



**HARRIS**<sup>®</sup>

***Fiscal 2015 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, estimated integration and other acquisition-related charges, EBIT margin, synergy savings, depreciation/amortization, pension expense, free cash flow, tax rate and other guidance for fiscal 2016; estimated annual run rate savings and related timing; estimated integration costs and government reimbursement and related timing; integration milestones and related timing; estimated pension expense and minimum contributions; 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; risks inherent with large long-term fixed-price contracts, particularly the ability to contain cost overruns; financial and government and regulatory risks relating to international sales and operations; effects of any non-compliance with laws; the continued effects of the general weakness in the global economy and U.S. Government's budget deficits and national debt and sequestration; 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 the risks and uncertainties related thereto, including the company's ability to manage and integrate acquired businesses (including achieve estimated synergy savings and realize other expected benefits), the actual amount and timing of integration and other acquisition-related charges and 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; increased indebtedness and potential downgrades in the company's credit ratings; returns on defined benefit plan assets and changes in interest rates; changes in accounting estimates; natural disasters or other disruptions on the company's operations; changes in the regulatory framework that applies to, or of satellite bandwidth constraints on, the company's managed satellite and terrestrial communications solutions; 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; and 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.

- **Solid Harris stand-alone results ...**
  - Revenue and EPS met expectations
  - FCF of \$634M beat expectations at 119% of non-GAAP net income
  - Orders up 17% – RF Communications and Gov’t Communications
- **Integration team moving aggressively to capture cost synergies**
  - May 29<sup>th</sup> consolidated headquarters
  - July 1<sup>st</sup> announced new organizational model
  - July 15<sup>th</sup> announced intention to close Exelis Fort Wayne tactical radio plant
- **Sold Commercial Healthcare Solutions business**

Reference non-GAAP reconciliation on the Harris investor relations website.

# 4Q15 and fiscal 15 results



(\$million, except per share amounts)					Pro forma excluding Exelis	
	4Q14	4Q15	Fiscal 14	Fiscal 15	4Q15	Fiscal 15
Orders	\$ 1,087	\$ 1,526	\$ 4,875	\$ 4,959	\$ 1,276	\$ 4,709
<i>% increase</i>		40%		2%	17%	-3%
Revenue	1,329	1,535	5,012	5,083	1,255	4,804
<i>% increase</i>		15%		1%	-6%	-4%
GAAP net income (loss)	138	(56)	540	334		
Non-GAAP net income	138	148	540	551	130	533
<i>% increase</i>		7%		2%	-6%	-1%
GAAP operating margin	17.0%	6.0%	17.6%	14.0%		
Non-GAAP operating margin	17.0%	16.9%	17.6%	17.5%	17.7%	17.7%
GAAP earnings per share	1.28	(0.51)	5.00	3.11		
Non-GAAP earnings per share	1.28	1.32	5.00	5.14	1.23	5.05
<i>% increase</i>		3%		3%	-4%	1%
Cash flow from operations	395	459	849	854	376	771
Free cash flow	334	413	675	713	334	634

Reference non-GAAP reconciliation on the Harris investor relations website.

# 4Q15 and fiscal 15 bridge to non-GAAP and pro forma results



	4Q15		Fiscal 15	
	\$	EPS	\$	EPS
(\$million, except per share amounts)				
<b>GAAP net income</b>	\$ (56)	\$ (0.51)	\$ 334	\$ 3.11
Deal, financing and other acquisition costs	158		169	} 281
Acquisition integration costs, gross	104		112	
Restructuring and other items	32		32	
Tax impact of adjustments	(90)		(96)	
<b>Non-GAAP net income</b>	<b>\$ 148</b>	<b>\$ 1.32</b>	<b>\$ 551</b>	<b>\$ 5.14</b>
Excluding impact of the Exelis acquisition:				
Exelis operating income	(37)		(37)	
Higher interest expense	9		9	
Tax impact	10		10	
Subtotal impact of Exelis acquisition including sharecount dilution	\$ (18)	\$ (0.09)	\$ (18)	\$ (0.09)
<b>Pro forma Harris stand-alone non-GAAP net income</b>	<b>\$ 130</b>	<b>\$ 1.23</b>	<b>\$ 533</b>	<b>\$ 5.05</b>
Free cash flow, as reported	413		\$ 713	
Excluding free cash flow of Exelis	79		79	
<b>Pro forma Harris stand-alone free cash flow</b>	<b>\$ 334</b>		<b>\$ 634</b>	
<b>% of non-GAAP net income</b>	<b>257%</b>		<b>119%</b>	

Reference non-GAAP reconciliation on the Harris investor relations website.

# Other 4Q15 and fiscal 15 highlights



(\$million)	<u>4Q14</u>	<u>4Q15</u>	<u>Fiscal 14</u>	<u>Fiscal 15</u>
Cash and cash equivalents	\$ 561	\$ 481	\$ 561	\$ 481
Amortization of acquisition intangibles	-	11	-	11
Depreciation and amortization, all other	56	69	204	233
Capital expenditures	70	46	209	148
Effective tax rate (GAAP)	32.3%	16.0%	32.2%	29.9%
Effective tax rate (non-GAAP)	32.3%	34.9%	32.2%	30.2%
Average diluted share count	107.0	111.7	107.3	106.8

Reference non-GAAP reconciliation on the Harris investor relations website.

