# FISCAL 2019 SECOND QUARTER EARNINGS CALL PRESENTATION



HARRIS® TECHNOLOGY TO CONNECT, INFORM AND PROTECT™

# Forward-looking statements

Statements in this presentation that are not historical facts are forward-looking statements that reflect management's current expectations, assumptions and estimates of future performance and economic conditions.  Such statements are made in reliance on the safe harbor provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.  Forward-looking statements in this presentation include but are not limited to: earnings, revenue, free cash flow, earnings before interest and taxes ("EBIT"), margin on EBIT, segment revenue and operating margin and other segment guidance for fiscal 2019; and other supplemental information for fiscal 2019; changes in earnings guidance for fiscal 2019; potential contract opportunities and awards; the potential value and timing of contract awards; and other statements regarding outlook or that are not historical facts.  The company cautions investors that any forward-looking statements are subject to risks and uncertainties that may cause actual results and future trends to differ materially from those matters expressed in or implied by such forward-looking statements. The company's consolidated results, future trends and forward-looking statements could be affected by many factors, risks and uncertainties, including but not limited to: the loss of the company’s relationship with the U.S. Government or a change or reduction in U.S. Government funding; potential changes in U.S. Government or customer priorities and requirements (including potential deferrals of awards, terminations, reductions of expenditures, changes to respond to the priorities of Congress and the Administration, budgetary constraints, debt ceiling implications, sequestration, and cost-cutting initiatives); a security breach, through cyber attack or otherwise, or other significant disruptions of the company’s IT networks and systems or those the company operates for customers; the level of returns on defined benefit plan assets and changes in interest rates; risks inherent with large long-term fixed-price contracts, particularly the ability to contain cost overruns; changes in estimates used in accounting for the company’s programs; financial and government and regulatory risks relating to international sales and operations; effects of any non-compliance with laws; the company’s ability to continue to develop new products that achieve market acceptance; the consequences of uncertain economic conditions and future geo-political events; strategic acquisitions and divestitures and the risks and uncertainties related thereto, including the company’s ability to manage and integrate acquired businesses and realize expected benefits and the potential disruption to relationships with employees, suppliers and customers, including the U.S. Government, and to the company’s business generally; performance of the company’s subcontractors and suppliers; potential claims related to infringement of intellectual property rights or environmental remediation or other contingencies, litigation and legal matters and the ultimate outcome thereof; risks inherent in developing new and complex technologies and/or that may not be covered adequately by insurance or indemnity; changes in the company’s effective tax rate; significant indebtedness and unfunded pension liability and potential downgrades in the company’s credit ratings; unforeseen environmental matters; natural disasters or other disruptions affecting the company’s operations; changes in future business or other market conditions that could cause business investments and/or recorded goodwill or other long-term assets to become impaired; the company’s ability to attract and retain key employees, maintain reasonable relationships with unionized employees and manage escalating costs of providing employee health care; or potential tax, indemnification and other liabilities and exposures related to Exelis’ spin-off of Vectrus, Inc. and Exelis’ spin-off from ITT Corporation; the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement; the possibility that stockholders of either party may not approve the proposed combination; the risk that the parties may not be able to obtain (or may be required to make divestitures in order to obtain) the necessary regulatory approvals or to satisfy any of the other conditions to the proposed combination in a timely manner or at all; risks related to disruption of management time from ongoing business operations due to the proposed combination; risks related to the inability to realize benefits or to implement integration plans and other consequences associated with the proposed combination; the risk that any announcements relating to the proposed combination could have adverse effects on the market price of the common stock of either or both parties to the combination; and the risk that the proposed combination and its announcement could have an adverse effect on either or both parties’ ability to retain customers and retain and hire key personnel and maintain relationships with suppliers and customers, including the U.S. Government and other governments, and on their operating results and businesses generally. Further information relating to these and other factors that may impact the company's results, future trends and forward-looking statements are disclosed in the company's filings with the SEC.  The forward-looking statements contained in this presentation are made as of the date of this presentation, and the company disclaims any intention or obligation, other than imposed by law, to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

# 2Q19: Strong progress against strategic priorities

HARRIS

1 **Accelerate revenue growth across all 3 segments**

- **Revenue up 9% with strong growth across all segments**
- Orders up 27% to $1.8B...book-to-bill 1.06
- Year-over-year funded backlog growth of ~20%

2 **Company margin expansion...double-digit EPS growth**

- EPS[1] up **19%** to a record $1.96
- EBIT margin[1] expanded 150 bps to 19.6%
- Margin expansion across all three segments

3 **Maximize cash flow with balanced capital deployment**

- 2Q19 FCF[2] of $323M, up 25%...1H19 FCF[2] up 24%
- 10-day reduction in working capital
- LTM FCF[2] of **~$1 billion**

[1]Non-GAAP EPS and adjusted earnings before interest and taxes (EBIT) margin figures exclude, as applicable, 2Q19 L3 deal and integration costs, discontinued operations and prior-year non-cash charges for a write down of deferred tax assets and an adjustment for deferred compensation. For non-GAAP reconciliations reference other quarterly earnings materials and the Harris investor relations website.
[2]Adjusted FCF (free cash flow) = operating cash flow less capital expenditures, excluding L3 deal and integration costs; last twelve months adjusted FCF also excludes 3Q18 $300M voluntary pension contribution.

