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 October 3, 2020

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 16, 2020, there were 228,874,931 shares of common stock outstanding.

TEXTRON INC.
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For the Quarterly Period Ended October 3, 2020

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TEXTRON INC.
Consolidated Statements of Operations (Unaudited)

	Three Months Ended		Nine Months Ended	
(In millions, except per share amounts)	**October 3, 2020**	**September 28, 2019**	**October 3, 2020**	**September 28, 2019**
Revenues				
Manufacturing revenues	$ 2,722	$ 3,245	$ 7,942	$ 9,548
Finance revenues	13	14	42	47
Total revenues	2,735	3,259	7,984	9,595
Costs, expenses and other				
Cost of sales	2,332	2,747	6,970	7,965
Selling and administrative expense	258	255	760	854
Interest expense	43	44	125	129
Special charges	7	—	124	—
Non-service components of pension and post-retirement income, net	(21)	(28)	(62)	(85)
Total costs, expenses and other	2,619	3,018	7,917	8,863
Income before income taxes	116	241	67	732
Income tax expense (benefit)	1	21	(6)	116
Net income	$ 115	$ 220	$ 73	$ 616
Earnings per share				
Basic	$ 0.50	$ 0.96	$ 0.32	$ 2.65
Diluted	$ 0.50	$ 0.95	$ 0.32	$ 2.64

See Notes to the Consolidated Financial Statements.

TEXTRON INC.
Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended		Nine Months Ended	
(In millions)	**October 3, 2020**	**September 28, 2019**	**October 3, 2020**	**September 28, 2019**
Net income	$ 115	$ 220	$ 73	$ 616
Other comprehensive income (loss), net of tax				
Pension and postretirement benefits adjustments, net of reclassifications	37	20	110	61
Foreign currency translation adjustments	35	(34)	25	(30)
Deferred gains (losses) on hedge contracts, net of reclassifications	2	—	(5)	2
Other comprehensive income (loss)	74	(14)	130	33
Comprehensive income	$ 189	$ 206	$ 203	$ 649

See Notes to the Consolidated Financial Statements.

TEXTRON INC.
Consolidated Balance Sheets (Unaudited)

(Dollars in millions)	October 3, 2020	January 4, 2020
Assets		
Manufacturing group		
Cash and equivalents	$ 2,518	$ 1,181
Accounts receivable, net	872	921
Inventories	4,252	4,069
Other current assets	825	894
Total current assets	8,467	7,065
Property, plant and equipment, less accumulated depreciation and amortization of $4,613 and $4,405, respectively	2,438	2,527
Goodwill	2,159	2,150
Other assets	1,863	2,312
Total Manufacturing group assets	14,927	14,054
Finance group		
Cash and equivalents	152	176
Finance receivables, net	693	682
Other assets	89	106
Total Finance group assets	934	964
Total assets	$ 15,861	$ 15,018
Liabilities and shareholders' equity		
Liabilities		
Manufacturing group		
Short-term debt and current portion of long-term debt	$ 859	$ 561
Accounts payable	1,121	1,378
Other current liabilities	2,011	1,907
Total current liabilities	3,991	3,846
Other liabilities	2,159	2,288
Long-term debt	3,199	2,563
Total Manufacturing group liabilities	9,349	8,697
Finance group		
Other liabilities	105	117
Debt	666	686
Total Finance group liabilities	771	803
Total liabilities	10,120	9,500
Shareholders' equity		
Common stock	29	29
Capital surplus	1,762	1,674
Treasury stock	(74)	(20)
Retained earnings	5,741	5,682
Accumulated other comprehensive loss	(1,717)	(1,847)
Total shareholders' equity	5,741	5,518
Total liabilities and shareholders' equity	$ 15,861	$ 15,018
Common shares outstanding (in thousands)	228,790	227,956

See Notes to the Consolidated Financial Statements.

TEXTRON INC.
Consolidated Statements of Cash Flows (Unaudited)
For the Nine Months Ended October 3, 2020 and September 28, 2019, respectively

	Consolidated	
(In millions)	2020	2019
Cash flows from operating activities		
Net income	$ 73	$ 616
Adjustments to reconcile net income to net cash provided by operating activities:		
Non-cash items:		
Depreciation and amortization	283	302
Deferred income taxes	(31)	85
Asset impairments and TRU inventory charge	111	—
Other, net	81	61
Changes in assets and liabilities:		
Accounts receivable, net	59	(7)
Inventories	(258)	(652)
Other assets	114	27
Accounts payable	(267)	134
Other liabilities	60	(251)
Income taxes, net	(4)	(70)
Pension, net	(11)	(44)
Captive finance receivables, net	(25)	22
Other operating activities, net	15	2
Net cash provided by operating activities of continuing operations	200	225
Net cash used in operating activities of discontinued operations	(1)	(2)
Net cash provided by operating activities	199	223
Cash flows from investing activities		
Capital expenditures	(151)	(216)
Proceeds from an insurance recovery and sale of property, plant and equipment	25	6
Net proceeds from corporate-owned life insurance policies	21	4
Net cash used in acquisitions	(11)	—
Finance receivables repaid	21	20
Other investing activities, net	3	3
Net cash used in investing activities	(92)	(183)
Cash flows from financing activities		
Increase (decrease) in short-term debt	(2)	118
Net proceeds from long-term debt	1,137	297
Proceeds from borrowings against corporate-owned life insurance policies	377	—
Payment on borrowings against corporate-owned life insurance policies	(15)	—
Principal payments on long-term debt and nonrecourse debt	(235)	(42)
Purchases of Textron common stock	(54)	(470)
Dividends paid	(14)	(9)
Other financing activities, net	14	18
Net cash provided by (used in) financing activities	1,208	(88)
Effect of exchange rate changes on cash and equivalents	(2)	(6)
Net increase (decrease) in cash and equivalents	1,313	(54)
Cash and equivalents at beginning of period	1,357	1,107
Cash and equivalents at end of period	$ 2,670	$ 1,053

See Notes to the Consolidated Financial Statements.

TEXTRON INC.
Consolidated Statements of Cash Flows (Unaudited) (Continued)
For the Nine Months Ended October 3, 2020 and September 28, 2019, respectively

	Manufacturing Group		Finance Group	
(In millions)	**2020**	**2019**	**2020**	**2019**
Cash flows from operating activities				
Net income	$ 67	$ 603	$ 6	$ 13
Adjustments to reconcile net income to net cash provided by operating activities:				
Non-cash items:				
Depreciation and amortization	279	297	4	5
Deferred income taxes	(30)	86	(1)	(1)
Asset impairments and TRU inventory charge	111	—	—	—
Other, net	74	60	7	1
Changes in assets and liabilities:				
Accounts receivable, net	59	(7)	—	—
Inventories	(258)	(679)	—	—
Other assets	114	28	—	(1)
Accounts payable	(267)	134	—	—
Other liabilities	66	(250)	(6)	(1)
Income taxes, net	1	(75)	(5)	5
Pension, net	(11)	(44)	—	—
Dividends received from Finance group	—	50	—	—
Other operating activities, net	15	2	—	—
Net cash provided by operating activities of continuing operations	220	205	5	21
Net cash used in operating activities of discontinued operations	(1)	(2)	—	—
Net cash provided by operating activities	219	203	5	21
Cash flows from investing activities				
Capital expenditures	(151)	(216)	—	—
Proceeds from an insurance recovery and sale of property, plant and equipment	25	6	—	—
Net proceeds from corporate-owned life insurance policies	21	4	—	—
Net cash used in acquisitions	(11)	—	—	—
Finance receivables repaid	—	—	90	149
Finance receivables originated	—	—	(94)	(107)
Other investing activities, net	—	—	3	30
Net cash provided by (used in) investing activities	(116)	(206)	(1)	72
Cash flows from financing activities				
Increase (decrease) in short-term debt	(2)	118	—	—
Net proceeds from long-term debt	1,137	297	—	—
Proceeds from borrowings against corporate-owned life insurance policies	377	—	—	—
Payment on borrowings against corporate-owned life insurance policies	(15)	—	—	—
Principal payments on long-term debt and nonrecourse debt	(195)	(1)	(40)	(41)
Purchases of Textron common stock	(54)	(470)	—	—
Dividends paid	(14)	(9)	—	(50)
Other financing activities, net	2	18	12	—
Net cash provided by (used in) financing activities	1,236	(47)	(28)	(91)
Effect of exchange rate changes on cash and equivalents	(2)	(6)	—	—
Net increase (decrease) in cash and equivalents	1,337	(56)	(24)	2
Cash and equivalents at beginning of period	1,181	987	176	120
Cash and equivalents at end of period	$ 2,518	$ 931	$ 152	$ 122

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 January 4, 2020. 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 and Industrial 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 2020 and 2019, our cumulative catch-up adjustments increased revenues and segment profit by $22 million and $21 million, respectively, and increased net income by $17 million and $16 million, respectively ($0.07 per diluted share for both periods). In the third quarter of 2020 and 2019, gross favorable adjustments totaled $31 million and $41 million, respectively, and the gross unfavorable adjustments totaled $9 million and $20 million, respectively.

In the first nine months of 2020 and 2019, our cumulative catch-up adjustments increased revenue and segment profit by $41 million and $79 million, respectively, and increased net income by $31 million and $60 million, respectively ($0.14 and $0.26 per diluted share, respectively). In the first nine months of 2020 and 2019, gross favorable adjustments totaled $104 million and $140 million, respectively, and the gross unfavorable adjustments totaled $63 million and $61 million, respectively.

Note 2. Summary of Significant Accounting Policies Update

At the beginning of 2020, we adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments* - *Credit Losses* (ASC 326). This standard changed the prior incurred loss model to a forward-looking current expected credit loss model for most financial assets, such as trade and finance receivables, contract assets and other instruments. This standard required a cumulative-effect adjustment to retained earnings upon adoption with no restatement of prior periods. There was no significant impact on our consolidated financial statements upon adoption of the standard.

Our significant accounting policies are included in Note 1 of our Annual Report on Form 10-K for the year ended January 4, 2020. Significant changes to our policies resulting from the adoption of ASC 326 are provided below.

Accounts Receivable, Net
Accounts receivable, net includes amounts billed to customers where the right to payment is unconditional. We maintain an allowance for credit losses for our commercial accounts receivable to provide for the estimated amount that will not be collected, even when the risk of loss is remote. The allowance is measured on a collective pool basis when similar risk characteristics exists and is established as a percentage of accounts receivable. We have identified pools with similar risk characteristics, based on customer and industry type and geographic location. The percentage is based on all available and relevant information including age of outstanding receivables and collateral value, if any, historical payment experience and loss history, current economic conditions, and, when reasonable and supportable factors exist, management's expectation of future economic conditions. For amounts due from the U.S. Government, we have not established an allowance for credit losses as we have zero loss expectation based on a long history of no credit losses and the explicit guarantee of a sovereign entity.

Finance Receivables, Net
We establish an allowance for credit losses to cover probable but specifically unknown losses existing in the portfolio. This allowance is established as a percentage of finance receivables categorized by pools with similar risk characteristics, such as collateral or customer type and geographic location. The percentage is based on a combination of factors, including historical loss experience, current delinquency and default trends, collateral values, current economic conditions, and, when reasonable and supportable factors exist, management's expectation of future economic conditions.

