in government regulations or policies on the export and import of military and commercial products;
- Volatility in the global economy or changes in worldwide political conditions that adversely impact demand for our products;
- Volatility in interest rates or foreign exchange rates and inflationary pressures;
- Risks related to our international business, including establishing and maintaining facilities in locations around the world and relying on joint venture partners, subcontractors, suppliers, representatives, consultants and other business partners in connection with international business, including in emerging market countries;
- Our Finance segment's ability to maintain portfolio credit quality or to realize full value of receivables;
- Performance issues with key suppliers or subcontractors;
- Legislative or regulatory actions, both domestic and foreign, impacting our operations or demand for our products;
- Our ability to control costs and successfully implement various cost-reduction activities;
- The efficacy of research and development investments to develop new products or unanticipated expenses in connection with the launching of significant new products or programs;
- The timing of our new product launches or certifications of our new aircraft products;
- Our ability to keep pace with our competitors in the introduction of new products and upgrades with features and technologies desired by our customers;
- Pension plan assumptions and future contributions;
- Demand softness or volatility in the markets in which we do business;
- Cybersecurity threats, including the potential misappropriation of assets or sensitive information, corruption of data or operational disruption;
- Difficulty or unanticipated expenses in connection with integrating acquired businesses;
- The risk that acquisitions do not perform as planned, including, for example, the risk that acquired businesses will not achieve revenues and profit projections;
- The impact of changes in tax legislation;
- Risks and uncertainties related to the ongoing impact of the pandemic and the war between Russia and Ukraine, as well as the potential impact of the Israel-Hamas war, on our business and operations; and
- The ability of our businesses to hire and retain the highly skilled personnel necessary for our businesses to succeed.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no significant change in our exposure to market risk during the fiscal quarter ended September 30, 2023. For discussion of our exposure to market risk, refer to Item 7A. Quantitative and Qualitative Disclosures about Market Risk contained in Textron's 2022 Annual Report on Form 10-K.

Item 4. Controls and Procedures

We performed an evaluation of the effectiveness of our disclosure controls and procedures as of September 30, 2023. The evaluation was performed with the participation of senior management of each business segment and key Corporate functions, under the supervision of our Chairman, President and Chief Executive Officer (CEO) and our Executive Vice President and Chief Financial Officer (CFO). Based on this evaluation, the CEO and CFO concluded that our disclosure controls and procedures were operating and effective as of September 30, 2023.

There were no changes in our internal control over financial reporting during the fiscal quarter ended September 30, 2023 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following provides information about our third quarter of 2023 repurchases of equity securities that are registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended:

Period (shares in thousands)	Total Number of Shares Purchased *	Average Price Paid per Share (excluding commissions)	Total Number of Shares Purchased as part of Publicly Announced Plan *	Maximum Number of Shares that may yet be Purchased under the Plan
July 2, 2023 – August 5, 2023	455	$ 72.17	455	34,775
August 6, 2023 – September 2, 2023	1,530	76.73	1,530	33,245
September 3, 2023 – September 30, 2023	1,100	76.69	1,100	32,145
Total	3,085	$ 76.04	3,085	

** On July 24, 2023, our Board of Directors approved a new program for the repurchase of up to 35 million shares of our common stock. This share repurchase program has no expiration date and replaced the prior 2022 share repurchase program. There were 230 thousand shares repurchased under the 2022 program during the period July 2, 2023 through July 23, 2023.*

Item 6. Exhibits

10.1	Amendment No. 1 to Amended and Restated Textron Inc. Short-Term Incentive Plan
10.2	Amendment No. 1 to Textron Inc. 2015 Long-Term Incentive Plan
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from Textron Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows and (v) the Notes to the Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

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:	October 26, 2023	/s/ Mark S. Bamford
		Mark S. Bamford Vice President and Corporate Controller (principal accounting officer)

EXHIBIT 10.1

AMENDMENT NO. 1 TO
AMENDED AND RESTATED
TEXTRON INC. SHORT-TERM INCENTIVE PLAN

Pursuant to Section 10.1 of the Textron Inc. Short-Term Incentive Plan (As Amended and Restated effective as of July 28, 2020) (the "Plan"), Textron Inc. hereby amends the Plan, effective July 25, 2023, as follows:

1. Section 9 of the Plan is hereby amended to read in its entirety as follows:

SECTION 9. RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

9.1 Recovery Policy. This Section 9 sets forth the Company's recovery policy in respect of Erroneously Awarded Compensation (as defined below) and shall be interpreted consistently with the intent to comply with the requirements of Section 303A.14 of NYSE's Listed Company Manual (the "Listed Company Manual").