# Key highlights

HARRIS

## Communication Systems

- Revenue up 10%...strong growth in all three businesses
  - Tactical up...fifth consecutive quarter of growth
    - International Tactical up 11%...growth in Asia Pacific and Europe
    - DoD Tactical up 7%...modernization demand
- Strong progress on DoD modernization
  - Army HMS manpack initial deliveries in Q2
  - SOCOM 2-channel operational assessment complete, production ramping in 2H
  - $75M MUOS order, enhancing functionality on previously sold hardware
- Tactical backlog > $1.1B and $4B pipeline
- 1H revenue up 12%; B:B 1.3; YoY funded backlog growth of ~20%

## Electronic Systems

- Revenue up 6%...seventh consecutive quarter of growth
  - Double-digit growth across F-35, F/A-18, F-16 & rotary platforms
- Continued Electronic Warfare (EW) success
  - $115M EW upgrade to Iraq and Poland F-16s
  - Next Generation Jammer Low Band award
- Strengthened avionics open systems position...expanded content to new platforms
- $16B pipeline and $3B in proposals outstanding
- 1H revenue up 7%; B:B 1.2; YoY funded backlog growth of ~24%

## Space & Intelligence Systems

- Revenue up 11%...high teens growth in Classified partially offset by Environmental
- Classified wins...existing and new franchises
  - $218M U.S. Army wideband SATCOM
  - $80M experimental satellite; next-gen GPS
  - $115M extension of exquisite systems franchise
  - $185M U.S. Air Force counter-communication
- Record launch quarter
  - 3 small satellites...including HSAT
  - U.S. Air Force GPS III satellite SV01
  - Japan GOSAT-2 and Korea GEO-KOMPSAT 2
- 1H revenue up 8%; B:B 1.0; YoY funded backlog growth of ~10%

## Strong First Half and Outlook

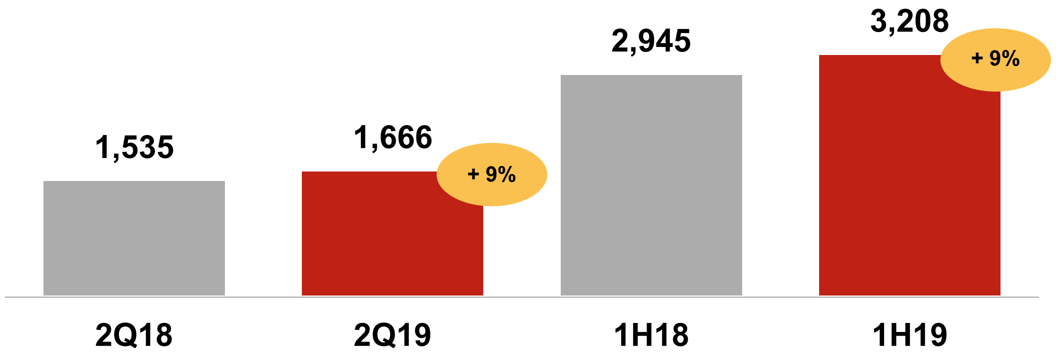
- 1H revenue up 9%; growth across all three segments; B:B 1.2
- 1H EPS[1] up 24%; EBIT margin[1] expanded 90 bps to 19.5%
- 1H FCF[2] of $409M, up 24%, returned $363M to shareholders
- Increased revenue, EPS[1] and FCF[2] guidance

[1]Non-GAAP EPS and adjusted earnings before interest and taxes (EBIT) margin figures exclude, as applicable, L3 deal and integration costs, discontinued operations and prior-year non-cash charges for a write down of deferred tax assets and an adjustment for deferred compensation. For non-GAAP reconciliations reference other quarterly earnings materials and the Harris investor relations website.
[2]Adjusted FCF (free cash flow) = operating cash flow less capital expenditures, excluding L3 deal and integration costs.

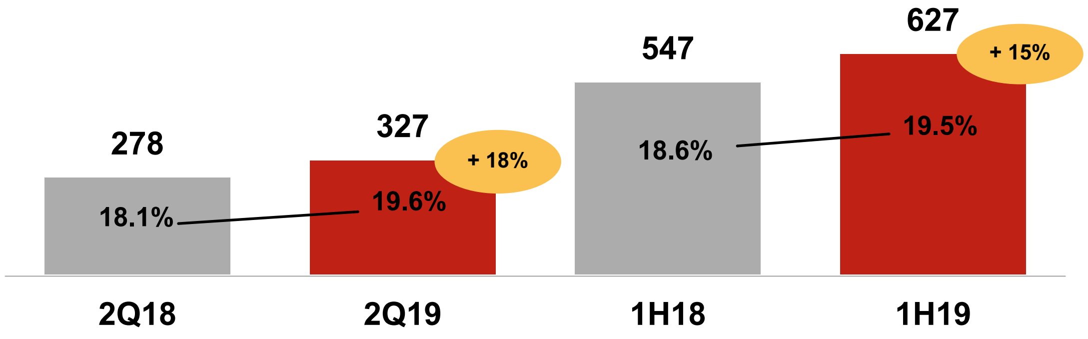
# Strong 2Q19 and 1H19 financial results

($million, except per share amounts)