For those finance receivables that do not have similar risk characteristics, including larger balance accounts specifically identified as impaired, a reserve is established based on comparing the expected future cash flows, discounted at the finance receivable's effective interest rate, or the fair value of the underlying collateral if the finance receivable is collateral dependent, to its carrying amount. The expected future cash flows consider collateral value; financial performance and liquidity of our borrower; existence and financial strength of guarantors; estimated recovery costs, including legal expenses; and costs associated with the repossession and eventual disposal of collateral. When there is a range of potential outcomes, we perform multiple discounted cash flow analyses and weight the potential outcomes based on their relative likelihood of occurrence. The evaluation of our portfolio is inherently subjective, as it requires estimates, including the amount and timing of future cash flows expected to be received on impaired finance receivables and the estimated fair value of the underlying collateral, which may differ from actual results. While our analysis is specific to each individual account, critical factors included in this analysis include industry valuation guides, age and physical condition of the collateral, payment history, and existence and financial strength of guarantors.

Note 3. Accounts Receivable and Finance Receivables

Accounts Receivable
Accounts receivable is composed of the following:

(In millions)	October 3, 2020	January 4, 2020
Commercial	$ 761	$ 835
U.S. Government contracts	152	115
	913	950
Allowance for credit losses	(41)	(29)
Total accounts receivable, net	$ 872	$ 921

Finance Receivables

Finance receivables are presented in the following table:

(In millions)		October 3, 2020		January 4, 2020
Finance receivables	$	725	$	707
Allowance for credit losses		(32)		(25)
Total finance receivables, net	$	693	$	682

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.

In March 2020, due to the economic impact of the COVID-19 pandemic and at the request of certain of our customers, we began working with them to provide temporary payment relief through loan modifications. The types of temporary payment relief we offered to these customers included delays in the timing of required principal payments, deferrals of interest payments and/or interest-only payments. For loan modifications that cover payment-relief periods in excess of six months, even if the loan was previously current, the loan is deemed a troubled debt restructuring and considered impaired. These impaired loans are classified as either nonaccrual or watchlist based on a review of the credit quality indicators as discussed above.

During the first nine months of 2020, we modified finance receivable contracts for 90 customers with an outstanding balance totaling $283 million at October 3, 2020. Of the modifications occurring during the first nine months of 2020, contracts for 25 customers, or $109 million of finance receivables, were categorized as troubled debt restructurings. Due to the nature of these restructurings, the financial effects were not significant. We had two customer defaults related to finance receivables previously modified as a troubled debt restructuring that had an insignificant outstanding balance. 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.

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

(Dollars in millions)		October 3, 2020		January 4, 2020
Performing	$	560	$	664
Watchlist		107		4
Nonaccrual		58		39
Nonaccrual as a percentage of finance receivables		8.00%		5.52%
Current and less than 31 days past due	$	683	$	637
31-60 days past due		9		53
61-90 days past due		2		7
Over 90 days past due		31		10
60+ days contractual delinquency as a percentage of finance receivables		4.55%		2.40%

At October 3, 2020, 38% of our performing finance receivables were originated since the beginning of 2019 and 29% were originated from 2016 to 2018. For finance receivables categorized as watchlist, 15% were originated since the beginning of 2019 and 44% from 2016 to 2018. For accounts modified in the first nine months of 2020, the origination date prior to the modification was maintained based on the types of temporary payment relief provided.

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)	October 3, 2020	January 4, 2020
Finance receivables evaluated collectively	$ 461	$ 564
Finance receivables evaluated individually	157	39
Allowance for credit losses based on collective evaluation	26	22
Allowance for credit losses based on individual evaluation	6	3
Impaired finance receivables with no related allowance for credit losses	$ 120	$ 22
Impaired finance receivables with related allowance for credit losses	37	17
Unpaid principal balance of impaired finance receivables	166	50
Allowance for credit losses on impaired loans	6	3
Average recorded investment of impaired finance receivables	116	40

Note 4. Inventories

Inventories are composed of the following:

(In millions)	October 3, 2020	January 4, 2020
Finished goods	$ 1,468	$ 1,557
Work in process	1,869	1,616
Raw materials and components	915	896
Total inventories	$ 4,252	$ 4,069

Note 5. Other Assets

Other assets includes the cash surrender value of corporate-owned life insurance policies, net of any borrowings against these policies. During the first quarter of 2020, we borrowed $377 million against the policies as we strengthened our cash position in light of disruptions in the capital markets caused by the COVID-19 pandemic. At October 3, 2020, there was $362 million of outstanding borrowings against the policies. Proceeds from these borrowings and subsequent payments have been classified as financing activities in the consolidated statement of cash flows. Interest expense incurred on borrowings against corporate-owned life insurance policies is recorded as an offset with policy income.

Note 6. Warranty Liability

Changes in our warranty liability are as follows:

	Nine Months Ended	
(In millions)	October 3, 2020	September 28, 2019
Beginning of period	$ 141	$ 149
Provision	35	45
Settlements	(46)	(56)
Adjustments*	(13)	(3)
End of period	$ 117	$ 135

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

Note 7. Leases

We primarily lease certain manufacturing plants, offices, warehouses, training and service centers at various locations worldwide that are classified as either operating or finance leases. Our finance leases at October 3, 2020 were not significant. Our operating leases have remaining lease terms up to 28 years, which include options to extend the lease term for periods up to 25 years when it is reasonably certain the option will be exercised. Operating lease cost totaled $15 million and $16 million in the third quarter of 2020 and 2019, respectively, and $45 million and $48 million in the first nine months of 2020 and 2019, respectively. Cash paid for operating leases totaled $45 million and $48 million in the first nine months of 2020 and 2019, respectively, which is classified in cash flows from operating activities. Variable and short-term lease costs were not significant. Balance sheet and other information related to our operating leases is as follows:

(Dollars in millions)	October 3, 2020	January 4, 2020
Other assets	$ 268	$ 277
Other current liabilities	45	48
Other liabilities	228	233
Weighted-average remaining lease term (in years)	10.0	10.2
Weighted-average discount rate	4.28%	4.42%

At October 3, 2020, maturities of our operating lease liabilities on an undiscounted basis totaled $18 million for 2020, $52 million for 2021, $44 million for 2022, $35 million for 2023, $28 million for 2024 and $165 million thereafter.

Note 8. Debt

Under our shelf registration statement, on August 5, 2020, we issued $500 million of SEC-registered fixed-rate notes due March 2031 with an annual interest rate of 2.45%. The net proceeds of the issuance totaled $496 million, after deducting underwriting discounts, commissions and offering expenses. In addition, on March 17, 2020, we issued $650 million of SEC-registered fixed-rate notes due June 2030, with an annual interest rate of 3.00% and net proceeds totaling $642 million.

On September 18, 2020, the Finance Group's $150 million variable-rate loan due December 13, 2020 was amended. The maturity date of this loan was extended to September 18, 2021, with an option to extend for an additional year. The annual interest rate was modified from the London interbank offered rate (LIBOR) plus 1.125% to LIBOR plus 1.55%, which is an annual interest rate of 1.70% at October 3, 2020.

On April 1, 2020, we entered into a 364-Day Term Loan Credit Agreement in an aggregate principal amount of $500 million and borrowed the full principal amount available under the agreement. On August 10, 2020, we repaid the outstanding principal amount and the agreement was terminated.

Note 9. 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 October 3, 2020 and January 4, 2020, we had foreign currency exchange contracts with notional amounts upon which the contracts were based of $301 million and $342 million, respectively. At October 3, 2020, the fair value amounts of our foreign currency exchange contracts were a $3 million asset and a $4 million liability. At January 4, 2020, the fair value amounts of our foreign currency exchange contracts were a $2 million asset and a $2 million liability.

We hedge our net investment position in certain major currencies and generate foreign currency interest payments that offset other transactional exposures in these currencies. To accomplish this, we borrow directly in the foreign currency and designate a portion of the debt as a hedge of the net investment. We record changes in the fair value of these contracts in other comprehensive income (loss) to the extent they are effective as cash flow hedges. Currency effects on the effective portion of these hedges, which are reflected in the foreign currency translation adjustments within Accumulated other comprehensive loss, were not significant in the periods presented.

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:

	October 3, 2020		January 4, 2020	
(In millions)	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Manufacturing group				
Debt, excluding leases	$ (4,042)	$ (4,294)	$ (3,097)	$ (3,249)
Finance group				
Finance receivables, excluding leases	501	522	493	527
Debt	(666)	(581)	(686)	(634)

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 10. 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 October 3, 2020						
Beginning of period	$ 29	$ 1,732	$ (74)	$ 5,631	$ (1,791)	$ 5,527
Net income	—	—	—	115	—	115
Other comprehensive income	—	—	—	—	74	74
Share-based compensation activity	—	30	—	—	—	30
Dividends declared	—	—	—	(5)	—	(5)
End of period	$ 29	$ 1,762	$ (74)	$ 5,741	$ (1,717)	$ 5,741
Three months ended September 28, 2019						
Beginning of period	$ 30	$ 1,717	$ (490)	$ 5,794	$ (1,715)	$ 5,336
Net income	—	—	—	220	—	220
Other comprehensive loss	—	—	—	—	(14)	(14)
Share-based compensation activity	—	24	—	—	—	24
Dividends declared	—	—	—	(5)	—	(5)
Purchases of common stock	—	—	(109)	—	—	(109)
End of period	$ 30	$ 1,741	$ (599)	$ 6,009	$ (1,729)	$ 5,452
Nine months ended October 3, 2020						
Beginning of period	$ 29	$ 1,674	$ (20)	$ 5,682	$ (1,847)	$ 5,518
Net income	—	—	—	73	—	73
Other comprehensive income	—	—	—	—	130	130
Share-based compensation activity	—	88	—	—	—	88
Dividends declared	—	—	—	(14)	—	(14)
Purchases of common stock	—	—	(54)	—	—	(54)
End of period	$ 29	$ 1,762	$ (74)	$ 5,741	$ (1,717)	$ 5,741
Nine months ended September 28, 2019						
Beginning of period	$ 30	$ 1,646	$ (129)	$ 5,407	$ (1,762)	$ 5,192
Net income	—	—	—	616	—	616
Other comprehensive income	—	—	—	—	33	33
Share-based compensation activity	—	95	—	—	—	95
Dividends declared	—	—	—	(14)	—	(14)
Purchases of common stock	—	—	(470)	—	—	(470)
End of period	$ 30	$ 1,741	$ (599)	$ 6,009	$ (1,729)	$ 5,452

Dividends per share of common stock were $0.02 for both the third quarter of 2020 and 2019 and $0.06 for both the first nine months of 2020 and 2019.

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)	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Basic weighted-average shares outstanding	228,918	229,755	228,492	232,202
Dilutive effect of stock options	361	1,342	345	1,487
Diluted weighted-average shares outstanding	229,279	231,097	228,837	233,689

Stock options to purchase 7.5 million and 7.9 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 2020, respectively, as their effect would have been anti-dilutive. Stock options to purchase 4.3 million and 3.1 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 2019, respectively, as their effect would have been anti-dilutive.

