



FISCAL 2018 FOURTH QUARTER EARNINGS CALL PRESENTATION

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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, margin on earnings before interest and taxes (EBIT), segment operating margin and other segment guidance for fiscal 2019; tax rate, share repurchases, debt repayments and other supplemental information for fiscal 2019; earnings, revenue, EBIT and operating margin and free cash flow outlook for the medium term; potential contract opportunities and awards; the potential value and timing of contract awards; statements regarding future growth; 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. 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.

4Q18

- EPS \$1.78* – up 19%...margin expansion of 50 bps to 19.6%*
- Revenue up 8%...growth in all three segments
- Orders growth of 18%...B:B 1.1, >1.0 in all segments
- Strong FCF of \$464M**

FY18

- EPS \$6.50* – up 18%, excluding tax reform up 10%
- Revenue up 5%...CS up 9%
- Orders up 23%...double-digit orders growth every quarter...backlog increase of 26%
- Record adjusted FCF of \$915M** ...returned ~\$550M to shareholders

Medium Term

- Initiating FY19 guidance***:
 - EPS \$7.65 to \$7.85
 - Revenue up 6 to 8%...CS up 8 to 10%, ES up 7 to 8%, SIS up 4 to 5%
 - FCF of ≥\$1B
- Medium term – accelerating revenue growth, segment and total company margin expansion...double-digit EPS growth, sustained FCF growth

*Non-GAAP EPS and operating margin exclude charges related to debt refinancing and other items. For non-GAAP reconciliations, reference other quarterly earnings materials and the Harris investor relations website.

**FCF (free cash flow) = operating cash flow less capital expenditures; adjusted FCF excludes 3Q18 \$300M voluntary pension contribution.

***Reflects adoption of new revenue recognition standard (ASC 606) - refer to slide 16 for more information.

1 Grow revenue across all 3 segments

Communication Systems

Revenue up 9%...Tactical up 11%, Night Vision up double digits

- DoD up 35% and International down <1%
- Strong Tactical order momentum from readiness and modernization programs and expansion into adjacencies
- Tactical backlog up 82%

Electronic Systems

Revenue up 5%...first half ~flat, second half up 9%

- Long-term platforms (F-35, F/A-18, F-16) up >20%...orders >\$1B
- International expansion...U.K. robotics, UAE and FTI India
- Backlog up 30%, \$17B pipeline, \$4.5B proposals outstanding

Space & Intelligence Systems

Revenue up 1%...Classified growth offset by Environmental headwinds

- Classified orders up double digits...hosted payloads leadership, increased share of wallet with existing customers & expanded addressable market
- Orders growth of 6%, B:B >1.0, \$14B pipeline

2 Maximize cash flow with balanced capital deployment

- Record adjusted FCF of \$915M**...116%* of NI
- Returned ~60% to shareholders...\$272M repurchases & \$272M dividends...double-digit 10-yr CAGR

3 Drive flawless execution while maintaining margins through operational excellence

- Communication Systems
 - Night Vision: improvement in yield and OTD; strong win rate
- Electronic Systems
 - F-35 on-time delivery >99.95%...higher content
 - F/A-18 100% OTD over 20 yrs, cycle time down 10%
- Space & Intelligence Systems
 - SENSOR on-time delivery 90% (from 35%)
 - GPSIIIF - developed fully digital payload

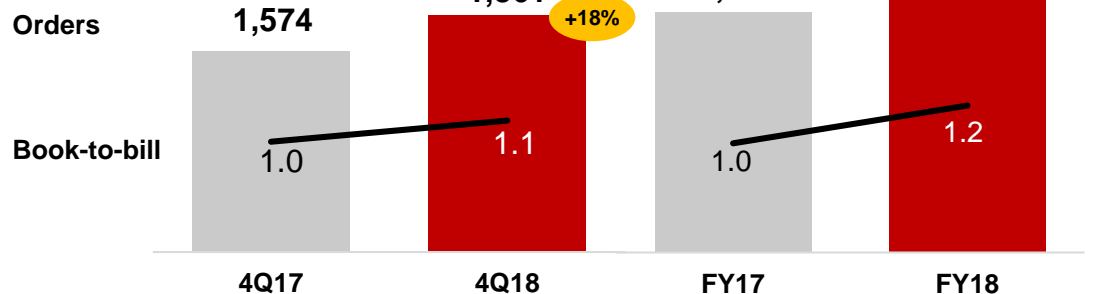
*For non-GAAP reconciliations, reference other quarterly earnings materials and the Harris investor relations website. **Adjusted FCF(free cash flow) = operating cash flow excluding 3Q18 \$300M voluntary pension contribution, less capital expenditures.