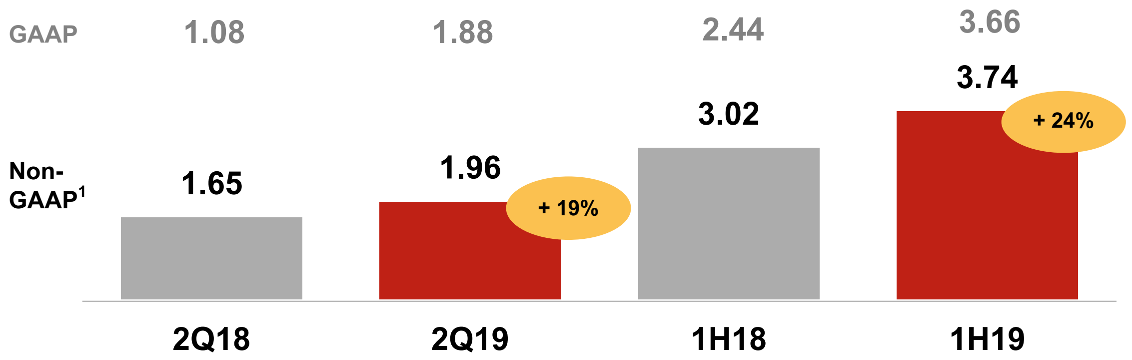
## Revenue



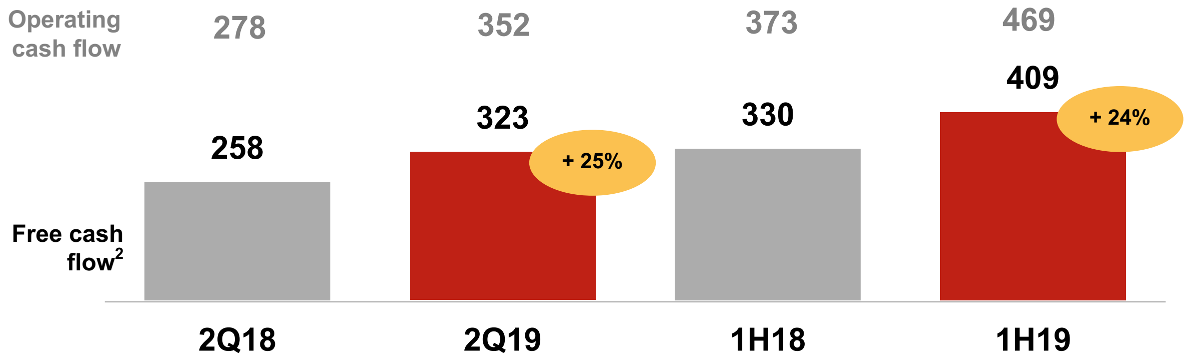

## EBIT[1] and margin[1]




## EPS




## Cash flow

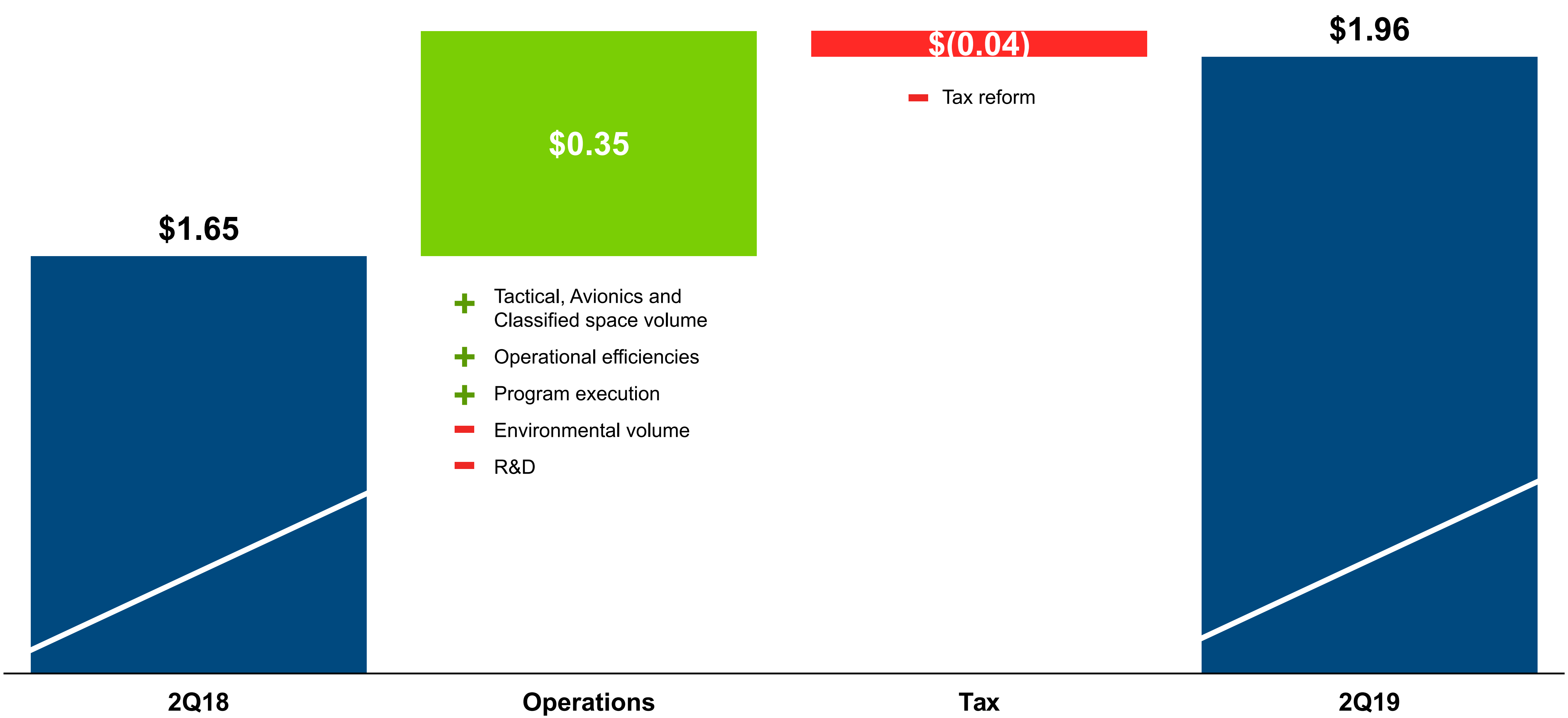



For non-GAAP reconciliations, reference other quarterly earnings materials and the Harris investor relations website.