Accumulated Other Comprehensive Loss and Other Comprehensive Income (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 January 4, 2020	$ (1,811)	$ (36)	$ —	$ (1,847)
Other comprehensive income before reclassifications	—	25	(2)	23
Reclassified from Accumulated other comprehensive loss	110	—	(3)	107
Balance at October 3, 2020	$ (1,701)	$ (11)	$ (5)	$ (1,717)
Balance at December 29, 2018	$ (1,727)	$ (32)	$ (3)	$ (1,762)
Other comprehensive loss before reclassifications	—	(30)	4	(26)
Reclassified from Accumulated other comprehensive loss	61	—	(2)	59
Balance at September 28, 2019	$ (1,666)	$ (62)	$ (1)	$ (1,729)

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

	October 3, 2020			September 28, 2019		
(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 loss*	$ 46	$ (11)	$ 35	$ 25	$ (6)	$ 19
Amortization of prior service cost*	2	—	2	1	—	1
Pension and postretirement benefits adjustments, net	48	(11)	37	26	(6)	20
Deferred gains (losses) on hedge contracts:						
Current deferrals	3	—	3	—	—	—
Reclassification adjustments	(2)	1	(1)	—	—	—
Deferred gains (losses) on hedge contracts, net	1	1	2	—	—	—
Foreign currency translation adjustments	35	—	35	(33)	(1)	(34)
Total	$ 84	$ (10)	$ 74	$ (7)	$ (7)	$ (14)
Nine Months Ended						
Pension and postretirement benefits adjustments:						
Amortization of net actuarial loss*	$ 138	$ (32)	$ 106	$ 74	$ (17)	$ 57
Amortization of prior service cost*	5	(1)	4	5	(1)	4
Pension and postretirement benefits adjustments, net	143	(33)	110	79	(18)	61
Deferred gains (losses) on hedge contracts:						
Current deferrals	(2)	—	(2)	6	(2)	4
Reclassification adjustments	(5)	2	(3)	(2)	—	(2)
Deferred gains (losses) on hedge contracts, net	(7)	2	(5)	4	(2)	2
Foreign currency translation adjustments	28	(3)	25	(29)	(1)	(30)
Total	$ 164	$ (34)	$ 130	$ 54	$ (21)	$ 33

**These components of other comprehensive income (loss) are included in the computation of net periodic pension cost (credit). See Note 16 of our 2019 Annual Report on Form 10-K for additional information.*

Note 11. Segment Information

We operate in, and report financial information for, the following five business segments: Textron Aviation, Bell, Textron Systems, Industrial and Finance. Segment profit is an important measure used for evaluating performance and for decision-making purposes. Segment profit for the manufacturing segments excludes interest expense, certain corporate expenses, gains/losses on major business dispositions, special charges and an inventory charge related to the restructuring plan initiated in the second quarter of 2020, as discussed in Note 14. 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 before income taxes, are included in the table below:

	Three Months Ended		Nine Months Ended	
(In millions)	**October 3, 2020**	**September 28, 2019**	**October 3, 2020**	**September 28, 2019**
Revenues				
Textron Aviation	$ 795	$ 1,201	$ 2,414	$ 3,458
Bell	793	783	2,438	2,293
Textron Systems	302	311	956	926
Industrial	832	950	2,134	2,871
Finance	13	14	42	47
Total revenues	$ 2,735	$ 3,259	$ 7,984	$ 9,595
Segment Profit				
Textron Aviation	$ (29)	$ 104	$ (92)	$ 315
Bell	119	110	352	317
Textron Systems	40	31	103	108
Industrial	58	47	56	173
Finance	1	5	8	17
Segment profit	189	297	427	930
Corporate expenses and other, net	(28)	(17)	(72)	(88)
Interest expense, net for Manufacturing group	(38)	(39)	(109)	(110)
Special charges	(7)	—	(124)	—
Inventory charge*	—	—	(55)	—
Income before income taxes	$ 116	$ 241	$ 67	$ 732

** In connection with the restructuring plan initiated in the second quarter of 2020, we ceased manufacturing at the Montreal facility of the TRU Simulation + Training business, resulting in the production suspension of our commercial air transport simulators. As a result of this action and current market conditions, we recorded a $55 million charge to write-down the related inventory to its net realizable value.*

Note 12. Revenues

Disaggregation of Revenues

Our revenues disaggregated by major product type are presented below:

	Three Months Ended		Nine Months Ended	
(In millions)	**October 3, 2020**	**September 28, 2019**	**October 3, 2020**	**September 28, 2019**
Aircraft	$ 486	$ 797	$ 1,479	$ 2,296
Aftermarket parts and services	309	404	935	1,162
Textron Aviation	795	1,201	2,414	3,458
Military aircraft and support programs	515	473	1,737	1,463
Commercial helicopters, parts and services	278	310	701	830
Bell	793	783	2,438	2,293
Unmanned systems	156	147	473	416
Marine and land systems	36	47	127	155
Simulation, training and other	110	117	356	355
Textron Systems	302	311	956	926
Fuel systems and functional components	497	521	1,233	1,707
Specialized vehicles	335	429	901	1,164
Industrial	832	950	2,134	2,871
Finance	13	14	42	47
Total revenues	$ 2,735	$ 3,259	$ 7,984	$ 9,595

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

(In millions)		Textron Aviation		Bell		Textron Systems		Industrial		Finance		Total
Three months ended October 3, 2020												
Customer type:												
Commercial	$	758	$	273	$	54	$	830	$	13	$	1,928
U.S. Government		37		520		248		2		—		807
Total revenues	$	795	$	793	$	302	$	832	$	13	$	2,735
Geographic location:												
United States	$	562	$	608	$	263	$	401	$	7	$	1,841
Europe		65		43		10		203		—		321
Asia and Australia		68		67		15		92		—		242
Other international		100		75		14		136		6		331
Total revenues	$	795	$	793	$	302	$	832	$	13	$	2,735
Three months ended September 28, 2019												
Customer type:												
Commercial	$	1,153	$	306	$	73	$	947	$	14	$	2,493
U.S. Government		48		477		238		3		—		766
Total revenues	$	1,201	$	783	$	311	$	950	$	14	$	3,259
Geographic location:												
United States	$	836	$	583	$	247	$	454	$	8	$	2,128
Europe		154		41		11		236		1		443
Asia and Australia		80		68		37		93		—		278
Other international		131		91		16		167		5		410
Total revenues	$	1,201	$	783	$	311	$	950	$	14	$	3,259
Nine months ended October 3, 2020												
Customer type:												
Commercial	$	2,322	$	687	$	182	$	2,128	$	42	$	5,361
U.S. Government		92		1,751		774		6		—		2,623
Total revenues	$	2,414	$	2,438	$	956	$	2,134	$	42	$	7,984
Geographic location:												
United States		1,677		1,979		825		1,017		21		5,519
Europe		219		88		33		558		1		899
Asia and Australia		241		183		50		221		1		696
Other international		277		188		48		338		19		870
Total revenues	$	2,414	$	2,438	$	956	$	2,134	$	42	$	7,984
Nine months ended September 28, 2019												
Customer type:												
Commercial	$	3,322	$	815	$	230	$	2,856	$	47	$	7,270
U.S. Government		136		1,478		696		15		—		2,325
Total revenues	$	3,458	$	2,293	$	926	$	2,871	$	47	$	9,595
Geographic location:												
United States	$	2,361	$	1,732	$	753	$	1,309	$	23	$	6,178
Europe		501		108		51		838		2		1,500
Asia and Australia		168		229		66		254		3		720
Other international		428		224		56		470		19		1,197
Total revenues	$	3,458	$	2,293	$	926	$	2,871	$	47	$	9,595

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 October 3, 2020, we had $9.4 billion in remaining performance obligations of which we expect to recognize revenues of approximately 65% through 2021, an additional 27% through 2023, 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 October 3, 2020 and January 4, 2020, contract assets totaled $546 million and $567 million, respectively, and contract liabilities totaled $965 million and $830 million, respectively, reflecting timing differences between revenue recognized, billings and payments from customers. During the third quarter and first nine months of 2020, we recognized revenues of $44 million and $396 million, respectively, that were included in the contract liability balance at January 4, 2020. We recognized revenues of $54 million and $511 million in the third quarter and first nine months of 2019, respectively, that were included in the contract liability balance at December 29, 2018.

Note 13. Retirement Plans

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

	Three Months Ended		Nine Months Ended	
(In millions)	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Pension Benefits				
Service cost	$ 27	$ 23	$ 79	$ 68
Interest cost	73	82	220	245
Expected return on plan assets	(144)	(139)	(431)	(417)
Amortization of net actuarial loss	47	26	139	76
Amortization of prior service cost	3	3	9	10
Net periodic benefit cost (credit)	$ 6	$ (5)	$ 16	$ (18)
Postretirement Benefits Other Than Pensions				
Service cost	$ —	$ 1	$ 2	$ 2
Interest cost	2	3	6	8
Amortization of net actuarial loss	(1)	(1)	(1)	(2)
Amortization of prior service credit	(1)	(2)	(4)	(5)
Net periodic benefit cost	$ —	$ 1	$ 3	$ 3

Note 14. Special Charges

Special Charges
Special charges recorded in the third quarter and first nine months of 2020 by segment and type of cost are presented in the table below. There were no special charges recorded in the first nine months of 2019.

(In millions)	Severance Costs	Contract Terminations and Other	Asset Impairments	Total 2020 COVID-19 Restructuring Plan	Other Asset Impairments	Total
Three months ended October 3, 2020						
Industrial	$ 3	$ —	$ 2	$ 5	$ —	$ 5
Corporate	2	—	—	2	—	2
Total special charges	$ 5	$ —	$ 2	$ 7	$ —	$ 7
Nine months ended October 3, 2020						
Textron Aviation	$ 27	—	$ 1	$ 28	$ 32	$ 60
Textron Systems	14	12	14	40	—	40
Industrial	11	—	2	13	7	20
Corporate	4	—	—	4	—	4
Total special charges	$ 56	$ 12	$ 17	$ 85	$ 39	$ 124

2020 COVID-19 Restructuring Plan
In the second quarter of 2020, we initiated a restructuring plan to reduce operating expenses through headcount reductions, facility consolidations and other actions in response to the economic challenges and uncertainty resulting from the COVID-19 pandemic. As a result of ongoing evaluations, this plan has been expanded to include additional headcount reductions and facility consolidations in the Industrial segment beyond what was included in the plan as originally announced. We now expect to incur up to an additional $15 million in costs, and the total pre-tax cost of this plan is expected to be in the range of $125 million to $145 million, of which $85 million has been recorded since the inception of the plan. Under the restructuring plan, we expect to incur total severance costs in the range of $70 million to $80 million, contract termination and other costs in the range of $30 million to

$35 million, and asset impairment charges of $25 million to $30 million. Based on revisions to our original estimate, along with additional actions, we estimate a total reduction of 2,800 positions, representing 8% of our workforce. We expect the plan to be substantially completed in the first half of 2021.

The plan primarily impacts the TRU business within the Textron Systems segment, the Textron Aviation segment, and the Industrial segment. At TRU, there has been a substantial decline in demand and order cancellations for flight simulators in light of the expected long-term impact of the pandemic on the commercial air transportation business. Accordingly, we ceased manufacturing at TRU's facility in Montreal, Canada, resulting in a production suspension of its commercial air transport simulators, along with workforce reductions, contract terminations, facility closures and asset impairments. As a result of current market conditions and the cessation of manufacturing at this facility, we incurred an inventory valuation charge of $55 million, which was recorded in Cost of Sales, to write-down TRU's inventory to its net realizable value.

Other Asset Impairments
In the first quarter of 2020, we recognized special charges of $39 million of intangible asset impairment charges at the Textron Aviation and Industrial segments. Due to the impact of the COVID-19 pandemic, we experienced decreased demand for our products and services as our customers delayed or ceased orders due to the environment of economic uncertainty. In light of these conditions, Textron Aviation had temporarily shut down most aircraft production, including the King Air turboprop and Beechcraft piston product lines, and had instituted employee furloughs. Based on these events, we performed an interim impairment test of the indefinite-lived Beechcraft and King Air trade name intangible assets at April 4, 2020. Fair value of these assets was determined utilizing the relief of royalty method assuming an increase in the discount rate based on current market data to 9.7% and revised expectations of future revenues for the products and services associated with the tradenames. This analysis resulted in an impairment charge of $32 million. At October 3, 2020, these intangible assets totaled $169 million. In the Industrial segment, we fully impaired the Arctic Cat trade name intangible asset within the Specialized Vehicles product line and recorded a $7 million impairment charge.