Strong 4Q18 and FY18 financial results

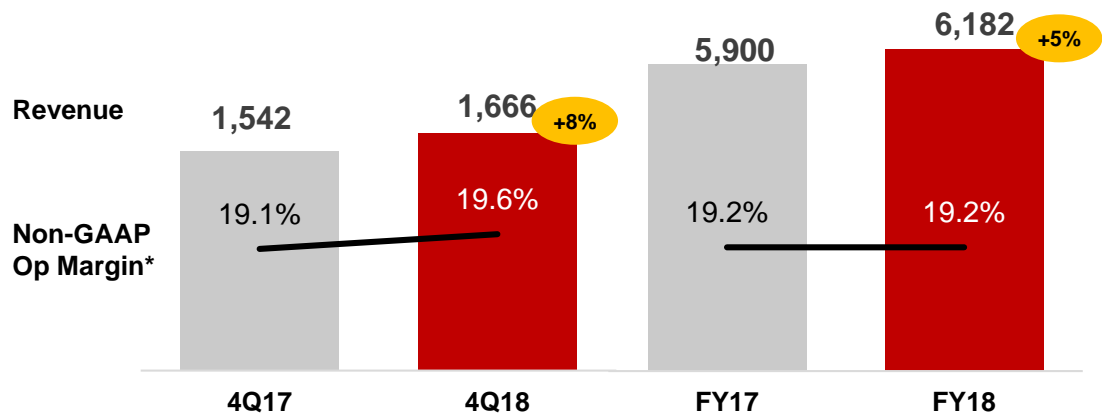


(\$million, except per share amounts)