[1]Non-GAAP EPS and adjusted earnings before interest and taxes (EBIT) and EBIT margin figures exclude, as applicable, 2Q19 L3 deal and integration costs, discontinued operations and prior-year non-cash charges for a write down of deferred tax assets and an adjustment for deferred compensation.

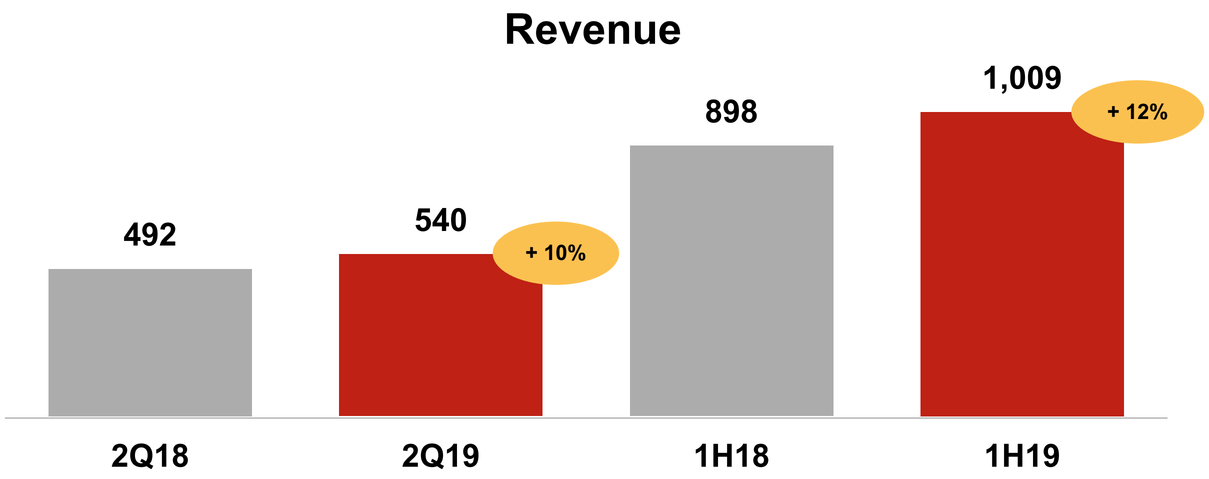
[2]Adjusted FCF (free cash flow) = operating cash flow less capital expenditures, excluding L3 deal and integration costs.

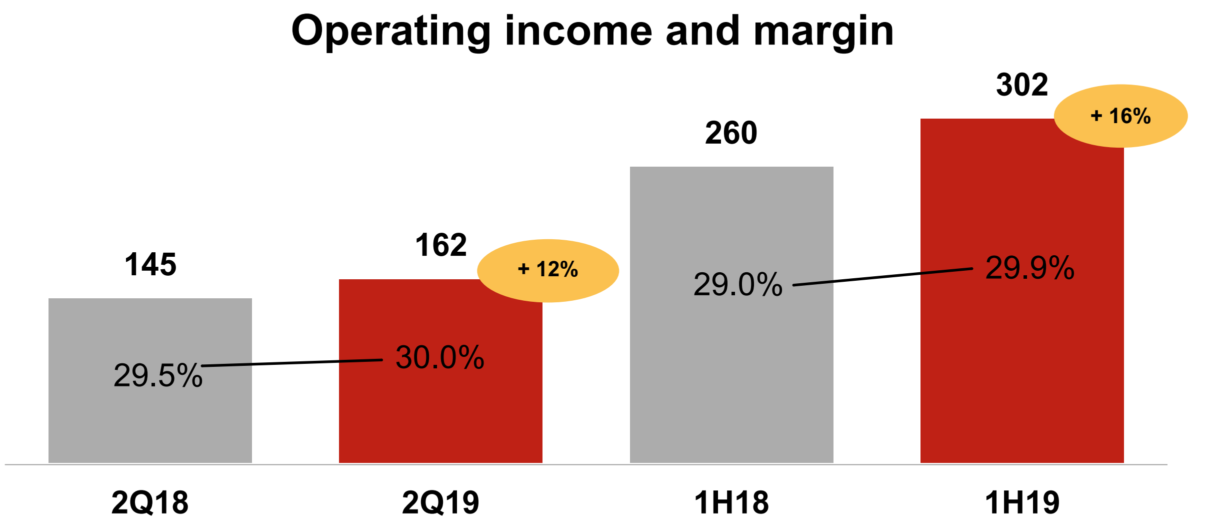
# 2Q EPS[1] bridge




[1]Non-GAAP EPS excludes, as applicable, 2Q19 L3 deal and integration costs, and prior-year non-cash charges for a write down of deferred tax assets and an adjustment for deferred compensation. For non-GAAP reconciliations, reference other quarterly earnings materials and the Harris investor relations website.