Restructuring Reserve
Restructuring reserve activity related to our 2020 and prior restructuring plans is summarized below:

(In millions)	Severance Costs	Contract Terminations and Other	Total
Balance at January 4, 2020	$ 46	$ 19	$ 65
Provision for 2020 COVID-19 restructuring plan	56	12	68
Cash paid	(62)	(8)	(70)
Balance at October 3, 2020	$ 40	$ 23	$ 63

The majority of the remaining cash outlays of $63 million is expected to be paid in 2020. Severance costs generally are paid on a lump-sum basis and include outplacement costs, which are paid in accordance with normal payment terms.

Note 15. Income Taxes

Our effective tax rate for the third quarter and first nine months of 2020 was 0.9% and (9.0)%, respectively, compared to the statutory rate of 21%, largely due to the favorable impact of research credits. In the first nine months of 2020, we incurred special charges and an inventory charge in a non-U.S. jurisdiction where tax benefits cannot be realized, which were partially offset by a $14 million benefit recognized upon the release of a valuation allowance in a non-U.S. jurisdiction. These items had a more significant impact on the effective tax rate due to the lower income before income taxes for the period.

For the third quarter and first nine months of 2019 our effective tax rate was 8.7% and 15.8%, respectively. In the third quarter and first nine months of 2019, the effective tax rate was lower than the U.S. federal statutory tax rate of 21%, primarily due to $41 million and $53 million, respectively, in benefits recognized for additional research credits related to prior years.

On October 19, 2020, we entered into a closing agreement with a tax authority related to an audit settlement with respect to certain state income tax returns. As a result, we will recognize a reduction of unrecognized tax benefits that is expected to reduce our tax expense by approximately $40 million to $50 million in the fourth quarter of 2020.

Note 16. Commitments and Contingencies

We are subject to 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; production partners; product liability; patent and trademark infringement; employment disputes; and environmental, safety and health 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

Overview

Through the first nine months of 2020, the global pandemic caused by the novel coronavirus, known as "COVID-19", has led to worldwide facility closures, workforce disruptions, supply chain destabilizations, reduced demand for many products and services, volatility in the capital markets and uncertainty in the economic outlook. The effects of the pandemic and resulting global disruptions on our business and operations are discussed in Item 2 of Part I, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Quarterly Report on Form 10-Q for the period ended July 4, 2020. While certain of our commercial manufacturing facilities were temporarily closed during the first quarter through the latter part of the second quarter due to reduced demand for our products, substantially all manufacturing activities had resumed in the second quarter. In the third quarter, our commercial businesses have generally seen an increase in customer demand compared with the first half of 2020.

While we expect the impacts of COVID-19 to continue to have an adverse effect on our business, we cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may impact our consolidated financial position, results of operations and cash flows in the remainder of 2020 and beyond. There are many uncertainties regarding the pandemic, and we continue to closely monitor the impact of the pandemic on all aspects of our business, including how it is impacting our customers, employees, suppliers, vendors, business partners and distribution channels. See Item 1A. Risk Factors on page 34 for additional risks and uncertainties related to the pandemic's impact on our business. The ultimate extent of the effects of the pandemic on the company is uncertain and will depend on future developments, and such effects could exist for an extended period of time, even after the pandemic ends.

Consolidated Results of Operations

	Three Months Ended			Nine Months Ended		
(Dollars in millions)	**October 3, 2020**	**September 28, 2019**	**% Change**	**October 3, 2020**	**September 28, 2019**	**% Change**
Revenues	$ 2,735	$ 3,259	(16)%	$ 7,984	$ 9,595	(17)%
Cost of sales	2,332	2,747	(15)%	6,970	7,965	(12)%
Selling and administrative expense	258	255	1%	760	854	(11)%
Gross margin as a percentage of Manufacturing revenues	14.3%	15.3%		12.2%	16.6%	

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 24 to 28.

Revenues

Revenues decreased $524 million, 16%, in the third quarter of 2020, compared with the third quarter of 2019. The revenue decrease included the following factors:

- Lower Textron Aviation revenues of $406 million, largely due to lower Citation jet and commercial turboprop volume of $317 million, reflecting a decline in demand related to the pandemic, and lower aftermarket volume of $95 million, reflecting lower aircraft utilization resulting from the pandemic.
- Higher Bell revenues of $10 million, reflecting higher military revenues of $42 million, partially offset by lower commercial revenues.
- Lower Textron Systems revenues of $9 million, primarily due to lower volume of $20 million at the TRU Simulation + Training business.
- Lower Industrial revenues of $118 million, largely due to lower volume and mix of $126 million, primarily in the Specialized Vehicles product line, principally reflecting the timing of snowmobile deliveries, and reduced demand in the ground support equipment business, which has been impacted by the reduction in global air travel as a result of the pandemic.

Revenues decreased $1.6 billion, 17%, in the first nine months of 2020, compared with the first nine months of 2019. The revenue decrease included the following factors:

- Lower Textron Aviation revenues of $1.0 billion, largely due to lower Citation jet and commercial turboprop volume of $796 million, reflecting a decline in demand related to the pandemic, and lower aftermarket volume of $227 million, reflecting lower aircraft utilization resulting from the pandemic.
- Higher Bell revenues of $145 million, reflecting higher military revenues of $274 million, partially offset by lower commercial revenues.
- Higher Textron Systems revenues of $30 million, primarily due to higher volume of $57 million in the Unmanned Systems product line, partially offset by lower volume of $28 million in the Marine and Land Systems product line.
- Lower Industrial revenues of $737 million, largely due to lower volume and mix of $735 million, primarily in the Fuel Systems and Functional Components product line related to manufacturing facility closures as a result of the pandemic.

Cost of Sales and Selling and Administrative Expense
Cost of sales decreased $415 million, 15%, and $995 million, 12%, in the third quarter and first nine months of 2020, respectively, compared with corresponding periods of 2019, largely due to lower net volume and mix described above. For the first nine months of 2020, the decrease in cost of sales was partially offset by idle facility costs of $100 million, primarily at the Textron Aviation segment, reflecting unfavorable absorption of manufacturing costs attributable to abnormally low production levels resulting from the pandemic and temporary manufacturing facility closures, and a $55 million inventory charge related to the TRU business discussed below in the Special Charges section. Gross margin as a percentage of Manufacturing revenues decreased 430 basis points in the first nine months of 2020, primarily due to lower margin at the Textron Aviation segment reflecting unfavorable impacts from the pandemic, including the idle facility costs and inventory valuation charges, and the impact of the TRU inventory charge.

Selling and administrative expense decreased $94 million, 11%, in the first nine months of 2020, compared with the first nine months of 2019, primarily due to cost reduction activities across our segments, principally at the Textron Aviation and Industrial segments.

Special Charges
Special charges recorded in the third quarter and first nine months of 2020 by segment and type of cost are presented in the table below. There were no special charges recorded in the first nine months of 2019.

(In millions)	Severance Costs	Contract Terminations and Other	Asset Impairments	Total 2020 COVID-19 Restructuring Plan	Other Asset Impairments	Total
Three months ended October 3, 2020						
Industrial	$ 3	$ —	$ 2	$ 5	$ —	$ 5
Corporate	2	—	—	2	—	2
Total special charges	$ 5	$ —	$ 2	$ 7	$ —	$ 7
Nine months ended October 3, 2020						
Textron Aviation	$ 27	—	$ 1	$ 28	$ 32	$ 60
Textron Systems	14	12	14	40	—	40
Industrial	11	—	2	13	7	20
Corporate	4	—	—	4	—	4
Total special charges	$ 56	$ 12	$ 17	$ 85	$ 39	$ 124

2020 COVID-19 Restructuring Plan
In the second quarter of 2020, we initiated a restructuring plan to reduce operating expenses through headcount reductions, facility consolidations and other actions in response to the economic challenges and uncertainty resulting from the COVID-19 pandemic. As a result of ongoing evaluations, this plan has been expanded to include additional headcount reductions and facility consolidations in the Industrial segment beyond what was included in the plan as originally announced. We now expect to incur up to an additional $15 million in costs, and the total pre-tax cost of this plan is expected to be in the range of $125 million to $145 million, of which $85 million has been recorded since the inception of the plan. Under the restructuring plan, we expect to incur total severance costs in the range of $70 million to $80 million, contract termination and other costs in the range of $30 million to $35 million, and asset impairment charges of $25 million to $30 million. Based on revisions to our original estimate, along with additional actions, we estimate a total reduction of 2,800 positions, representing 8% of our workforce. We expect the plan to be substantially completed in the first half of 2021.

The plan primarily impacts the TRU business within the Textron Systems segment, the Textron Aviation segment, and the Industrial segment. At TRU, there has been a substantial decline in demand and order cancellations for flight simulators in light of the expected long-term impact of the pandemic on the commercial air transportation business. Accordingly, we ceased manufacturing at TRU's facility in Montreal, Canada, resulting in a production suspension of its commercial air transport simulators, along with workforce reductions, contract terminations, facility closures and asset impairments. As a result of current market conditions and the cessation of manufacturing at this facility, we incurred an inventory valuation charge of $55 million, which was recorded in Cost of Sales, to write-down TRU's inventory to its net realizable value.

Other Asset Impairments
In the first quarter of 2020, we recognized special charges of $39 million of intangible asset impairment charges at the Textron Aviation and Industrial segments. Due to the impact of the COVID-19 pandemic, we experienced decreased demand for our products and services as our customers delayed or ceased orders due to the environment of economic uncertainty. In light of these conditions, Textron Aviation had temporarily shut down most aircraft production, including the King Air turboprop and Beechcraft piston product lines, and had instituted employee furloughs. Based on these events, we performed an interim impairment test of the indefinite-lived Beechcraft and King Air trade name intangible assets at April 4, 2020. Fair value of these assets was determined utilizing the relief of royalty method assuming an increase in the discount rate based on current market data to 9.7% and revised expectations of future revenues for the products and services associated with the tradenames. This analysis resulted in an impairment charge of $32 million. At October 3, 2020, these intangible assets totaled $169 million. In the Industrial segment, we fully impaired the Arctic Cat trade name intangible asset within the Specialized Vehicles product line and recorded a $7 million impairment charge.

Income Taxes
Our effective tax rate for the third quarter and first nine months of 2020 was 0.9% and (9.0)%, respectively, compared to the statutory rate of 21%, largely due to the favorable impact of research credits. In the first nine months of 2020, we incurred special charges and an inventory charge in a non-U.S. jurisdiction where tax benefits cannot be realized, which were partially offset by a $14 million benefit recognized upon the release of a valuation allowance in a non-U.S. jurisdiction. These items had a more significant impact on the effective tax rate due to the lower income before income taxes for the period.

For the third quarter and first nine months of 2019 our effective tax rate was 8.7% and 15.8%, respectively. In the third quarter and first nine months of 2019, the effective tax rate was lower than the U.S. federal statutory tax rate of 21%, primarily due to $41 million and $53 million, respectively, in benefits recognized for additional research credits related to prior years.

On October 19, 2020, we entered into a closing agreement with a tax authority related to an audit settlement with respect to certain state income tax returns. As a result, we will recognize a reduction of unrecognized tax benefits that is expected to reduce our tax expense by approximately $40 million to $50 million in the fourth quarter of 2020.

Backlog
Our backlog is summarized below:

(In millions)	October 3, 2020	January 4, 2020
Bell	$ 5,704	$ 6,902
Textron Systems	1,874	1,211
Textron Aviation	1,807	1,714
Total backlog	$ 9,385	$ 9,827

Bell's backlog decreased $1.2 billion, 17%, primarily as a result of revenues recognized on our U.S. Government contracts in excess of new contracts received. Backlog at Textron Systems' increased $663 million, 55%, primarily due to new contracts received in excess of revenues recognized in the Marine and Land Systems and Unmanned Systems product lines.