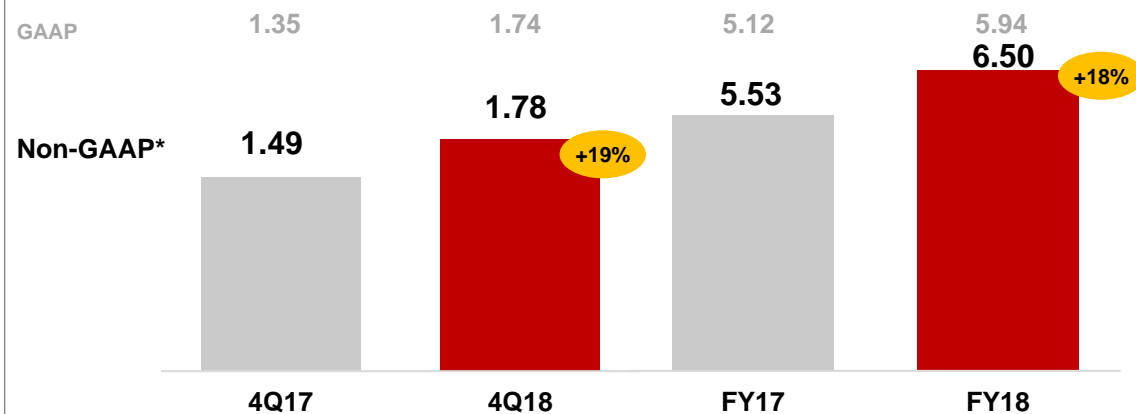
Orders



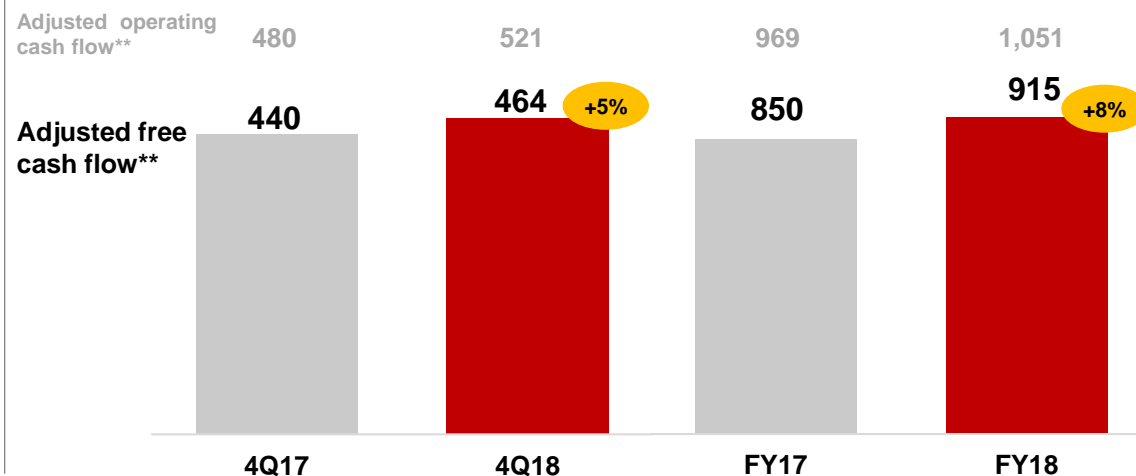
Revenue and operating margin



EPS



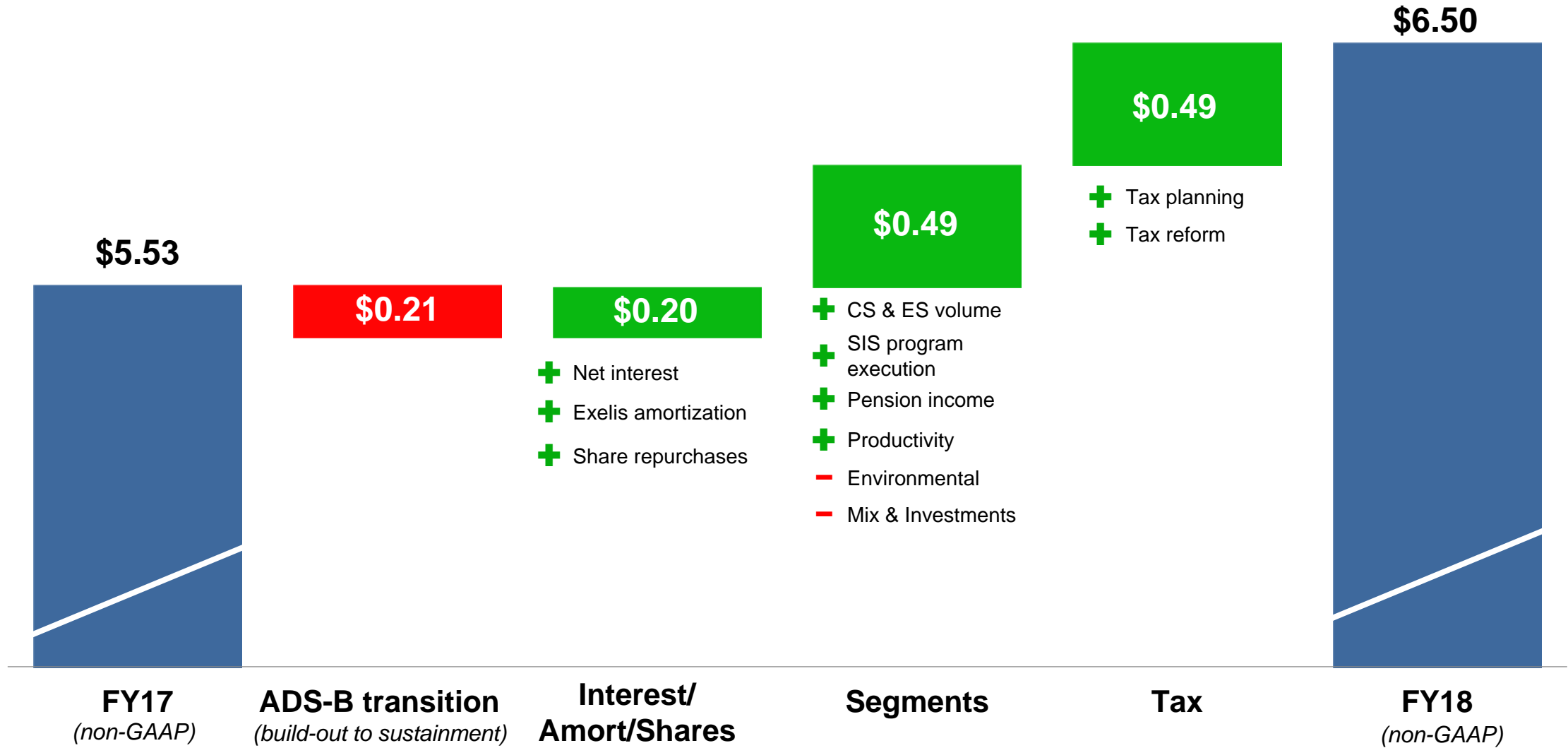
Cash flow



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

**Adjusted operating cash flow excludes 3Q18 \$300M and 4Q17 \$400M voluntary pension contributions. Adjusted FCF (free cash flow) = adjusted operating cash flow less capital expenditures.

