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Raytheon Company Q4 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) And your first question comes from the line of Robert Spingarn with Credit Suisse.

Robert Spingarn – Credit Suisse

Good morning. Bill, we had been thinking that cost constraints could possibly prohibit any changes to the electronic systems on DDG51, but now it looks like that radar may be opened for bidding. Could you talk about the opportunity there and, while we're on the topic of destroyers, could you give us a comparison of a three ship versus a two ship scenario on DDG1000 for Raytheon and flow timing and that sort of thing?

William H. Swanson

Yes, I'll look at Mark and see how much time he gives me to answer this question. We could have a dissertation on (inaudible) radars here, then I don't think anybody wants to hear. But let me put in perspective because there will always be some swirl on this thing until it gets settled, and talk a little bit about DDG1000 first. IT gives me a chance to thank the team, they are absolutely performing well on DDG1000, both in terms and schedule and cost. That is on the portion we are responsible for, which I call the mission systems integration portion, all the electronics, ten technologies there. Those technologies are world class, they have been looked at and tested and broadened and probed, and we feel really good about those because any surface combatant going forward in the future is going to have to measure itself against some very proven technology at a very high TRL level.

So when we look at it, you know for example our spy three radar that Expian Radar is already slated to go on carriers and is designated for CVN78, so we know the technologies that we are developing that our customer wants. The third Zimwald ship was authorized and appropriated in the FY09 budget, so there is funding for that. For us, people always worry like something is going to happen tomorrow. We don't see any change in revenue, at least over the next couple of years on that program, and who knows in year three, but it is not falling off a cliff.

And then, you know, I need to always remind everybody we don't do the hull, we do the electronics, those electronics are portable, both forward and backward in designs, and the program continues to meet all its cost milestones, which is important. Secretary Gates talked about the fact that, in my words, programs that swim funny, the sharks are going to come out and get him. So we really work hard here to really make sure all our programs are on track.

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