Segment Analysis

We operate in, and report financial information for, the following five business segments: Textron Aviation, Bell, Textron Systems, Industrial and Finance. Segment profit is an important measure used for evaluating performance and for decision-making purposes. Segment profit for the manufacturing segments excludes interest expense, certain corporate expenses, gains/losses on major business dispositions, special charges and an inventory charge related to the 2020 COVID-19 restructuring plan, as discussed in the Special Charges section on page 22. 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, selling and administrative expense and other non-service components of net periodic benefit cost/(credit), and exclude certain corporate expenses 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, non-service pension cost/(credit), product line profitability, start-up, ramp up and cost-reduction initiatives or other manufacturing inputs.

Approximately 24% of our 2019 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

	Three Months Ended			Nine Months Ended		
(Dollars in millions)	October 3, 2020	September 28, 2019	% Change	October 3, 2020	September 28, 2019	% Change
Revenues:						
Aircraft	$ 486	$ 797	(39)%	$ 1,479	$ 2,296	(36)%
Aftermarket parts and services	309	404	(24)%	935	1,162	(20)%
Total revenues	795	1,201	(34)%	2,414	3,458	(30)%
Operating expenses	824	1,097	(25)%	2,506	3,143	(20)%
Segment profit (loss)	(29)	104	(128)%	(92)	315	(129)%
Profit (loss) margin	(3.6)%	8.7%		(3.8)%	9.1%	

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

(In millions)	Q3 2020 versus Q3 2019	YTD 2020 versus YTD 2019
Volume and mix	$ (410)	$ (1,043)
Pricing	4	(1)
Total change	$ (406)	$ (1,044)

Textron Aviation's revenues decreased $406 million, 34%, in the third quarter of 2020, compared with the third quarter of 2019, largely due to lower Citation jet volume of $234 million and lower commercial turboprop volume of $83 million, reflecting a decline in demand related to the pandemic, and lower aftermarket volume of $95 million, reflecting lower aircraft utilization resulting from the pandemic. We delivered 25 Citation jets and 21 commercial turboprops in the third quarter of 2020, compared with 45 Citation jets and 39 commercial turboprops in the third quarter of 2019.

Textron Aviation's revenues decreased $1.0 billion, 30%, in the first nine months of 2020, compared with the first nine months of 2019, largely due to lower Citation jet volume of $566 million and lower commercial turboprop volume of $230 million, reflecting a decline in demand related to the pandemic, and lower aftermarket volume of $227 million, reflecting lower aircraft utilization resulting from the pandemic. We delivered 71 Citation jets and 52 commercial turboprops in the first nine months of 2020, compared with 135 Citation jets and 117 commercial turboprops in the first nine months of 2019.

Textron Aviation's operating expenses decreased $273 million, 25%, in the third quarter 2020, compared with the third quarter of 2019, largely due to lower volume and mix described above. The decrease in operating expenses for the third quarter of 2020 also included a favorable impact from cost reduction activities, which was offset by inventory valuation charges and idle facility costs of $11 million, largely resulting from the pandemic.

Textron Aviation's operating expenses decreased $637 million, 20% in the first nine months of 2020, compared with the first nine months of 2019, largely due to lower volume and mix described above. The decrease in operating expenses for the first nine months of 2020 also included a favorable impact from cost reduction activities including employee furloughs and other actions, which was more than offset by $76 million of idle facility costs recognized in the period and inventory valuation charges, largely resulting from the pandemic. Idle facility costs reflect unfavorable absorption of manufacturing costs attributable to abnormally low production levels resulting from the pandemic and temporary manufacturing facility closures. We expect to continue to experience abnormally low production levels through the remainder of the year resulting in additional idle facility costs that will be expensed as incurred.

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

(In millions)	Q3 2020 versus Q3 2019	YTD 2020 versus YTD 2019
Volume and mix	$ (116)	$ (321)
Performance	(4)	(54)
Inflation and pricing	(13)	(32)
Total change	$ (133)	$ (407)

Segment profit at Textron Aviation decreased $133 million and $407 million in the third quarter and first nine months of 2020, respectively, compared with the corresponding periods of 2019, primarily due to the impact from lower volume and mix described above. In the first nine months of 2020, the decrease in segment profit also included unfavorable performance of $54 million, primarily reflecting $76 million of idle facility costs, described above, and inventory valuation charges, largely resulting from the pandemic, partially offset by a favorable impact from cost reduction activities.

Bell

	Three Months Ended			Nine Months Ended		
(Dollars in millions)	October 3, 2020	September 28, 2019	% Change	October 3, 2020	September 28, 2019	% Change
Revenues:						
Military aircraft and support programs	$ 515	$ 473	9%	$ 1,737	$ 1,463	19%
Commercial helicopters, parts and services	278	310	(10)%	701	830	(16)%
Total revenues	793	783	1%	2,438	2,293	6%
Operating expenses	674	673	—	2,086	1,976	6%
Segment profit	119	110	8%	352	317	11%
Profit margin	15.0%	14.0%		14.4%	13.8%	

Bell's major U.S. Government programs at this time are the V-22 tiltrotor aircraft and the H-1 helicopter platforms, which are both in the production and support stage and represent a significant portion of Bell's revenues from the U.S. Government.

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

(In millions)	Q3 2020 versus Q3 2019	YTD 2020 versus YTD 2019
Volume and mix	$ 6	$ 133
Other	4	12
Total change	$ 10	$ 145

Bell's revenues increased $10 million, in the third quarter of 2020, compared with the third quarter of 2019, as higher military revenues of $42 million were partially offset by lower commercial revenues. The decrease in commercial revenues primarily reflected the mix of aircraft sold in the period as we delivered 41 commercial helicopters in the third quarter of 2020, compared with 42 commercial helicopters in the third quarter of 2019.

Bell's revenues increased $145 million, 6%, in the first nine months of 2020, compared with the first nine months of 2019, as higher military revenues of $274 million were partially offset by lower commercial revenues. We delivered 83 commercial helicopters in the first nine months of 2020, compared with 125 commercial helicopters in the first nine months of 2019.

Bell's operating expenses increased $110 million, 6%, in the first nine months of 2020, compared with the first nine months of 2019, primarily due to higher net 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 2020 versus Q3 2019	YTD 2020 versus YTD 2019
Volume and mix	$ (1)	$ 40
Performance and other	10	(5)
Total change	$ 9	$ 35

Bell's segment profit increased $9 million, 8%, in the third quarter of 2020, compared with the third quarter 2019, primarily due to the favorable impact from performance and other of $10 million.

Bell's segment profit increased $35 million, 11%, in the first nine months of 2020, compared with the first nine months 2019, primarily due to the impact of higher volume and mix described above, partially offset by an unfavorable impact from performance and other of $5 million, which included $39 million in lower net favorable program adjustments, partially offset by lower research and development costs.

Textron Systems

	Three Months Ended			Nine Months Ended		
(Dollars in millions)	October 3, 2020	September 28, 2019	% Change	October 3, 2020	September 28, 2019	% Change
Revenues	$ 302	$ 311	(3)%	$ 956	$ 926	3%
Operating expenses	262	280	(6)%	853	818	4%
Segment profit	40	31	29%	103	108	(5)%
Profit margin	13.2%	10.0%		10.8%	11.7%	

Textron Systems Revenues and Operating Expenses

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

(In millions)	Q3 2020 versus Q3 2019	YTD 2020 versus YTD 2019
Volume	$ (10)	$ 27
Other	1	3
Total change	$ (9)	$ 30

Revenues at Textron Systems decreased $9 million, 3%, in the third quarter of 2020, compared with the third quarter of 2019, primarily due to lower volume of $20 million at the TRU Simulation + Training business.

In the first nine months of 2020, Textron Systems revenues increased $30 million, 3%, compared with the first nine months of 2019, primarily due to higher volume of $57 million in the Unmanned Systems product line, partially offset by lower volume of $28 million in the Marine and Land Systems product line. Within the Simulation, Training and Other product line, lower volume of $48 million in the TRU Simulation + Training business, largely due to a decline in demand and order cancellations related to the pandemic, was largely offset by higher volumes at the other businesses included in this product line.

Textron Systems' operating expenses decreased $18 million, 6%, in the third quarter of 2020, compared with the third quarter of 2019, primarily due to a favorable impact from performance and lower net volume described above. Operating expenses increased $35 million, 4%, in the first nine months of 2020 compared with the first nine months of 2019, primarily due to the impact of an

$18 million gain recognized in the second quarter of 2019 related to our contribution of assets to a training business formed with FlightSafety International, Inc. and higher net volume described above.

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

(In millions)	Q3 2020 versus Q3 2019	YTD 2020 versus YTD 2019
Performance and other	$ 12	$ (19)
Volume and mix	(3)	14
Total change	$ 9	$ (5)

Textron Systems' segment profit increased $9 million, 29%, in the third quarter of 2020, compared with the third quarter of 2019, due to a favorable impact from performance and other of $12 million, partially offset by lower volume and mix described above.

Textron Systems' segment profit decreased $5 million, 5%, in the first nine months of 2020, compared with the first nine months 2019, due to an unfavorable impact from performance and other of $19 million, which included the impact from the $18 million gain recognized in the second quarter of 2019 described above, partially offset by higher volume and mix described above.

Industrial

	Three Months Ended			Nine Months Ended		
(Dollars in millions)	October 3, 2020	September 28, 2019	% Change	October 3, 2020	September 28, 2019	% Change
Revenues:						
Fuel systems and functional components	$ 497	$ 521	(5)%	$ 1,233	$ 1,707	(28)%
Specialized vehicles	335	429	(22)%	901	1,164	(23)%
Total revenues	832	950	(12)%	2,134	2,871	(26)%
Operating expenses	774	903	(14)%	2,078	2,698	(23)%
Segment profit	58	47	23%	56	173	(68)%
Profit margin	7.0%	4.9%		2.6%	6.0%	

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

(In millions)	Q3 2020 versus Q3 2019	YTD 2020 versus YTD 2019
Volume and mix	$ (126)	$ (735)
Foreign exchange	8	(6)
Other	—	4
Total change	$ (118)	$ (737)

Industrial segment revenues decreased $118 million, 12%, in the third quarter of 2020, compared with the third quarter of 2019, primarily due to lower volume and mix in the Specialized Vehicles product line, principally reflecting the timing of snowmobile deliveries, and reduced demand in the ground support equipment business, which has been impacted by the reduction in global air travel as a result of the pandemic.

In the first nine months of 2020, Industrial segment revenues decreased $737 million, 26%, compared with the first nine months of 2019, largely due to lower volume and mix, primarily in the Fuel Systems and Functional Components product line related to manufacturing facility closures in the first half of 2020 as a result of the pandemic. As our OEM customers reopened and resumed production, all of our manufacturing facilities had reopened by the end of the second quarter.

Operating expenses for the Industrial segment decreased $129 million, 14%, and $620 million, 23%, in the third quarter and first nine months of 2020, respectively, compared with the corresponding periods of 2019, primarily due to lower 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 2020 versus Q3 2019	YTD 2020 versus YTD 2019
Volume and mix	$ (19)	$ (182)
Performance	24	53
Pricing and inflation	4	10
Foreign exchange	2	2
Total change	$ 11	$ (117)

Segment profit for the Industrial segment increased $11 million, 23%, in the third quarter of 2020, compared with the third quarter of 2019, primarily due to a favorable impact from performance of $24 million, principally reflecting cost reduction activities, partially offset by lower volume and mix described above.