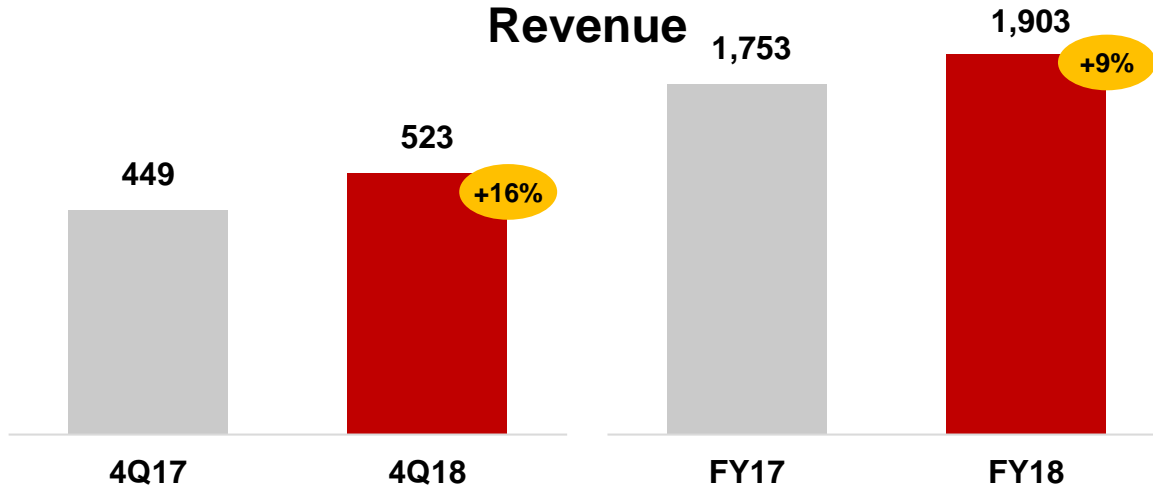
FY18 EPS* bridge



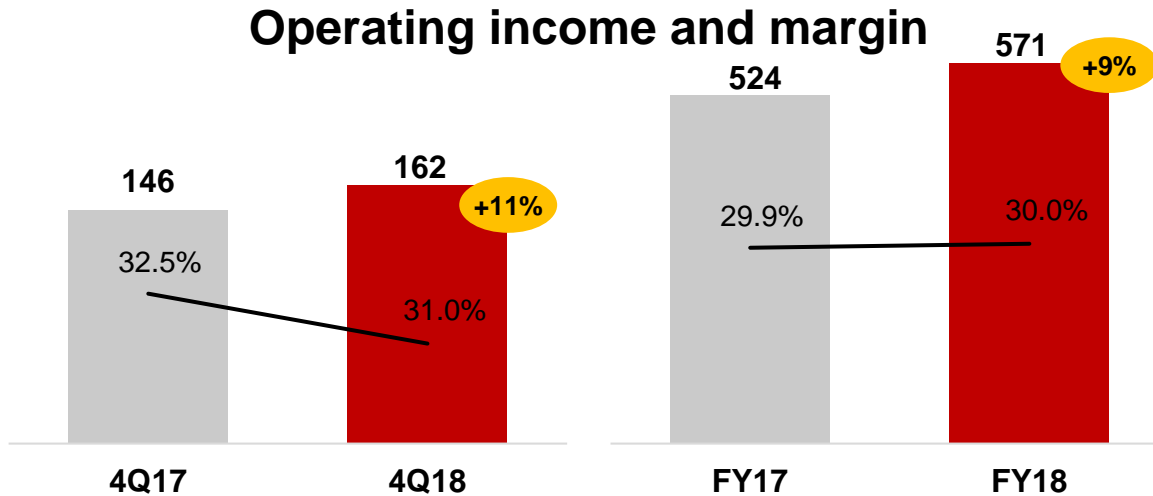
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(\$million)