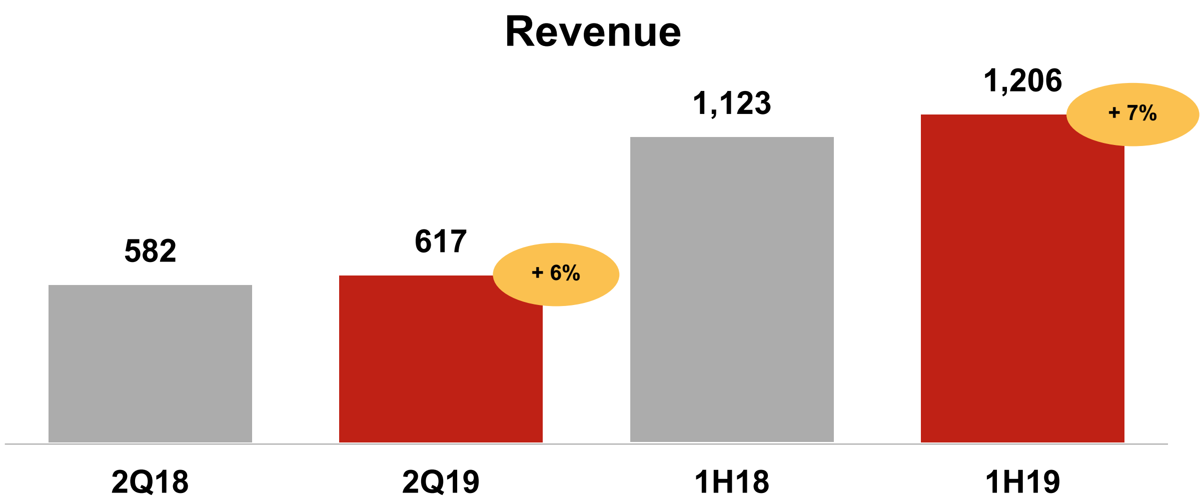
# Communication Systems

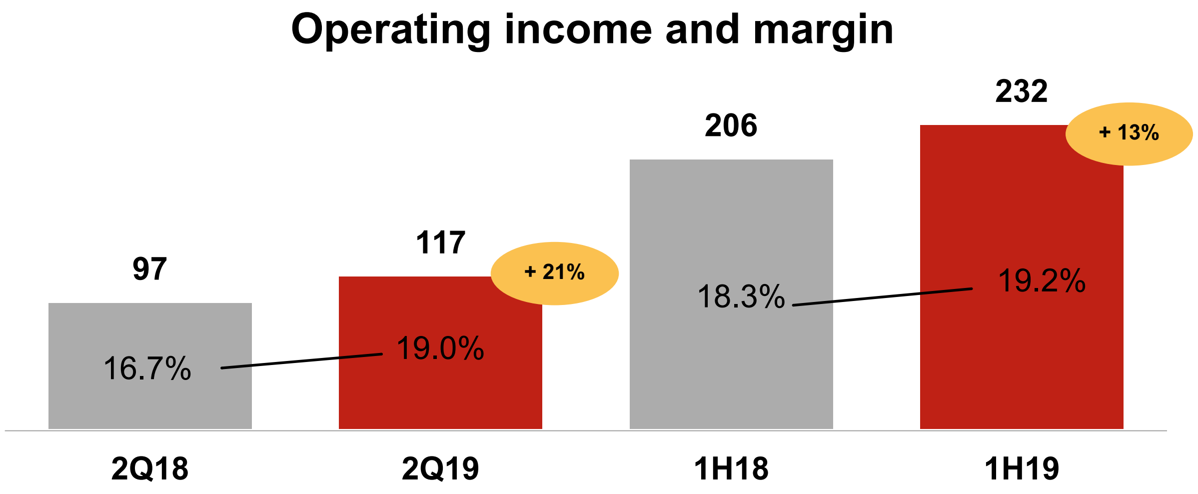



- 2Q revenue up 10%, 1H up 12%
  - Tactical Comms revenue up 11% in 1H
    - DoD up 17% and International up 7%
  - Public Safety and Night Vision up double digits in 1H
- 2Q operating income up 12%; 1H up 16%
- 2Q margin expanded 50 bps; 1H margin expanded 90 bps to 29.9%
- 1H B:B 1.3