Segment profit for the Industrial segment decreased $117 million, in the first nine months of 2020, compared with the first nine months of 2019, largely resulting from lower volume and mix described above. Performance included the impact of cost reduction activities, partially offset by idle facility costs of $24 million recognized in the first nine months of 2020, reflecting unfavorable absorption of manufacturing costs attributable to abnormally low production levels resulting from the pandemic and temporary manufacturing facility closures.

Finance

	Three Months Ended		Nine Months Ended	
(In millions)	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Revenues	$ 13	$ 14	$ 42	$ 47
Segment profit	1	5	8	17

Finance segment revenues decreased $1 million and $5 million in the third quarter and first nine months of 2020, respectively, compared with the corresponding periods of 2019, and segment profit decreased $4 million and $9 million, respectively. The following table reflects information about the Finance segment's credit performance related to finance receivables.

(Dollars in millions)	October 3, 2020	January 4, 2020
Finance receivables	$ 725	$ 707
Allowance for credit losses	32	25
Ratio of allowance for credit losses to finance receivables	4.41%	3.54%
Nonaccrual finance receivables	58	39
Ratio of nonaccrual finance receivables to finance receivables	8.00%	5.52%
60+ days contractual delinquency	$ 33	$ 17
60+ days contractual delinquency as a percentage of finance receivables	4.55%	2.40%

The Finance segment has provided temporary payment relief through loan modifications at the request of certain customers and continues to work with customers to provide temporary payment relief as needed. If the current economic conditions continue to persist or worsen, we may experience increased customer delinquencies, however, 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. Loan modifications and key portfolio quality indicators are discussed in Note 3 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 and Industrial 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)	**October 3, 2020**	**January 4, 2020**
Manufacturing group		
Cash and equivalents	$ 2,518	$ 1,181
Debt	4,058	3,124
Shareholders' equity	5,741	5,518
Capital (debt plus shareholders' equity)	9,799	8,642
Net debt (net of cash and equivalents) to capital	21%	26%
Debt to capital	41%	36%
Finance group		
Cash and equivalents	$ 152	$ 176
Debt	666	686

The COVID-19 pandemic has led to volatility in the capital markets and uncertainty in the economic outlook, in addition to various degrees of disruption in our operations due to the unprecedented conditions surrounding the pandemic. In light of these conditions, we have strengthened our cash position since the onset of the pandemic by improving our operational performance and by increasing our borrowings as discussed below. Given our strengthened liquidity position, we expect to reactivate our share repurchase plan on an opportunistic basis in the fourth quarter. We believe that we will 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 up to $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 2024, subject to up to two one-year extensions at our option with the consent of lenders representing a majority of the commitments under the facility. At October 3, 2020 and January 4, 2020, there were no amounts borrowed against 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. On August 5, 2020, we issued $500 million of SEC-registered fixed-rate notes due March 2031 with an annual interest rate of 2.45% and on March 17, 2020, we issued $650 million of SEC-registered fixed-rate notes due June 2030, with an annual interest rate of 3.00%.

On September 18, 2020, the Finance Group's $150 million variable-rate loan due December 13, 2020 was amended. The maturity date of this loan was extended to September 18, 2021, with an option to extend for an additional year. The annual interest rate was modified from the London interbank offered rate (LIBOR) plus 1.125% to LIBOR plus 1.55%, which is an annual interest rate of 1.70% at October 3, 2020.

On April 1, 2020, we entered into a 364-Day Term Loan Credit Agreement in an aggregate principal amount of $500 million and borrowed the full principal amount available under the agreement. On August 10, 2020, we repaid the outstanding principal amount and the agreement was terminated.

In the first quarter of 2020, we borrowed $377 million against the cash surrender value of our corporate-owned life insurance policies, representing the maximum amount available to be borrowed against these policies. At October 3, 2020, there was $362 million of outstanding borrowings against these insurance policies.

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

	Nine Months Ended	
(In millions)	**October 3, 2020**	**September 28, 2019**
Operating activities	$ 220	$ 205
Investing activities	(116)	(206)
Financing activities	1,236	(47)

In the first nine months of 2020, net cash inflow from operating activities increased $15 million to $220 million, reflecting a $421 million reduction in cash used for inventories, primarily at the Textron Aviation segment, $146 million in higher customer advances/deposits, largely at the Bell segment, and other favorable improvements in working capital accounts, largely offset by lower earnings and a $401 million period over period increase in cash used to settle accounts payable, principally at the Textron Aviation segment.

Cash flows used in investing activities primarily included capital expenditures of $151 million and $216 million in the first nine months of 2020 and 2019, respectively. In the first nine months of 2020, cash flows provided by financing activities included net proceeds of $1.1 billion from the issuance of long-term debt and proceeds of $377 million from borrowings against corporate-owned life insurance policies. These cash inflows were partially offset by the repayment of $195 million of outstanding debt and $54 million of cash paid to repurchase an aggregate of 1.3 million shares of our common stock under both a prior 2018 share repurchase plan and a recent repurchase plan as described below. In the first nine months of 2019, cash flows used in financing activities primarily included $470 million of cash paid to repurchase an aggregate of 9.3 million shares of our outstanding common stock, partially offset by net proceeds of $297 million from the issuance of long-term debt and $118 million from the issuance of short-term debt.

On February 25, 2020, our Board of Directors authorized the repurchase of up to 25 million shares of our common stock. This new plan allows us to opportunistically repurchase shares and to continue our practice of repurchasing shares to offset the impact of dilution from shares issued under compensation and benefit plans. The 2020 plan replaces the prior 2018 share repurchase authorization.

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)	**October 3, 2020**	**September 28, 2019**
Operating activities	$ 5	$ 21
Investing activities	(1)	72
Financing activities	(28)	(91)

The Finance group's cash flows from investing activities primarily included collections on finance receivables totaling $90 million and $149 million in the first nine months of 2020 and 2019, respectively, partially offset by finance receivable originations of $94 million and $107 million, respectively. In the first nine months of 2020 and 2019, financing activities included payments on long-term and nonrecourse debt of $40 million and $41 million, respectively. Financing activities in the first nine months of 2019 also included a dividend payment of $50 million to the Manufacturing group.

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

	Nine Months Ended	
(In millions)	**October 3, 2020**	**September 28, 2019**
Operating activities	$ 200	$ 225
Investing activities	(92)	(183)
Financing activities	1,208	(88)

In the first nine months of 2020, net cash inflow from Consolidated operating activities decreased $25 million to $200 million, reflecting lower earnings and a $401 million period over period increase in cash used to settle accounts payable, principally at the Textron Aviation segment, largely offset by a $394 million reduction in cash used for inventories, primarily at the Textron Aviation segment, $146 million of higher customer advances/deposits, largely at the Bell segment, and other favorable improvements in working capital accounts.

Cash flows used in investing activities primarily included capital expenditures of $151 million and $216 million in the first nine months of 2020 and 2019, respectively. Cash flows provided by financing activities in the first nine months of 2020 primarily included net proceeds of $1.1 billion from the issuance of long-term debt and proceeds of $377 million from borrowings against corporate-owned life insurance policies. These cash inflows were partially offset by the repayment of $235 million of outstanding debt and $54 million of cash paid to repurchase shares of our outstanding common stock. In the first nine months of 2019, cash flows used in financing activities primarily included $470 million of cash paid to repurchase shares of our outstanding common stock, partially offset by $297 million of net proceeds from the issuance of long-term debt and $118 million from the issuance of short-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)	**October 3, 2020**	**September 28, 2019**
Reclassification adjustments from investing activities:		
Finance receivable originations for Manufacturing group inventory sales	$ (94)	$ (107)
Cash received from customers	69	129
Other	—	27
Total reclassification adjustments from investing activities	(25)	49
Reclassification adjustments from financing activities:		
Dividends received by Manufacturing group from Finance group	—	(50)
Total reclassification adjustments to cash flows from operating activities	$ (25)	$ (1)

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 January 4, 2020. The following section provides an update of the year-end disclosure.

Goodwill
In March of 2020, we observed a significant decline in the market valuation of our common shares as the overall stock market declined related to the COVID-19 pandemic. The global pandemic has led to worldwide facility closures, workforce disruptions, supply chain destabilizations, reduced demand for many products and services, volatility in the capital markets and uncertainty in the economic outlook. Despite the significant excess fair value identified in our 2019 impairment assessment, we determined that these factors could indicate that an impairment loss may have occurred. While short-term disruptions may not indicate an impairment, the effects of a prolonged suspension of activities may cause goodwill, intangible and other asset impairments. Accordingly, in the first quarter of 2020, we reviewed our reporting units to determine whether the impacts caused by the pandemic triggered an interim impairment test and identified indicators at three of our reporting units, Textron Aviation, Kautex and Textron Specialized Vehicles. For the Textron Aviation and Kautex reporting units, considering the impact of the pandemic on the industries in which they operate and our expectation that it will likely take the economy a period of time to recover, we performed an interim impairment test and determined that the fair values of these units continue to exceed the carrying amounts and no impairment was required.

For the Textron Specialized Vehicles reporting unit, the consumer and commercial markets in which it operates have been significantly impacted. During the first quarter of 2020, many of the dealers and retail stores that sell its products were closed throughout the U.S. and globally, and there was uncertainty as to when they will reopen. In addition, the severity of the economic impact caused by the pandemic has resulted in a substantial increase in unemployment levels with projections of a severe global recession impacting demand for products produced by this reporting unit. Textron Specialized Vehicles also serves the airline industry, which has been significantly impacted by the travel restrictions caused by the pandemic. We calculated the fair value of Textron Specialized Vehicles using discounted cash flows, assuming a reduction in revenues and profit for the remainder of 2020 and into the next few years and calculated the discount rate based on current market data which resulted in an increase of 60 basis points as compared to the prior year analysis. Based on this analysis, we determined that the fair value of Textron Specialized Vehicles exceeded its carrying amount by 15% and no impairment was required. At October 3, 2020, Textron Specialized Vehicles had $363 million in goodwill. Based on the assumptions used in the first quarter test, there have been no indications of impairment through the end of the third quarter of 2020.

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. Due to the continuous transfer of control to the U.S. Government, we recognize revenue over the time that we perform under the contract. We generally use the cost-to-cost method to measure progress for our 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)	**October 3, 2020**	**September 28, 2019**	**October 3, 2020**	**September 28, 2019**
Gross favorable	$ 31	$ 41	$ 104	$ 140
Gross unfavorable	(9)	(20)	(63)	(61)
Net adjustments	$ 22	$ 21	$ 41	$ 79

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 2019 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;
- 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; and
- Risks and uncertainties related to the impact of the COVID-19 pandemic on our business and operations.

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 October 3, 2020. For discussion of our exposure to market risk, refer to Item 7A. Quantitative and Qualitative Disclosures about Market Risk contained in Textron's 2019 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 October 3, 2020. 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 October 3, 2020.

There were no changes in our internal control over financial reporting during the fiscal quarter ended October 3, 2020 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On August 22, 2019, a purported shareholder class action lawsuit was filed in the United States District Court in the Southern District of New York against Textron, its Chairman and Chief Executive Officer and its Chief Financial Officer. The suit, filed by Building Trades Pension Fund of Western Pennsylvania, alleges that the defendants violated the federal securities laws by making materially false and misleading statements and concealing material adverse facts related to the Arctic Cat acquisition and integration. The complaint seeks unspecified compensatory damages. On November 12, 2019, the Court appointed IWA Forest Industry Pension Fund ("IWA") as the sole lead plaintiff in the case. On December 24, 2019, IWA filed an Amended Complaint in the now entitled In re Textron Inc. Securities Litigation. On February 14, 2020, IWA filed a Second Amended Complaint, and on March 6, 2020, Textron filed a motion to dismiss the Second Amended Complaint. On July 20, 2020, the Court granted Textron's motion to dismiss and closed the case. On August 18, 2020, plaintiffs filed a notice of appeal contesting the dismissal, which Textron has opposed. That appeal remains pending.