(\$million)	4Q14	4Q15
<b>Orders</b>	\$ 361	\$ 530
Tactical Communications	232	402
Public Safety and Professional Communications	129	128
<b>Revenue</b>	493	505
Tactical Communications	348	366
Public Safety and Professional Communications	145	139
<b>Operating income</b>	141	157
Non-GAAP operating income	141	159
<i>Non-GAAP operating margin</i>	28.5%	31.6%
Reference non-GAAP reconciliation on the Harris investor relations website.		

- Segment revenue up 2% with Tactical up 5% – partially offset by Public Safety down 4%
- Strong orders up 47%...Tactical up 73% with B:B of 1.1
  - \$55M Australian Defence Force
  - \$74M international customer
  - \$21M Central Asia
  - \$12M Middle East
  - \$36M U.S. Marine Corps
  - \$37M NY Metropolitan Transportation Authority for PSPC
- Army’s JTRS modernization progressing – awarded Rifleman Radio 10-year, \$3.9B ceiling, multi-award IDIQ; manpack final RFP issued for 10-year, \$12.7B ceiling, multi-award IDIQ
- Strong non-GAAP operating margin of 31.6% in 4Q15 and 31.1% for full year

(\$million)	4Q14	4Q15
<b>Revenue</b>	\$ 480	\$ 485
<i>% increase</i>		1%
<b>Operating income</b>	69	66
<i>Operating margin</i>	14.4%	13.7%

- 4Q15 revenue up 1% and op margin 13.7%; full year revenue up 3% and 15.8% op margin
- Growth drivers for year: F-35 ramping; Foundation GEOINT program; satcom terminals and high-band networking radios for Army; wireless products; airborne mission radios
- Orders: \$55M hosted payloads; \$38M Foundation GEOINT; \$45M U.S. Army satcom terminals
- Contract awards: 2-year, \$29M from U.S. Navy for F/A-18 E/F and EA-18G Distributed Targeting Systems; 18-month, \$24 million follow-on for Small Tactical Terminals; \$21 million classified
- New strategic partnership with exactEarth for commercial hosted payloads and for selling data services to government customers



(\$million)	4Q14	4Q15
<b>Revenue</b>	\$ 373	\$ 289
<i>% increase</i>		-23%
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<b>Operating income</b>	33	(21)
Non-GAAP operating income	33	16
<i>Non-GAAP operating margin</i>	8.7%	5.5%
Reference non-GAAP reconciliation on the Harris investor relations website.		

- **Segment revenue down 23% as anticipated – wind-down of two programs and continued end market weakness for IT Services and CapRock**
- **Weak operating performance due to wind-down of highly profitable NMCI contract and commercial healthcare**
- **CapRock: \$16M follow-on order from major oilfield services provider for service extension and 5-year, \$37M follow-on contract under Future COMSATCOM Services Acquisition program**
- **IT Services: 3-year, \$16M follow-on contract from U.S. Naval Research Laboratory**

# Fiscal 16 guidance



(\$ millions, except revenue and per share amounts)

Guidance	Fiscal 15		Fiscal 16	
	\$	EPS	\$	EPS
Revenue	\$ 5.08B		\$ 7.67 - 7.83B	
GAAP EPS		\$ 3.11		\$ 5.25 – 5.45
Deal, financing and other acquisition costs	169		~10	~\$ 0.05
Acquisition integration costs	112		60 - 65	~\$ 0.30
Restructuring and other items	32		-	-
Non-GAAP EPS		\$ 5.14		\$ 5.60 – 5.80
<b>Other information</b>	<b>Fiscal 15</b>		<b>Fiscal 16</b>	
Non-GAAP EBIT margin	17.5%		16.2 - 16.7%	
Synergy savings	-		\$ 70 - 75	
Amortization of Exelis acquisition intangibles	11		~133	
Depreciation/amortization, all other	233		~260	
Pension expense (income)	-		~(25)	
CHQ expense (Non-GAAP)	63		70 - 75	
Net interest expense (Non-GAAP)	100		~185	
Effective tax rate (GAAP)	29.9%		~34%	
Effective tax rate (Non-GAAP)	30.2%		~34%	
Average diluted share count	106.8 M		~125.1 M	
Capital expenditures	148		~200	
Free cash flow	713		>100% of adjusted net income*	
* GAAP net income excluding tax adjusted impact of amortization of acquisition intangibles				
<b>Organic revenue information</b>	<b>Fiscal 15</b>		<b>Fiscal 16</b>	
Harris pro forma	\$ 8.07B		-3 to -5%	
Legacy Harris (pro forma stand-alone)	4.80B		-2 to -4%	
Legacy Exelis (pro forma LTM)	3.27B		-5 to -6%	

Reference non-GAAP reconciliation on the Harris investor relations website.