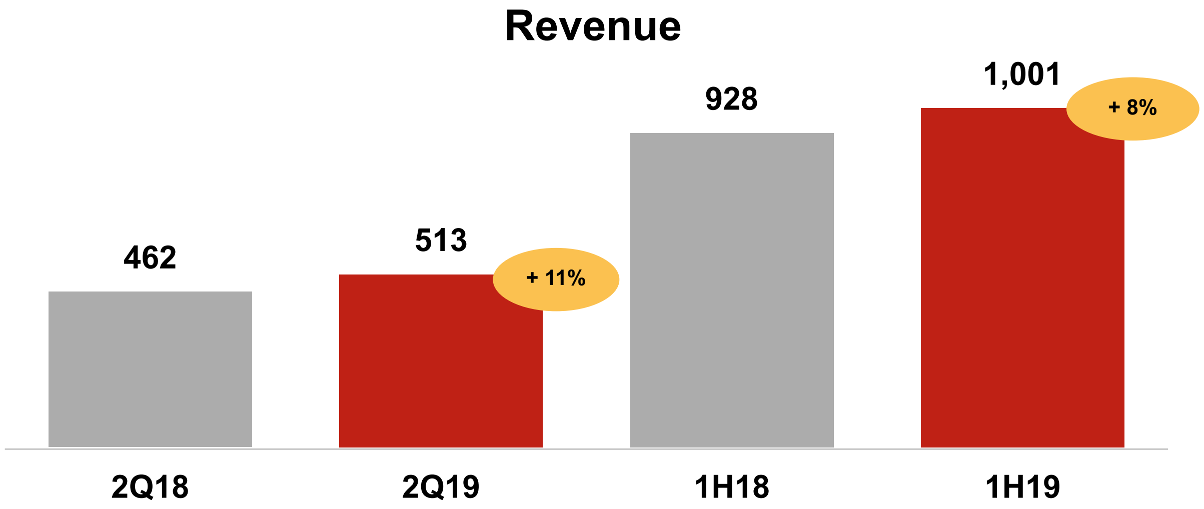
# Electronic Systems

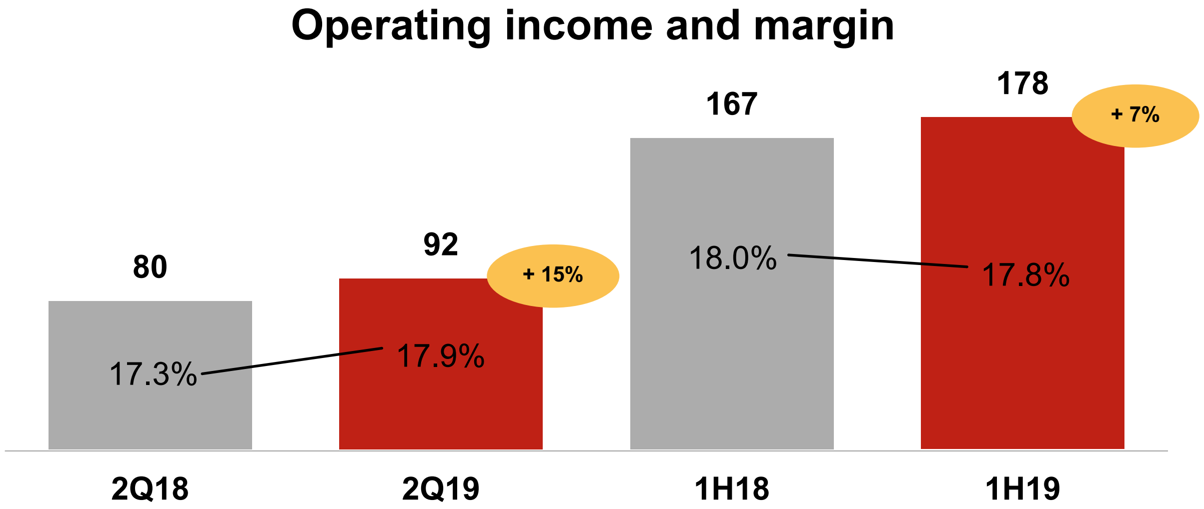



- 2Q revenue up 6%; 1H up 7%
  - Double-digit growth in long-term platforms (F-35, F/A-18, F-16) and rotary platforms
- 2Q operating income up 21%; 1H up 13%
- 2Q margin expanded 230 bps; 1H margin expanded 90 bps to 19.2%
- 1H B:B 1.2
  - Sixth consecutive quarter of B:B > 1