Item 1A. Risk Factors

In addition to the effects of the COVID-19 pandemic and resulting global disruptions on our business and operations discussed in Item 2 of Part I, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and in the risk factors below in this Form 10-Q, additional or unforeseen effects from the COVID-19 pandemic and the global economic disruptions may give rise to or amplify many of the risks discussed in “Part I. Item 1A. Risk Factors” in our 2019 Annual Report on Form 10-K. These risk factors do not identify all risks that we face; our operations could also be affected by factors, events, or uncertainties that are not presently known to us or that we currently do not consider to present significant risks to our operations.

Our business is being adversely impacted, and is expected to continue to be adversely impacted, by the coronavirus (COVID-19) pandemic.
As described under Item 2 of Part I, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” herein, our businesses have experienced and continue to experience various degrees of disruption and reduced demand for our products due to the unprecedented conditions surrounding the COVID-19 pandemic. The effects of COVID-19 have included and could continue to include disruption of the operation or temporary closure of certain of our facilities or the facilities of our customers, suppliers or business partners as well as other disruptions in our supply chains. Challenges resulting from the pandemic have impacted, and may continue to impact, the ability of many of our employees to work effectively, including because of illness, quarantines, facility closures, changes in manufacturing processes to accommodate social distancing guidelines, remote working arrangements, or other government-imposed operating restrictions. We have experienced and may continue to experience increased costs as a result of these business and production disruptions. Likewise, we have incurred and may continue to incur additional expenses related to implementing processes and procedures to comply with required operating restrictions and to enhance the safety of our facilities to protect the health of our employees.

Our commercial businesses have been and may continue to be adversely impacted due to a general slowdown in demand for our general aviation products and services, recreational and other specialized vehicles and automotive products. We have experienced a decline in orders for our aviation products and services, and we have also experienced lower deliveries of commercial helicopters and fixed-wing aircraft because of travel restrictions imposed in response to the pandemic. Economic and other impacts from the pandemic may also result in future weak demand for our aviation and commercial helicopter products and services, the delay or cancellation of existing orders by our customers and lower flight hours, and consequently, lower demand for parts and maintenance. In addition, new regulations by U.S. or foreign governments and government agencies addressed to the aviation or travel industry could impose additional regulatory, aircraft security, travel restrictions or other requirements or restrictions related to the pandemic that could adversely impact demand for aircraft and rotorcraft or significantly reduce hours flown. As a result, our costs may increase as a result of the COVID-19 outbreak. These cost increases may not be fully recoverable, negatively impacting our profitability, and may continue even after the business environment has improved.

It is possible that the continued spread of COVID-19 and actions taken by various governmental authorities and other third parties in response to the outbreak could also further cause disruption in our supply chain or in the operations of our business partners, impacting their ability to perform their obligations, which could impact our ability to perform our contractual obligations; cause delay by, or limit the ability of, the U.S. Government and other customers to perform, including in making timely payments to us; and cause other unpredictable events. Limitations on government operations could impact regulatory approvals such as export licenses that are needed for international sales and deliveries. In addition, there may be changes in our U.S. and foreign government customers’ priorities as they confront competing budget priorities and more limited resources. These changes may impact current and future programs, government payments and other practices, procurements and funding decisions.

The outbreak of COVID-19 has resulted in a widespread health crisis that is adversely affecting the economies and financial markets of many countries. The resulting economic downturn, the severity and length of which cannot be predicted, may cause continued reduced demand for our products, delays or cancellations of customer orders, the inability of customers to obtain financing to purchase our products, bankruptcies of our suppliers, customers or other business partners, adverse impact to investment performance of our pension plans and continued volatility in the global capital markets adversely impacting our access to capital. The extent to which the pandemic could impact our business, results of operations, financial condition and liquidity is highly uncertain and also will depend on future developments, most of which are outside our control. Such developments may include the geographic spread and duration of the virus, the severity of the disease, the development of treatments or vaccines, and the effects of actions that have been or may be taken by various governmental authorities and other third parties in response to the outbreak.

If our Finance segment has difficulty collecting on its finance receivables, our financial performance could be adversely affected.
The financial performance of our Finance segment depends on the quality of loans, leases and other assets in its portfolio. Portfolio quality can be adversely affected by several factors, including finance receivable underwriting procedures, collateral value, geographic or industry concentrations, and the effect of general economic conditions such as the recent deterioration of the economy due to the impact from the COVID-19 pandemic. The pandemic has resulted in disruptions in the ability of many of our customers to conduct business effectively because of illness, quarantines, government shut-down orders, facility closures, reduced customer demand or other restrictions. As a result, our Finance segment has modified a significant number of the loans in its portfolio and is continuing to work with other customers on modifications in order to provide temporary payment relief which will delay our ultimate recovery on these assets. In addition, a substantial number of the originations in our finance receivable portfolio are cross-border transactions for aircraft sold outside of the U.S. Cross-border transactions present additional challenges and risks in realizing upon collateral in the event of borrower default, which can result in difficulty or delay in collecting on the related finance receivables. Should current economic conditions persist or worsen, our Finance segment may have difficulty successfully collecting on its finance receivable portfolio, and as a result our cash flow, results of operations and financial condition could be adversely affected.

Item 6. Exhibits

10.1	Amended and Restated Textron Inc. Short-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 October 3, 2020, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive Income (Loss), (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 29, 2020	/s/ Mark S. Bamford
		Mark S. Bamford Vice President and Corporate Controller (principal accounting officer)

AMENDED AND RESTATED
TEXTRON INC. SHORT-TERM INCENTIVE PLAN

SECTION 1. ESTABLISHMENT AND PURPOSE

1.1 Amendment and Restatement of the Plan. Textron Inc., a Delaware company, pursuant to the approval of its Board of Directors, hereby amends and restates the Textron Inc. Short-Term Incentive Plan as of July 28, 2020. The Plan permits the awarding of cash bonuses to Employees, based on the achievement of performance goals that are pre-established by the Board of Directors of the Company or by the Committee.

The Plan, was adopted by the Board on February 22, 2017, was effective as of January 1, 2017, and was approved by the shareholders of the Company at the 2017 annual meeting of shareholders.

1.2 Purpose. The purposes of the Plan are to (i) provide greater motivation for certain employees of the Company and its Subsidiaries to attain and maintain the highest standards of performance, (ii) attract and retain employees of outstanding competence, and (iii) direct the energies of employees towards the achievement of specific business goals established for the Company and its Subsidiaries.

The purposes of the Plan shall be carried out by the payment to Participants of short-term incentive cash awards, subject to the terms and conditions of the Plan.

SECTION 2. DEFINITIONS

As used in the Plan, the following terms shall have the meanings set forth below (unless otherwise expressly provided).

“Award Opportunity” means an incentive award that a Participant may earn under the Plan for a Performance Period, subject to achieving performance goals established by the Committee pursuant to Section 5.1. For an individual, the Award Opportunity is typically expressed as a minimum and maximum percentage of the individual’s Target Incentive Award that defines a range within which the actual incentive award will fall.

“Base Salary” means, for a Participant, the Participant’s regular annualized base salary for the calendar year with respect to which the Performance Period relates, as determined by the Company, before reductions for (i) deferred compensation that is elected by the Participant (whether under a tax-qualified plan or a non-qualified arrangement) and (ii) other benefit elections (*e.g.*, employee contributions for health and other insurance benefits). Base Salary shall not include compensation in excess of the base salary determined by the Company, such as awards under this Plan; bonuses and other incentives; equity awards; contributions or credits by the Company or a Subsidiary to any employee benefit plan; overtime; relocation allowances; severance payments; and other awards.

"Board" means the Board of Directors of the Company.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"Committee" means the Organization and Compensation Committee of the Board, provided that the Committee shall consist of three or more individuals, appointed by the Board to administer the Plan, pursuant to Section 3, who are independent directors as defined under the listing standards of the New York Stock Exchange, based upon the criteria set forth in the Textron Corporate Governance Guidelines and Policies.

"Company" means Textron Inc., a Delaware corporation, and any successor of Textron Inc.

"Employee" means an employee of the Company or a Subsidiary.

"Final Award" means the actual award earned by a Participant for a Performance Period, as determined by the Committee following the end of such Performance Period.

"Participant" means an Employee who is participating in the Plan pursuant to Section 4.

"Performance Period" means a time period over which performance goals for an Award Opportunity are measured. The Performance Period shall be the Company's fiscal year unless the Committee designates a different period.

"Plan" means this Amended and Restated Textron Inc. Short-Term Incentive Plan, as in effect and amended from time to time.

"Subsidiary" means (i) a corporation or other entity with respect to which the Company, directly or indirectly, has the power, whether through the ownership of voting securities, by contract or otherwise, to elect at least a majority of the members of such corporation's board of directors or analogous governing body, or (ii) any other corporation or other entity in which the Company, directly or indirectly, has an equity or similar interest of 50% or more and which the Committee designates as a Subsidiary for purposes of the Plan.

“Target Incentive Award” means the target award to be paid to a Participant when target performance goals are achieved, as established by the Committee. For an individual, the Target Incentive Award is typically expressed as a percentage of the individual’s Base Salary.

SECTION 3. ADMINISTRATION

The Plan shall be administered by the Committee. Subject to the limitations set forth in the Plan and the Committee’s authority to delegate responsibility, the Committee shall: (i) select from the Employees of the Company and its Subsidiaries, those who shall participate in the Plan, (ii) establish Award Opportunities in such forms and amounts as it shall determine, (iii) establish performance goals with respect to Award Opportunities, (iv) impose such limitations, restrictions, and conditions upon such Award Opportunities as it shall deem appropriate, (v) make final payout determinations with respect to Award Opportunities, (vi) interpret the Plan and adopt, amend, and rescind administrative guidelines and other rules and regulations relating to the Plan, (vii) make any and all factual and legal determinations in connection with the administration and interpretation of the Plan, (viii) correct any defect or omission or reconcile any inconsistency in this Plan or in any Award Opportunity granted hereunder, and (ix) make all other necessary determinations and take all other actions necessary or advisable for the implementation and administration of the Plan. The Committee's determinations on matters within its authority shall be conclusive and binding upon all parties.

The Committee shall have the power to delegate to any officer or employee of the Company the authority to administer and interpret the procedural aspects of the Plan, subject to the Plan's terms, including adopting and enforcing rules to decide procedural and administrative issues. For the avoidance of doubt, the scope of any such delegation may include the authority to (i) select from the Employees of the Company and its Subsidiaries those who shall participate in the Plan, (ii) establish Award Opportunities in such forms and amounts as it shall determine, (iii) establish performance goals with respect to Award Opportunities, (iv) impose such limitations, restrictions, and conditions upon such Award Opportunities as it shall deem appropriate and (v) make final payout determinations with respect to Award Opportunities; provided that no officer or employee of the Company shall have any authority with respect to an award payable to him or her. All delegations of authority previously made with respect to the Textron Inc. Short-Term Incentive Plan adopted in 2007 shall also apply with respect to this Plan. To the extent of any such delegation, references to the “Committee” herein shall be deemed to refer to the relevant delegate.