Revenue



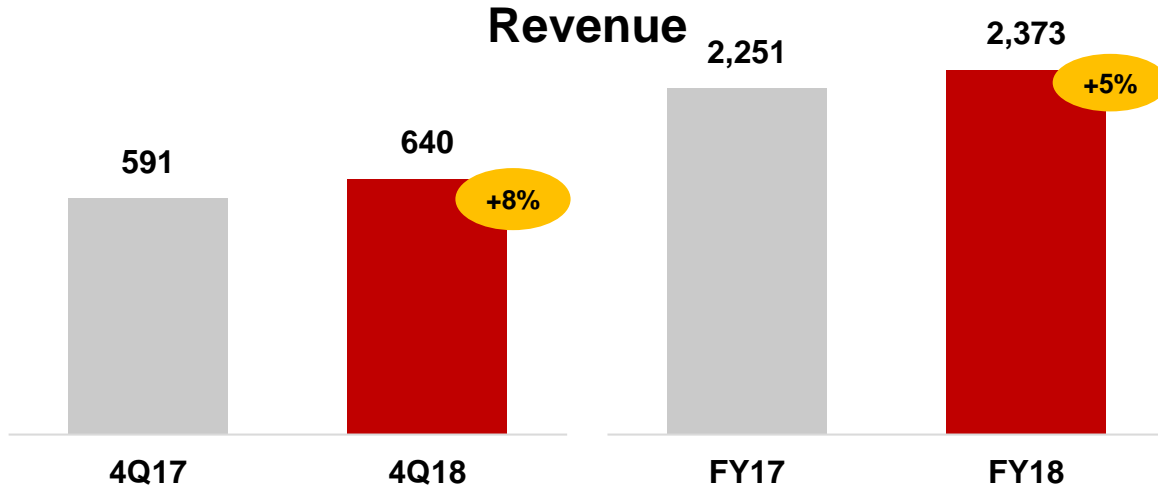
Operating income and margin



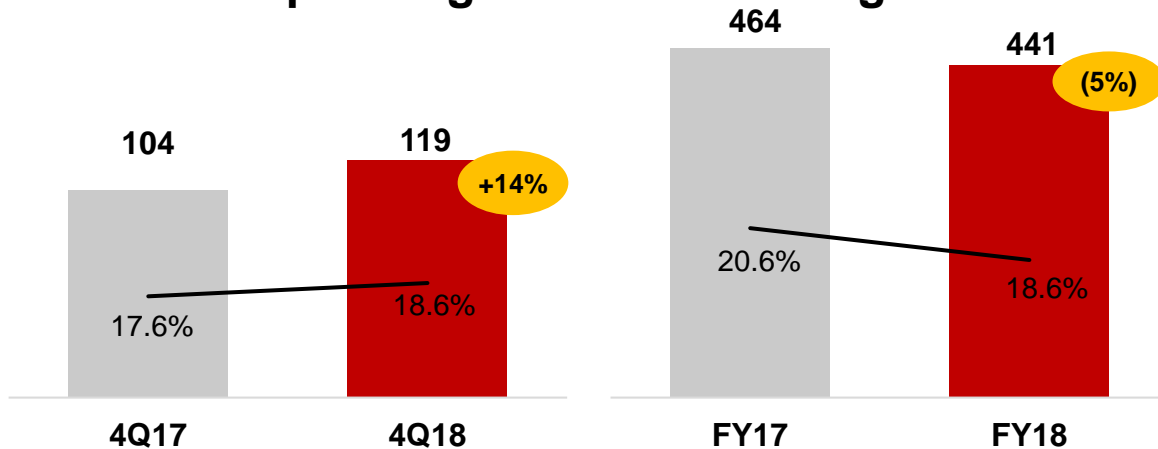
- 4Q revenue up 16%; FY18 up 9%
 - 4Q growth in all businesses... Tactical up 21%
 - FY18 Tactical DoD up 35%, Night Vision up double digits
- 4Q operating income up 11%; FY18 up 9%
- 4Q margin of 31%; FY18 margin of 30%
- 4Q orders up 6%; FY18 up 28%, B:B ~1.3
 - Eighth consecutive quarter of YoY orders growth
 - FY18 B:B > 1 in all 3 businesses

(\$million)

Revenue



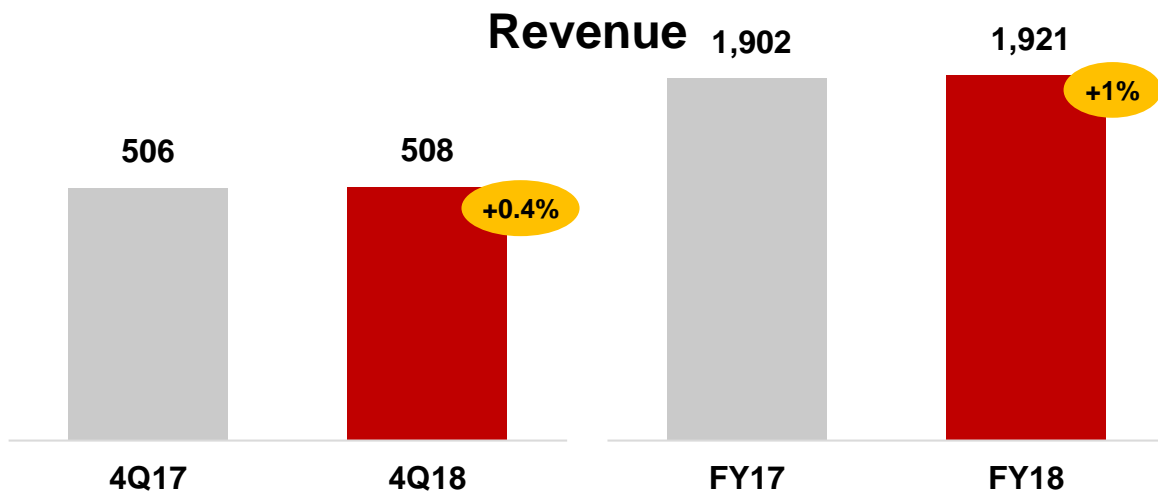
Operating income and margin



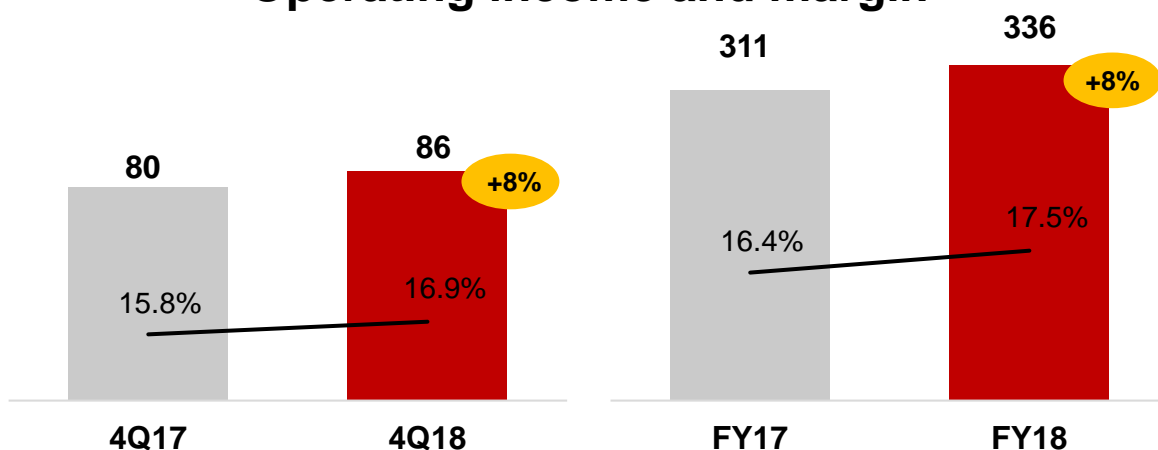
- 4Q revenue up 8%; FY18 up 5%
 - Strong growth in long-term platforms: F-35, F/A-18, F-16
 - Double-digit growth in weapon release systems
 - Contribution from U.K. robotics and UAE battle management
- 4Q operating income up 14%; FY18 down \$23M
 - Higher volume in Avionics, EW and C4ISR and strong operational performance
 - For FY18, volume offset by increased R&D investments and \$36M 1H18 ADS-B OI headwind
- 4Q margins up 100 bps; FY18 margins strong at 18.6% despite ~115 bps ADS-B impact
- 4Q orders up 38%; FY18 up 33%, B:B 1.3
 - FY18 orders > \$1B across F-35, F/A-18, F-16 platforms