(\$million)	<u>Legacy Exelis (pro forma Fiscal 15)</u>	<u>Fiscal 16 Estimate</u>	
FAS expense (income)	65	~(25)	
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	<u>Legacy Exelis (pro forma Fiscal 15)</u>	<u>Fiscal 16 Estimate</u>	<u>Fiscal 17 Estimate</u>
Minimum ERISA contributions*	134	173	~170
* Includes Exelis OPEB of \$1M in proforma FY15 and ~\$1-2M thereafter			

- **Unfunded pension liability declined from \$2.1B at end of calendar 14 to \$1.9B at end of fiscal 15**
- **Expected return on assets declined from 8.25% at end of calendar 14 to 8.0% at end of fiscal 15**
- **Discount rate increased from 4.0% at end of calendar 14 to 4.05% at end of fiscal 15**

# New fiscal 16 organization



## Four market-focused segments

### Communication Systems



**Chris Young**  
President,  
Communication  
Systems

### Critical Networks



**Carl D'Alessandro**  
President,  
Critical  
Networks

### Electronic Systems



**Ed Zoiss**  
President,  
Electronic  
Systems

### Space and Intelligence Systems



**Bill Gattle**  
President,  
Space & Intelligence  
Systems



**Sheldon Fox**  
Senior Vice  
President,  
Integration &  
Engineering



**Dana Mehnert**  
Senior Vice  
President, Chief  
Global Business  
Development Officer

Seasoned leadership team with 180 years of experience

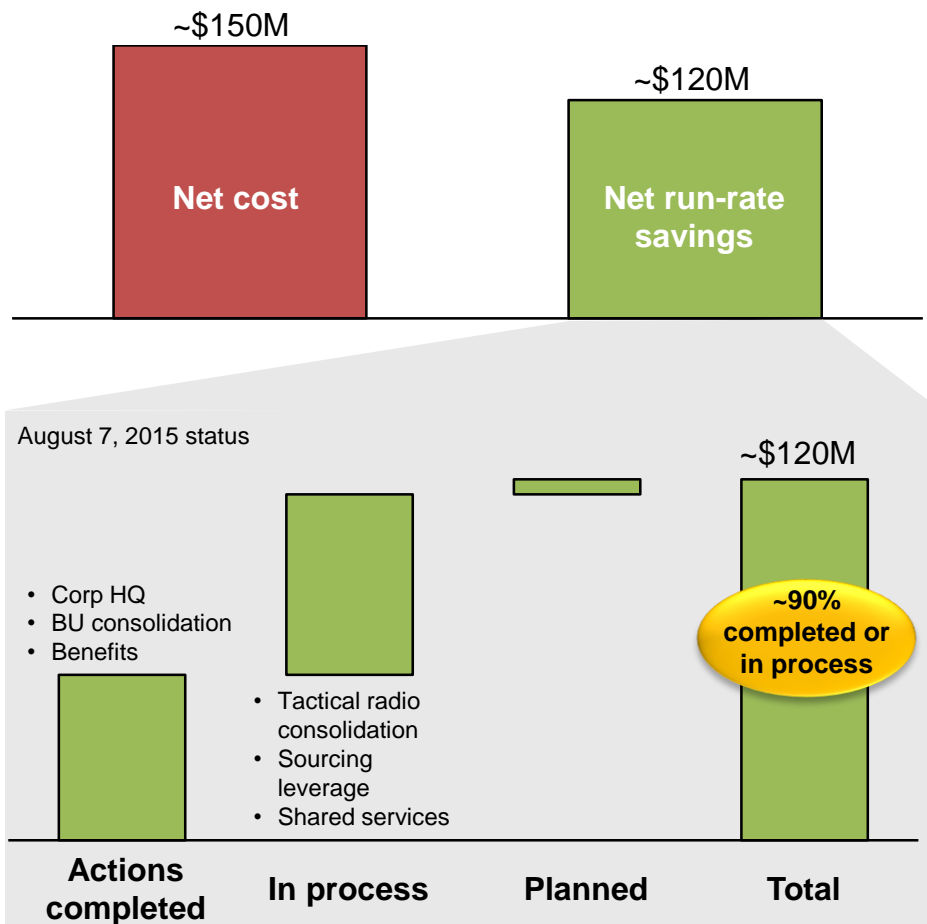
# Integration progressing ahead of schedule



## Critical success factors

- CEO ownership
  - ✓ Weekly program reviews
  - ✓ Rigorous tracking of milestones
- Board oversight
  - ✓ Reviewed at every board meeting
- Full-time, dedicated resources
  - ✓ 30+ full-time team members from Harris and Exelis
  - ✓ 50+ years of integration experience
  - ✓ 24 functional and value capture teams
- Fast, disciplined process
  - ✓ 543 discrete milestones completed to date
- Constant communication
  - ✓ Dedicated integration website, >500,000 hits

## High end of previous ranges



Run-rate savings expected ~ one year earlier