9.2 Definitions. Unless the context otherwise requires, the following terms have the meaning set forth in the Listed Company Manual, which is as follows:

"Executive Officer" means the Company's principal executive officer (referred to in the Listed Company Manual as "president"), principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function, any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the Company.

"Financial Reporting Measures" are measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures that are derived wholly or in part from such measures. Stock price and total shareholder return are also financial reporting measures.

"Incentive-Based Compensation is any Final Award that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

"Received." Incentive-Based Compensation is deemed Received in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of that period.

9.3 Recovery Policy

If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period, the Company shall recover reasonably promptly from each Executive Officer the amount, if any, of Incentive-Based Compensation Received by an Executive Officer that exceeds the amount of Incentive-Based Compensation that otherwise would have been Received had it been determined based on the restated amounts ("Erroneously Awarded Compensation"), computed without regard to any taxes paid. For Incentive-Based Compensation based on stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in an accounting restatement, the amount of Erroneously Awarded Compensation shall be based on a reasonable estimate of the effect of the accounting restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was Received.

This Recovery Policy applies to all Incentive-Based Compensation Received by a person: (A) after beginning service as an Executive Officer, (B) who served as an Executive Officer at any time during the performance period for that Incentive-Based Compensation; (C) while the Company has a class of securities listed on a national securities exchange or a national securities association; and (D) during the three completed fiscal years immediately preceding the date that the Company is required to prepare an accounting restatement as described in this Section 9 and, if applicable, to any transition period as set forth in Section 303A.l4.

9.4 Additional Rules

(i) For purposes of this Section 9, the Company shall be deemed to be required to prepare an accounting restatement as of the earlier of (a) the date the Board or a committee thereof, or officer of the Company authorized to take such action if board action is not required, concludes or reasonably should have concluded that a restatement is required or (b) the date a court, regulator, or other legally authorized body directs the Company to prepare a restatement.

(ii) Notwithstanding any other provision of this Section 9, the Company shall not be required to recover Erroneously Awarded Compensation to the extent that an exception set forth in Section 303A.14 (c)(1)(iv) of the Listed Company Manual (relating to impracticability by reason of expense to recover, violations of certain laws, or anti-alienation rules for tax-qualified plans) applies.

(iii) The Company shall not indemnify any Executive Officer or former Executive Officer against the loss of Erroneously Awarded Compensation.

(iv) The Company shall maintain documentation related to enforcement of this Recovery Policy in accordance with the requirements of the Listed Company Manual.

(v) The Company's recovery obligation under this Section 9 shall not be affected by if or when restated financial statements are filed.

9.5 Other Policies

In addition to the Recovery Policy set forth above, all awards under the Plan are subject to all other recovery policies and clawback procedures of the Company, each as in effect and as amended from time to time.

2. Except as expressly amended hereby, all provisions of the Plan shall remain unamended and shall continue to be, and shall remain, in full force and effect in accordance with their respective terms.

IN WITNESS WHEREOF, Textron Inc. has caused this amendment to be executed by its duly authorized officer.

TEXTRON INC.

Dated: July 25, 2023

By /s/ Julie G. Duffy

Julie G. Duffy
Executive Vice President and Chief
Human Resources Officer

AMENDMENT NO. 1 TO

TEXTRON INC.
2015 LONG-TERM INCENTIVE PLAN

Pursuant to Section 16 of the Textron Inc. 2015 Long-Term Incentive Plan (the "Plan"), Textron Inc. hereby amends the Plan, effective July 25, 2023, as follows:

1. Section 6 of the Plan is hereby amended to revise subsection (j), to read in its entirety as follows:

(j) *Recovery Policy*. This Section 6(j) sets forth the Company's recovery policy in respect of Erroneously Awarded Compensation (as defined below) and shall be interpreted consistently with the intent to comply with the requirements of Section 303A.14 of NYSE's Listed Company Manual (the "***Listed Company Manual***").