(\$million)

Revenue



Operating income and margin



- 4Q revenue up 0.4%; FY18 up 1%
 - Growth in Classified programs
 - Partially offset by Environmental programs down high teens
- 4Q and FY18 operating income up 8%
 - Strong operational performance and increased pension income
- 4Q margin expanded 110 bps; FY18 margin expanded 110 bps to 17.5%
- 4Q and FY18 B:B >1
 - FY18 orders up 6%; Classified orders up 15%

Total Harris

| | |
|---------------------------------------|---------------------------------------|
| Revenue <hr/> up 6.0 – 8.0% | Margin** <hr/> 19.3 – 19.7% |
|---------------------------------------|---------------------------------------|

| | |
|-------------------------------------|-----------------------------|
| EPS <hr/> \$7.65 – \$7.85 | FCF** <hr/> ≥\$1B |
|-------------------------------------|-----------------------------|

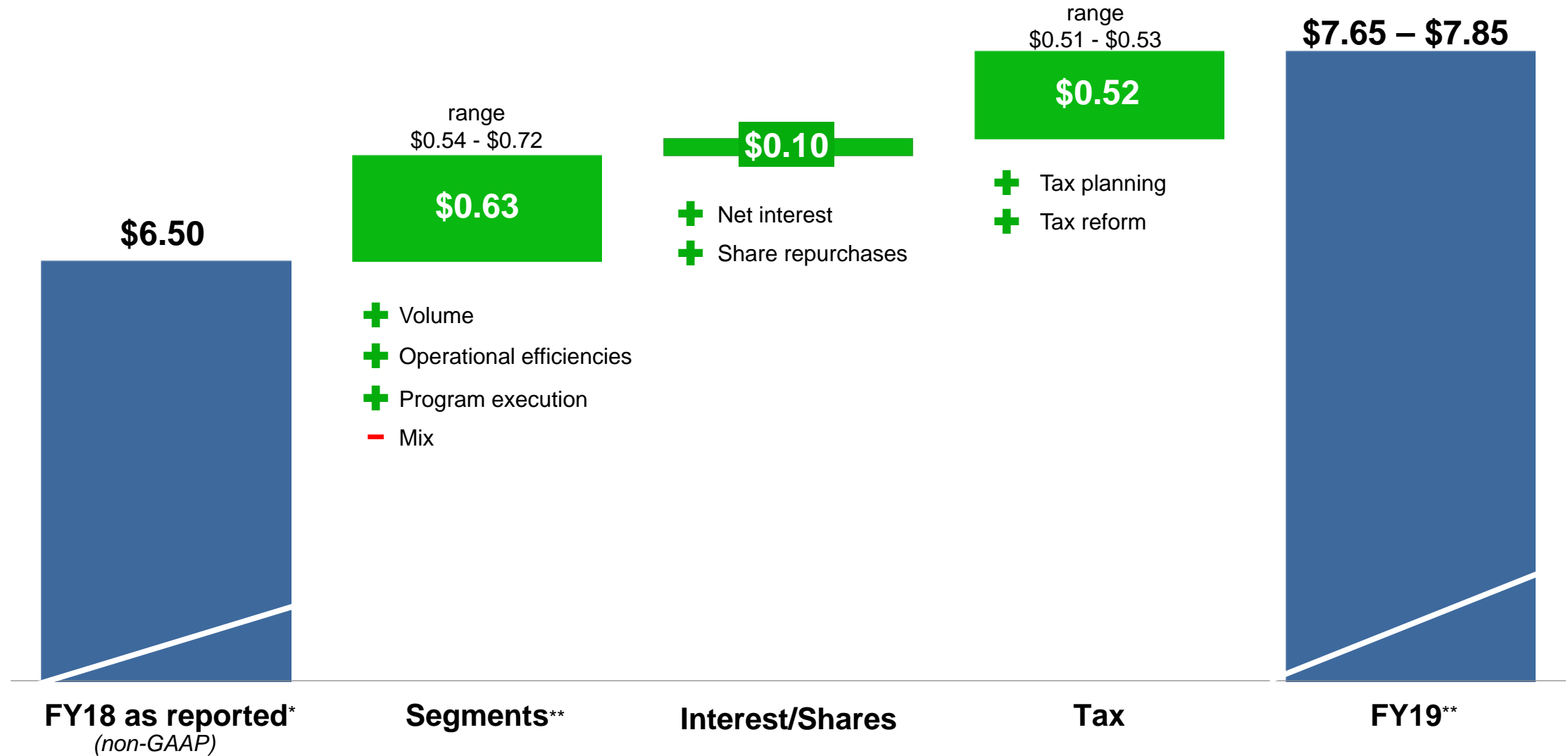
By Segment

| | Revenue | Margin** |
|------------|----------------|--------------|
| CS | up 8.0 – 10.0% | 29.5 – 30.5% |
| ES | up 7.0 – 8.0% | 18.0 – 19.0% |
| SIS | up 4.0 – 5.0% | 17.0 – 18.0% |

*Reflects adoption of new revenue recognition standard (ASC 606) - refer to slide 16 for more information.