Subject to applicable laws, rules and regulations: (i) no member of the Committee (or its delegates) shall be liable for any good faith action or determination made in connection with the operation, administration or interpretation of the Plan and (ii) the members of the Committee (and its delegates) shall be entitled to indemnification and reimbursement in the manner provided in the Company’s Restated Certificate of Incorporation as it may be amended from time to time. In the performance of its responsibilities with respect to the Plan, the Committee shall be entitled to rely upon information and/or advice furnished by the Company’s officers or employees, the Company’s accountants, the Company’s counsel and any other party the Committee deems necessary, and no member of the Committee shall be liable for any action taken or not taken in reliance upon any such information and/or advice.

SECTION 4. ELIGIBILITY AND PARTICIPATION

4.1 Eligibility. An Employee shall be eligible to participate in the Plan for a Performance Period if included in the Plan by the Committee, subject to the limitations of Section 7 herein.

4.2 Participation. Participation in the Plan shall be determined annually by the Committee based upon the criteria set forth in the Plan. Participation in the Plan for a Performance Period shall be limited to those Employees (“Participants”) who are selected by the Committee.

4.3 Right to Reduce or End Eligibility. The Committee may elect to reduce the Award Opportunity (as described in Section 5.2 herein) or end it altogether for any single Participant or group of Participants at any time.

SECTION 5. AWARD DETERMINATION

5.1 Performance Goals. Prior to the beginning of each Performance Period, or as soon as practicable thereafter, the Committee shall approve or establish in writing the performance goals for that Performance Period. Performance goals may include financial and/or non-financial goals.

Performance goals and their relative weight may vary by job. After the performance goals are established, the Committee will align the achievement of the performance goals with the Award Opportunities (as described in Section 5.2 herein), such that the level of achievement at the end of the Performance Period as compared to the pre-established performance goals set at the beginning of the Performance Period will determine the amount of the Final Award. The Committee also shall have the authority to exercise subjective discretion in the determination of Final Awards to reduce or increase a calculated award based on the Committee's qualitative assessment of performance.

5.2 Award Opportunities. Each Participant who is eligible for a Performance Period shall have an Award Opportunity for such period. In the event a Participant changes jobs during a calendar year with respect to which a Performance Period relates, the Participant's Award Opportunity shall be subject to adjustment as follows, unless otherwise determined by the Committee. If the Participant changes jobs or job levels, (a) the Participant's Target Incentive Award (and resulting Award Opportunity) may be adjusted to reflect the amount of time at each job or job level during the applicable calendar year, and (b) the Participant's goals may change as of the effective date of the job change to reflect different performance goals, if applicable. If the Participant's job change results in a higher Target Incentive Award, then the Participant shall be eligible to receive a Final Award on a full-year basis with respect to the higher Target Incentive Award; if the job change results in a lower Target Incentive Award, the Final Award shall be based on the Target Incentive Award for each job, prorated for the proportion of time during the applicable calendar year in each job. In addition, in the event that the job change is to another business (within the Company and its Subsidiaries), the achievement percentage used to calculate the Participant's Final Award (*i.e.*, the percentage of target) shall be whichever achievement percentage (for the first business or the second business) is higher. For the avoidance of doubt, this "higher-of" practice shall not apply if the transfer occurs after the end of the calendar year with respect to which the Performance Period relates.

If an Award Opportunity does not relate to a calendar year, the Committee may make adjustments with respect to the applicable time period in a manner consistent with the foregoing provisions .

5.3 Permitted Changes to Performance Criteria; Automatic Adjustments When Setting Performance Goals. In connection with establishing Award Opportunities, the Committee shall have sole discretion to provide for objectively determinable adjustments to the performance goals and the Award Opportunities (either up or down) during a Performance Period, without obtaining shareholder approval, if it determines that the occurrence of external changes or other unanticipated business conditions have materially affected the fairness of the goals and have unduly influenced the Company's ability to meet them. These adjustments may include, but are not limited to, those related to (i) charges, costs, benefits, gains or income associated with reorganizations or restructurings of the Company and/or a Subsidiary, discontinued operations, goodwill, other intangible assets, long-lived assets (non-cash), material acquisitions or divestitures (including associated transaction costs), litigation or the resolution of litigation (e.g., attorneys' fees, settlements or judgments) or the resolution of tax audits or currency or commodity fluctuations, or gains and losses that are treated as "unusual or infrequently occurring items" (or any analogous or successor concept) under U.S. Generally Accepted Accounting Principles ("GAAP"); and (ii) the effects of changes in applicable laws or regulations. In addition, performance goals and Award Opportunities will be calculated without regard to any changes in accounting standards that may be required by GAAP after such performance goals or Award Opportunities are established. Further, in the event that a Performance Period originally scheduled as a twelve-month fiscal year period is subsequently reduced to a fiscal year period of less than twelve months, the Committee shall have the right to adjust the performance goals and the Award Opportunities accordingly, at its sole discretion.

5.4 Final Award Determinations. Following the end of the Performance Period and prior to payment, the Committee shall review and approve the extent to which the performance goals and any other material terms were satisfied. Final Awards shall be computed for each Participant as determined by the Committee. Each Final Award shall be based upon the (i) Participant's Target Incentive Award and (ii) percent satisfaction of performance goals (as determined by the Committee). Final Award amounts may vary above or below the Target Incentive Award, based on the level of achievement of the pre-established performance goals and the Committee's exercise of discretion permitted by the Plan.

5.5 Limitations. The amount payable to a Participant for any fiscal year of the Company shall not exceed U.S. $6,000,000.

SECTION 6. PAYMENT OF FINAL AWARDS

6.1 Form and Timing of Payment. Final Award payments shall be payable to the Participant, or to his or her estate in the case of death, in a single lump-sum cash payment, after the Committee has determined the Final Award (as described in Section 5.4, above) and certified in writing the extent to which the specified performance goals were achieved, but in no event later than March 15th of the year following the calendar year in which the applicable Performance Period ends. For the avoidance of doubt, if the Performance Period is a calendar year, payment shall be made during the following calendar year, and, if the Performance Period is the Company's fiscal year, payment shall be made during the calendar year immediately following the calendar year to which the applicable Performance Period relates.

6.2 Unsecured Interest. No Participant or any other party claiming an interest in amounts earned under the Plan shall have any interest whatsoever in any specific asset of the Company or of any Subsidiary. To the extent that any party acquires a right to receive payments under the Plan, such right shall be equivalent to that of an unsecured general creditor of the Company.

SECTION 7. TERMINATION OF ELIGIBILITY OR EMPLOYMENT

7.1 Termination of Eligibility. In the event a Participant ceases to be eligible to participate in the Plan during a Performance Period but remains employed by the Company or a Subsidiary through the end of the calendar year to which the applicable Performance Period relates, the Final Award determined in accordance with Section 5.4 herein shall be reduced proportionately to reflect the period of participation prior to such cessation of eligibility only. The Final Award thus determined shall be payable in a lump sum at the time prescribed by Section 6.1, above.

7.2 Termination of Employment. In the event a Participant's employment is terminated for any reason prior to the end of the calendar year to which the applicable Performance Period relates, all of the Participant's rights to a Final Award for the Performance Period then in progress shall be forfeited. However, the Committee, in its sole discretion, may pay a partial award for the portion of that Performance Period that the Participant was employed by the Company, computed as determined by the Committee and paid in a lump sum no later than the deadline prescribed by Section 6.1, above.

7.3 Unless the Committee determines otherwise, a Participant who has earned a Final Award with respect to a completed Performance Period but terminates employment or otherwise ceases eligibility before the date that the Final Award is to be paid (and after the end of the calendar year to which the Performance Period relates) shall remain eligible to receive such Final Award. Payment shall be made at the time prescribed by Section 6.1, above.

SECTION 8. RIGHTS OF PARTICIPANTS

8.1 Employment. Nothing in the Plan shall interfere with or limit in any way the right of the Company to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company.

8.2 Nontransferability. No right or interest of any Participant in the Plan shall be assignable or transferable, or subject to any lien, directly, by operation of law, or otherwise, including, but not limited to, execution, levy, garnishment, attachment, pledge, and bankruptcy.

SECTION 9. CLAWBACK PROVISION

9.1 The Committee shall, in all appropriate circumstances, require reimbursement of any Final Award payment to an executive officer made hereunder, where: (i) the payment was predicated upon achieving certain financial results that were subsequently the subject of a substantial restatement of Company financial statements filed with the

Securities and Exchange Commission; (ii) the Committee determines the executive officer engaged in intentional misconduct that caused or substantially caused the need for the substantial restatement; and (iii) a lower payment would have been made to the executive officer based upon the restated financial results. In each such instance, the Company will, to the extent practicable, seek to recover from the individual executive officer the amount by which the individual executive officer's incentive payments for the relevant period exceeded the lower payment that would have been made based on the restated financial results. For purposes of this provision, the term "executive officer" means any officer who has been designated an executive officer by the Board. In addition, all awards under the Plan are subject to all other clawback procedures of the Company, as in effect and as amended from time to time.

SECTION 10. AMENDMENT AND MODIFICATION

10.1 Amendment by Board. Subject to applicable laws, rules, and regulations, the Board, in its sole discretion, without notice, at any time and from time to time, may modify or amend, in whole or in part, any or all of the provisions of the Plan, or may suspend or terminate the Plan entirely, by written resolution or other formal action reflected in writing.

10.2 Delegation of Amendment Authority. To the extent permitted by applicable law, the Board may make a non-exclusive written delegation of the authority to amend the Plan to a committee of the Board or to one or more officers of the Company. In addition, to the extent permitted by applicable law, the Board may authorize a committee of the Board to make a further delegation of the authority to amend the Plan, provided that no such delegate may amend the Plan in a manner which increases the authority of the Committee's delegates under the Plan.

SECTION 11. MISCELLANEOUS

11.1 Jurisdiction, Venue and Governing Law. Except as to matters of federal law, the Plan, and all agreements hereunder, shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to any conflict of law provisions that might otherwise point to a different jurisdiction. Any dispute, controversy or claim arising out of or relating to the Plan or any award under the Plan shall be brought only in a court of competent jurisdiction in the State of Rhode Island, and no other court, agency or tribunal shall have jurisdiction to resolve any such dispute, controversy or claim.

11.2 Withholding Taxes. The Company and its Subsidiaries shall have the right to deduct from all payments under the Plan any federal, state, local and/or foreign income, employment or other applicable payroll taxes that the payer determines are required by law to be withheld with respect to such payments.

11.3 Construction. Except where otherwise indicated by the context, (i) any masculine term used herein also shall include the feminine, (ii) the plural shall include the singular, and the singular shall include the plural, and (iii) the word “include” means “including but not limited to.”

11.4 Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

11.5 Costs of the Plan. All costs of implementing and administering the Plan shall be borne by the Company.

11.6 Successors. All obligations of the Company and its Subsidiaries under the Plan shall be binding upon and inure to the benefit of any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, amalgamation, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

11.7 Compliance With Code Section 409A**.** The Plan is intended, and shall be interpreted, to provide compensation that is exempt from or compliant with the requirements of Code Section 409A. The Company does not warrant that the Plan will comply with Code Section 409A with respect to any Participant or with respect to any payment, however. In no event shall the Company; any affiliate of the Company; any director, officer, or employee of the Company or an affiliate; or any member of the Committee be liable for any additional tax, interest, or penalty incurred by a Participant as a result of the Plan’s failure to satisfy the requirements of Code Section 409A, or as a result of the Plan’s failure to satisfy any other requirements of applicable tax laws.

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 29, 2020

/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 29, 2020

/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 October 3, 2020 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 29, 2020

/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 October 3, 2020 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 29, 2020

/s/ Frank T. Connor

Frank T. Connor
Executive Vice President and Chief Financial Officer