



Use of U.S. DoD visual information does not imply or constitute DoD endorsement

# L3HARRIS CY2020 SECOND QUARTER RECONCILIATION OF NON-GAAP FINANCIAL MEASURES AND REGULATION G DISCLOSURES

---

[L3HARRIS.COM](https://www.l3harris.com) | [#L3HARRIS](https://twitter.com/L3HARRIS)



# L3HARRIS

# Regulation G Disclosures



To supplement our condensed consolidated financial statements presented in accordance with U.S. generally accepted accounting principles (GAAP), we provide additional financial measures that exclude or include amounts, or are subject to adjustments, so as to be different from the most directly comparable financial measures calculated and presented in accordance with GAAP. L3Harris management believes that these non-GAAP financial measures, when considered together with the GAAP financial measures, provide information that is useful to investors in understanding period-over-period operating results separate and apart from items that may, or could, have a disproportionately positive or negative impact on results in any particular period. L3Harris management also believes that these non-GAAP financial measures enhance the ability of investors to analyze L3Harris' business trends and to understand L3Harris' performance. In addition, L3Harris may utilize non-GAAP financial measures as guides in its forecasting, budgeting, and long-term planning processes and to measure operating performance for some management compensation purposes. Any analysis of non-GAAP financial measures should be used only in conjunction with results presented in accordance with GAAP. A reconciliation of these non-GAAP financial measures with the most directly comparable financial measures calculated in accordance with GAAP follows:

# Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



## L3 Pre-Merger Adjusted Free Cash Flow

(\$ in millions)	Quarter Ended June 28, 2019	Two Quarters Ended June 28, 2019
Net cash provided by operating activities	\$ 221	\$ 414
Less capital expenditures, net of dispositions	(52)	(98)
Free cash flow	169	316
Net cash provided by operating activities of discontinued operations	—	(19)
Tax and transaction payments related to divestitures	—	1
Cash used for deal and integration costs	51	68
Adjusted free cash flow	<u>\$ 220</u>	<u>\$ 366</u>

# Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



## Organic Revenue

(\$ in millions)

	Calendar 2019		
	Pro Forma <sup>1</sup>	Adjustment (A)	Organic
<b>Revenue</b>			
Consolidated	\$ 18,097	\$ (420)	\$ 17,677
Space and Airborne Systems segment	4,689	(12)	4,677
Communication Systems segment	4,278	(21)	4,257
Aviation Systems segment	3,917	(364)	3,553

(A) Adjustments to exclude revenue attributable to each divested business for the portion of calendar 2019 that is equivalent to the portion of fiscal 2020 following the date the business was divested.

"Pro forma" refers to actual GAAP revenue for the second half of 2019 combined with revenue for the first and second quarters of 2019 in the pro forma condensed combined income statement information (prepared in a manner consistent with Article 11 of Regulation S-X) included in L3Harris' Current Report on Form 8-K filed on May 4, 2020.

# Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



## Aviation Systems Segment Organic Operating Income

(\$ in millions)

	<b>Quarter Ended June 28, 2019</b>
Pro forma <sup>1</sup> segment operating income	\$ 109
Adjustment for divested business	(13)
Non-GAAP organic segment operating income	<u>\$ 96</u>

<sup>1</sup>"Pro forma" refers to the applicable prior-year result in the pro forma condensed combined income statement information (prepared in a manner consistent with Article 11 of Regulation S-X) included in L3Harris' Current Report on Form 8-K filed May 4, 2020.

# Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



## Aviation Systems Segment Operating Margin

	<u>2020 Guidance</u>
(\$ in millions)	
Revenue from product sales and services (B)	\$3,375 to \$3,517
Segment operating income	\$54 to \$73
Impairment of goodwill and other assets and other COVID-19-related charges	~ 393
Non-GAAP segment operating income (A)	<u>\$447 to \$466</u>
Non-GAAP segment operating margin percentage (A) / (B)	~13.25%

# Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



## Communication Systems Segment Operating Margin

(\$ in millions)	<u>2020 Guidance</u>
Revenue from product sales and services (B)	\$4,406 to \$4,470
Segment operating income	\$1,045 to \$1,061
Restructuring charges	~ 1
Non-GAAP segment operating income (A)	<u>\$1,046 to \$1,062</u>
Non-GAAP segment operating margin percentage (A) / (B)	~ 23.75%

# Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



## L3Harris Adjusted Pro Forma<sup>1</sup> EPS

	<u>CY19</u>
Pro forma <sup>1</sup> income from continuing operations attributable to L3Harris Technologies, Inc. common shareholders	\$ 7.25
Adjustments:	
Gain on sale of business	(1.02)
Gain on sale of asset group	(0.05)
L3 pre-merger integration costs, including change in control charges	0.82
L3Harris Merger integration costs	0.97
Charges related to consolidation of facilities	0.22
Gain on pension curtailment	(0.10)
Amortization of acquisition-related intangibles	2.68
Additional cost of sales related to the fair value step-up in inventory sold	0.64
Non-cash cumulative adjustment to lease expense	0.04
Losses and other costs related to debt refinancing	0.02
Total pre-tax adjustments	<u>4.22</u>
Income taxes on above adjustments	<u>(1.21)</u>
Total adjustments after-tax	<u>3.01</u>
Adjusted pro forma income from continuing operations per diluted common share	<u>\$ 10.26</u>

<sup>1</sup>"Pro forma" refers to the applicable prior-year result in the pro forma condensed combined income statement information (prepared in a manner consistent with Article 11 of Regulation S-X) included in L3Harris' Current Report on Form 8-K filed May 4, 2020.



# Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



## Noncontrolling Interests, Net of Income Taxes

(\$ in millions)

	Quarter Ended	
	July 3, 2020	2020 Guidance
Noncontrolling interests, net of income taxes	\$ 5	\$ 23
Adjustments (A)	(7)	(33)
Non-GAAP noncontrolling interests, net of income taxes	<u>\$ (2)</u>	<u>\$ (10)</u>

(A) Adjustments for noncontrolling portion of goodwill impairment charge and amortization of acquisition-related intangibles