**Harris represents EBIT margin = earnings before interest and taxes as a percent of revenue. For non-GAAP reconciliations, reference other quarterly materials and the Harris investor relations website. Segments represent operating margin.

FY19 EPS bridge



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

**Reflects adoption of new revenue recognition standard (ASC 606) - refer to slide 16 for more information.

Strong execution of strategic priorities...



FY17 & Prior

- Re-shaped portfolio “high growth and high margin”
- Completed Exelis integration...exited FY17 with \$145M in run-rate savings
- Invested in technology for future growth...R&D spend >5% of sales

FY18

- Revenue growth in all three segments...CS up 9%, ES up 5%, SIS up 1%
- Best-in-class margins of 19.2%*...double-digit EPS* growth
- Record \$915M** in adjusted FCF...~60% returned to shareholders

FY19

- Accelerate revenue growth...CS up 8–10%; ES up 7–8%; SIS up 4–5%
- Company margin expansion...double-digit EPS growth
- FCF of ≥\$1B...shareholder friendly deployment

Medium Term

- Accelerating revenue growth
- CS/ES and total company margin expansion...double-digit EPS growth
- Sustained FCF growth...dividends, share buy-back, M&A

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**FCF (free cash flow) = operating cash flow less capital expenditures; adjusted FCF excludes 3Q18 \$300M voluntary pension contribution.

...accelerating growth and margin expansion in the medium term



| Business | FY18 | Medium term* | Margin | Medium term drivers |
|---|--|---|-----------------|--|
| Communication Systems <p>Tactical Comms International DoD Public Safety Night Vision</p> <p>\$1.9B</p> | <p>up 9%</p> <p>↔</p> <p>↑↑↑</p> <p>↓</p> <p>↑↑↑</p> | <p>up high-single digits</p> <p>↑</p> <p>↑↑↑</p> <p>↑</p> <p>↑↑↑</p> | <p>~30.0% +</p> | <ul style="list-style-type: none"> E. Europe stability; ME recovery; installed-base modernizations Army, SOCOM, Marines modernization programs to ramp Product launches; new customers Army modernization; leverage int'l tactical channel |
| Electronic Systems <p>Mission Networks Electronic Warfare C4ISR/Battle Mgmt Avionics</p> <p>\$2.4B</p> | <p>up 5%</p> <p>↓</p> <p>↑</p> <p>↑↑↑</p> <p>↑↑↑</p> | <p>up high-single digits</p> <p>↔ / ↑</p> <p>↑↑</p> <p>↑↑↑</p> <p>↑↑↑</p> | <p>~18.5% +</p> | <ul style="list-style-type: none"> Stable FAA budget; international air traffic mgmt demand Long-term platform upgrades - international and domestic UAE battle mgmt system roll-out; regional expansion F-35 ramp and new content wins; new and long-term platforms |
| Space & Intelligence Systems <p>Classified Civil Commercial</p> <p>\$1.9B</p> | <p>up 1%</p> <p>↑↑</p> <p>↓↓↓</p> <p>↑↑</p> | <p>up mid-single digits</p> <p>↑↑</p> <p>↑</p> <p>↑</p> | <p>~17.5% ↔</p> | <ul style="list-style-type: none"> Continued classified budget support; expansion into agencies Budget pressures subside; new customers; GPS IIIF Value added services; space recapitalization |

*Reflects adoption of new revenue recognition standard (ASC 606) - refer to slide 16 for more information.

Appendix

Other information



(\$million except noted)

| | <u>FY17</u> | <u>4Q18</u> | <u>FY18</u> | <u>FY19</u> |
|--|-------------------------|-------------------------|-------------------------|-------------|
| Amortization of Exelis acquisition intangibles | \$110 | \$26 | \$101 | ~\$101 |
| CHQ costs | \$56 <i>non-GAAP</i> | \$13 <i>non-GAAP</i> | \$60 <i>non-GAAP</i> | \$55 – 60 |
| FAS Pension expense/(income)* | (\$90) | (\$30) | (\$120) | ~(\$120) |
| Net capital expenditures | \$119 | \$57 | \$136 | ~\$170 |
| Net interest expense | \$170 | \$44 | \$167 | ~\$163 |
| Effective tax rate (GAAP) | 29.5% | 15.5% | 22.1% | ~17.0% |
| Effective tax rate (non-GAAP) | 28.5% | 23.3% | 22.4% | ~17.0% |
| Average diluted shares outstanding (million shares) | 124.3 | 121.3 | 121.1 | ~120.0 |
| Share repurchases | \$710 | \$75 | \$272 | ~\$400 |
| Debt repayments** | \$575 | \$520 | \$555 | ~\$300 |

*Amounts reflect FAS pension income adjusted for benefit harmonization costs.