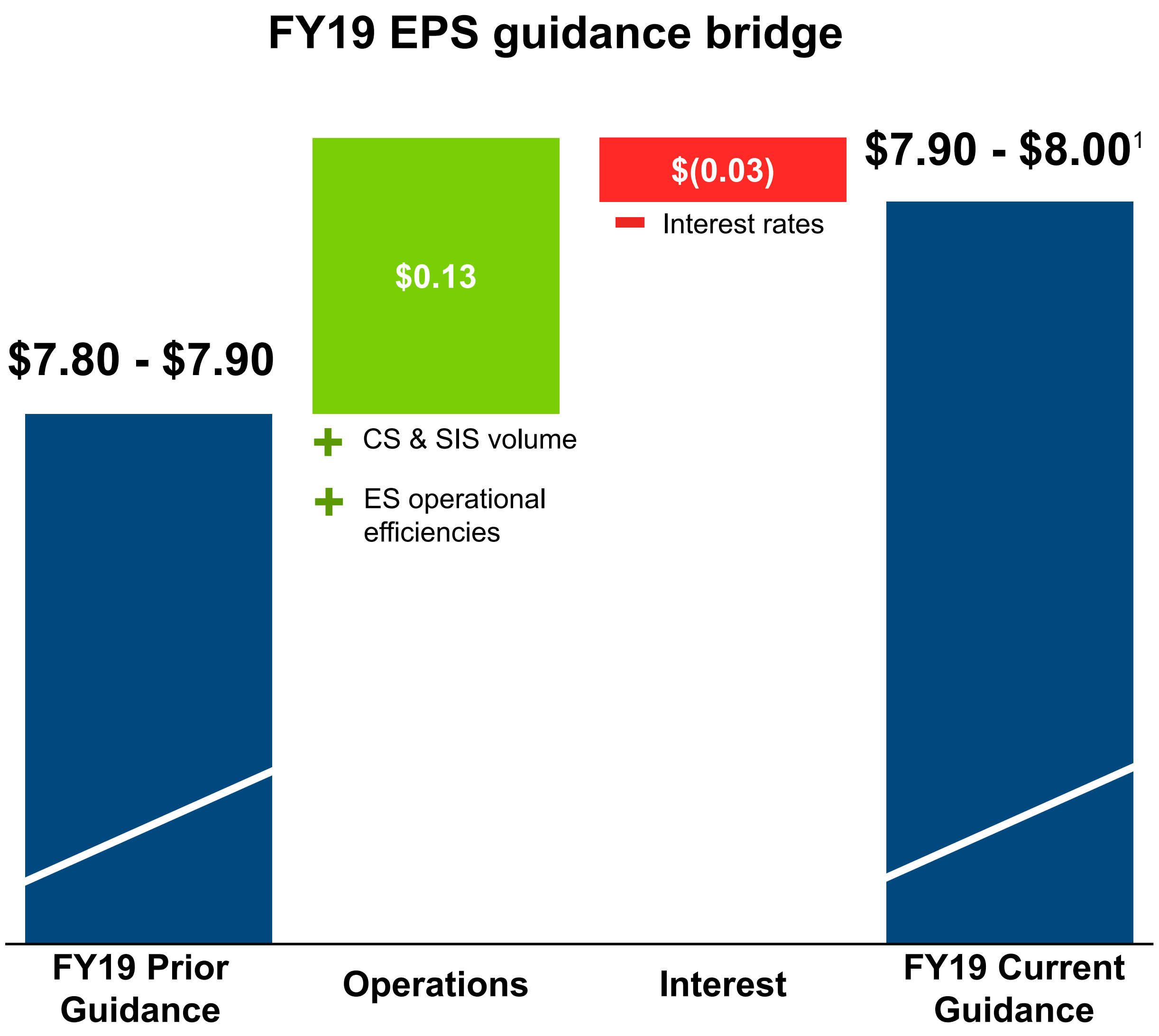
# Space & Intelligence Systems

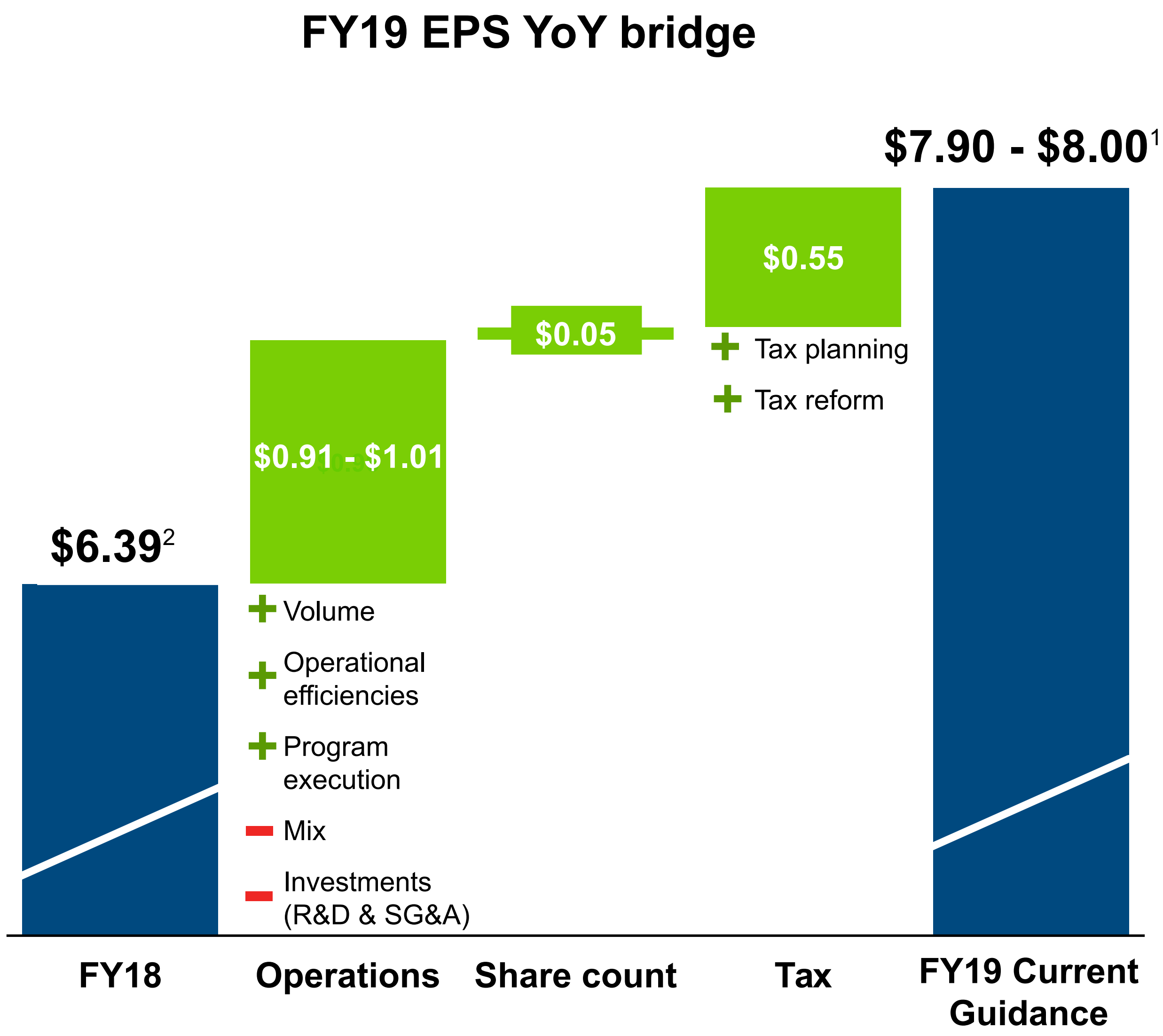



- 2Q revenue up 11%; 1H up 8%
  - Classified growth partially offset by environmental programs
- 2Q operating income up 15%; 1H up 7%
- 2Q margin expanded 60 bps to 17.9%; 1H margin of 17.8%
- 1H B:B 1.0

# EPS bridges




[1]FY19 current non-GAAP EPS guidance excludes L3 deal and integration costs. For non-GAAP reconciliations, reference other quarterly earnings materials and the Harris investor relations website.
[2]FY18 non-GAAP EPS excludes various adjustments. For non-GAAP reconciliations, reference other quarterly earnings materials and the Harris investor relations website.