(i) Definitions. Unless the context otherwise requires, the following terms have the meanings set forth in the Listed Company Manual, which is as follows:

"***Executive Officer***" means the Company's principal executive officer (referred to in the Listed Company Manual as "president"), principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function, any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the Company.

"***Financial Reporting Measures***" are measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures that are derived wholly or in part from such measures. Stock price and total shareholder return are also financial reporting measures.

"***Incentive-Based Compensation***" is any Award that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

"***Received***" Incentive-Based Compensation is deemed Received in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of that period.

(ii) Recovery Policy

It is the policy of the Company that, if the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period, the Company shall recover reasonably promptly from each Executive Officer the amount, if any, of Incentive-Based Compensation Received by an Executive Officer that exceeds the amount of Incentive-Based Compensation that otherwise would have been Received had it been determined based on the restated amounts ("***Erroneously Awarded Compensation***"), computed without regard to any taxes paid. For Incentive-Based Compensation based on stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in an accounting restatement, the amount of Erroneously Awarded Compensation shall be based on a reasonable estimate of the effect of the accounting restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was Received.

This Recovery Policy applies to all Incentive-Based Compensation Received by a person: (A) after beginning service as an Executive Officer; (B) who served as an Executive Officer at any time during the performance period for that Incentive-Based Compensation; (C) while the Company has a class of securities listed on a national securities exchange or a national securities association; and (D) during the three completed fiscal years immediately preceding the date that the Company is required to prepare an accounting restatement as described in this Section 6.1(j) and, if applicable, to any transition period as set forth in Section 303A.l4.

(iii) Additional Rules

(A) For purposes of this Section 6(j), the Company shall be deemed to be required to prepare an accounting restatement as of the earlier of (I) the date the Board or a committee thereof, or an officer of the Company authorized to take such action if board action is not required, concludes or reasonably should have concluded that a restatement is required or (II) the date a court, regulator, or other legally authorized body directs the Company to prepare a restatement.

(B) Notwithstanding any other provision of this Section 6(j), the Company shall not be required to recover Erroneously Awarded Compensation to the extent that an exception set forth in Section 303A.14 (c)(1)(iv) of the Listed Company Manual (relating to impracticability by reason of expense to recover, violations of certain laws, or anti-alienation rules for tax-qualified plans) applies.

(C) The Company shall not indemnify any Executive Officer or former Executive Officer against the loss of Erroneously Awarded Compensation.

(D) The Committee shall maintain documentation related to enforcement of this Recovery Policy in accordance with the requirements of the Listed Company Manual.

(E) The Company's recovery obligation under this Section 6(j) shall not be affected by if or when restated financial statements are filed.

(iv) Other Policies

In addition to the Recovery Policy set forth above, all Awards under the Plan are subject to all other recovery policies and clawback procedures of the Company, each as in effect and as amended from time to time.

2. Except as expressly amended hereby, all provisions of the Plan shall remain unamended and shall continue to be, and shall remain, in full force and effect in accordance with their respective terms.

IN WITNESS WHEREOF, Textron Inc. has caused this amendment to be executed by its duly authorized officer.

TEXTRON INC.

Dated: July 25, 2023

By /s/ Julie G. Duffy

Julie G. Duffy
Executive Vice President and Chief Human Resources Officer

Exhibit 31.1

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Scott C. Donnelly, Chairman, President and Chief Executive Officer of Textron Inc. certify that:

1. I have reviewed this quarterly report on Form 10-Q of Textron Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 26, 2023

/s/ Scott C. Donnelly

Scott C. Donnelly
Chairman, President and Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Frank T. Connor, Executive Vice President and Chief Financial Officer of Textron Inc. certify that:

1. I have reviewed this quarterly report on Form 10-Q of Textron Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 26, 2023

/s/ Frank T. Connor

Frank T. Connor
Executive Vice President and Chief Financial Officer

Exhibit 32.1

TEXTRON INC.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Textron Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott C. Donnelly, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 26, 2023

/s/ Scott C. Donnelly

Scott C. Donnelly
Chairman, President and Chief Executive Officer

Exhibit 32.2

TEXTRON INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Textron Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Frank T. Connor, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 26, 2023

/s/ Frank T. Connor

Frank T. Connor
Executive Vice President and Chief Financial Officer