**Excludes \$800M debt repayment in relation to 4Q18 debt refinance

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

FY17 & FY18 preliminary recast* per ASC 606



(\$million)

| | As Reported | | | | | | | Preliminary Recast Under New Revenue Recognition Standard | | | | | | |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|-------------------|---------------|---|--------------|--------------|--------------|--------------|-------------------|---------------|
| | <u>FY17</u> | <u>1Q18</u> | <u>2Q18</u> | <u>3Q18</u> | <u>4Q18</u> | <u>Total FY18</u> | <u>Growth</u> | <u>FY17</u> | <u>1Q18</u> | <u>2Q18</u> | <u>3Q18</u> | <u>4Q18</u> | <u>Total FY18</u> | <u>Growth</u> |
| Revenue | | | | | | | | | | | | | | |
| CS | 1,753 | 410 | 489 | 481 | 523 | 1,903 | 8.6% | 1,755 | 406 | 492 | 480 | 526 | 1,904 | 8.5% |
| ES | 2,251 | 540 | 584 | 609 | 640 | 2,373 | 5.4% | 2,248 | 541 | 587 | 605 | 632 | 2,365 | 5.2% |
| SIS | 1,902 | 466 | 465 | 482 | 508 | 1,921 | 1.0% | 1,900 | 467 | 464 | 482 | 504 | 1,917 | 0.9% |
| Elims | (6) | (3) | (3) | (4) | (5) | (15) | | (6) | (3) | (3) | (4) | (5) | (15) | |
| Total Revenue | 5,900 | 1,413 | 1,535 | 1,568 | 1,666 | 6,182 | 4.8% | 5,897 | 1,411 | 1,540 | 1,563 | 1,657 | 6,171 | 4.6% |
| Segment Operating Income | | | | | | | | | | | | | | |
| CS | 524 | 118 | 144 | 147 | 162 | 571 | | 514 | 116 | 144 | 144 | 162 | 566 | |
| ES | 464 | 109 | 101 | 112 | 119 | 441 | | 469 | 112 | 103 | 107 | 116 | 438 | |
| SIS | 311 | 87 | 81 | 82 | 86 | 336 | | 309 | 87 | 81 | 82 | 82 | 332 | |
| Segment Operating Income | 1,299 | 314 | 326 | 341 | 367 | 1,348 | | 1,292 | 315 | 328 | 333 | 360 | 1,336 | |
| Segment Operating Margin | | | | | | | | | | | | | | |
| CS | 29.9% | 28.8% | 29.4% | 30.6% | 31.0% | 30.0% | | 29.3% | 28.6% | 29.3% | 30.0% | 30.8% | 29.7% | |
| ES | 20.6% | 20.2% | 17.3% | 18.4% | 18.6% | 18.6% | | 20.9% | 20.7% | 17.5% | 17.7% | 18.4% | 18.5% | |
| SIS | 16.4% | 18.7% | 17.4% | 17.0% | 16.9% | 17.5% | | 16.3% | 18.6% | 17.5% | 17.0% | 16.3% | 17.3% | |

*Effective June 30, 2018 (the first day of fiscal 2019), Harris adopted the new revenue recognition standard, Accounting Standards Codification 606, *Revenue from Contracts with Customers*, using the full retrospective method. Harris is presenting this preliminary unaudited selected prior period segment financial information on the basis of the new revenue recognition standard, as supplemental information for comparability purposes.

Supplemental information - tactical communications history



(\$million)

| | <u>4Q15</u> | <u>1Q16</u> | <u>2Q16</u> | <u>3Q16</u> | <u>4Q16</u> | <u>1Q17</u> | <u>2Q17</u> | <u>3Q17</u> | <u>4Q17</u> | <u>1Q18</u> | <u>2Q18</u> | <u>3Q18</u> | <u>4Q18</u> | <u>FY15</u> | <u>FY16</u> | <u>FY17</u> | <u>FY18</u> |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|
| Orders | | 404 | 238 | 290 | 237 | 369 | 301 | 279 | 293 | 681 | 353 | 332 | 389 | | 1,169 | 1,242 | 1,755 |
| Sales | | 340 | 346 | 335 | 276 | 311 | 276 | 328 | 306 | 296 | 348 | 336 | 371 | | 1,297 | 1,221 | 1,352 |
| DoD | | 117 | 91 | 99 | 98 | 113 | 102 | 82 | 95 | 110 | 159 | 121 | 139 | | 405 | 392 | 529 |
| International | | 223 | 255 | 236 | 178 | 198 | 174 | 246 | 211 | 186 | 189 | 215 | 232 | | 892 | 829 | 823 |
| Ending Backlog* | 601 | 665 | 556 | 511 | 472 | 530 | 555 | 507 | 494 | 879 | 884 | 880 | 898 | 601 | 472 | 494 | 898 |

*Excludes foreign currency translation.