# FY19 guidance summary

HARRIS

## Total Harris

| Revenue | Margin[1] |
|---|---|
| 8.0 - 8.5% | 19.5 - 20.0% |
| + *versus up 6.0 - 8.0%* | + *versus 19.3 - 19.7%* |

| EPS[1] | FCF[2] |
|---|---|
| $7.90 - $8.00 | $1.000 - $1.025B |
| + *versus $7.80 - $7.90* | + *versus ≥ $1B* |

## By Segment

| | Revenue | Margin[1] |
|---|---|---|
| CS | up 10.0 – 11.0% + *versus up 9 – 10%* | 29.5 – 30.5% |
| ES | up 7.0 – 8.0% | 18.5 – 19.5% + *versus 18 – 19%* |
| SIS | up 6.0 – 7.0% + *versus up 4 – 5%* | 17.0 – 18.0% |

[1]Total Harris margin represents adjusted earnings before interest and taxes (EBIT) margin. Non-GAAP EPS and adjusted EBIT margin guidance exclude, as applicable, L3 deal and integration costs and discontinued operations. For non-GAAP reconciliations, reference other quarterly materials and the Harris investor relations website. Segment margin represents operating margin.
[2]Adjusted FCF (free cash flow) = operating cash flow less capital expenditures, excluding L3 deal and integration costs.

# Appendix

# Other information

($million except noted)

| | FY18 | 2Q19 | 1H19 | FY19 | |
|---|---|---|---|---|---|
| Amortization of Exelis acquisition intangibles | $101 | $26 | $51 | ~$101 | |
| CHQ costs (non-GAAP) | $60 | $18 | $35 | $55-60 | |
| FAS pension expense/(income)[1] | $(120) | $(30) | $(60) | ~($120) | |
| Net capital expenditures | $136 | $36 | $67 | ~$170 | |
| Net interest expense | $167 | $43 | $86 | ~$167 | prior ~$163 |
| Effective tax rate (non-GAAP) | 22.3% | 17.0% | 16.5% | ~16.5% | |
| Average diluted shares outstanding (million shares) | 121.1 | 120.0 | 120.3 | ~120.0 | |
| Debt repayments[2] | $555 | $— | $— | ~$300 | |

[1]Amounts reflect FAS pension income adjusted for benefit harmonization costs.
[2]Excludes $800M debt repayment in relation to 4Q18 debt refinancing.
For non-GAAP reconciliations, reference other quarterly earnings materials and the Harris investor relations website.

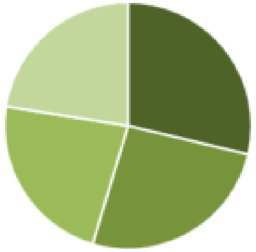
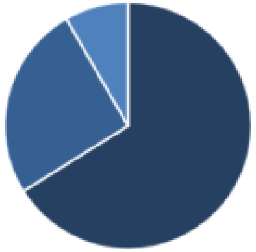
# Supplemental information - tactical communications history

($million)

| | 2Q18 | 3Q18 | 4Q18 | 1Q19 | 2Q19 | FY17 | FY18 | YTD FY19 |
|---|---|---|---|---|---|---|---|---|
| **Orders** | **353** | **332** | **389** | **502** | **448** | **1,242** | **1,755** | **950** |
| **Sales** | **354** | **340** | **377** | **334** | **386** | **1,230** | **1,367** | **720** |
| DoD | 159 | 121 | 139 | 144 | 170 | 392 | 530 | 314 |
| International | 195 | 219 | 238 | 190 | 216 | 838 | 837 | 406 |
| **Funded Backlog[1]** | **862** | **855** | **924** | **1,094** | **1,151** | **484** | **924** | **1,151** |

[1]Historical funded backlog and sales have been restated for ASC 606. Funded backlog includes the impact of foreign currency translation.

# Medium term outlook

| Business | | FY18 | Medium term | Margin | Medium term drivers |
|---|---|---|---|---|---|
| **Communication Systems** | | up 9% | up high-single digits | | |
|  $1.9B | Tactical Comms International | ↔ | ↑ | ~30.0% + | • E. Europe stability; ME recovery; installed-base modernizations |
| | DoD | ↑↑↑ | ↑↑↑ | | • Army, SOCOM, Marines modernization programs to ramp |
| | Public Safety | ↓ | ↑ | | • Product launches; new customers |
| | Night Vision | ↑↑↑ | ↑↑↑ | | • Army modernization; leverage int'l tactical channel |
| **Electronic Systems** | | up 5% | up high-single digits | | |
|  $2.4B | Mission Networks | ↓ | ↔ / ↑ | ~18.5% + | • Stable FAA budget; international air traffic mgmt demand |
| | Electronic Warfare | ↑ | ↑↑ | | • Long-term platform upgrades - international and domestic |
| | C4ISR/Battle Mgmt | ↑↑↑ | ↑↑↑ | | • UAE battle mgmt system roll-out; regional expansion |
| | Avionics | ↑↑↑ | ↑↑↑ | | • F-35 ramp and new content wins; new and long-term platforms |
| **Space & Intelligence Systems** | | up 1% | up mid-single digits | | |
|  $1.9B | Classified | ↑↑ | ↑↑ | ~17.5% ↔ | • Continued classified budget support; expansion into adjacencies |
| | Civil | ↓↓↓ | ↑ | | • Budget pressures subside; new customers; GPS IIIF |
| | Commercial | ↑↑ | ↑ | | • Value added services; space recapitalization |