

Third Quarter Earnings Call

October 26, 2017

Financial Data Charts



Technologies

This presentation consists of L3 Technologies, Inc. general capabilities and administrative information that does not contain controlled technical data as defined within the International Traffic in Arms (ITAR) Part 120.10 or Export Administration Regulations (EAR) Part 734.7-11.

Forward-Looking Statements

Certain of the matters discussed in these slides, including information regarding the company's 2017 financial guidance are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than historical facts, may be forward-looking statements, such as "may," "will," "should," "likely," "projects," "financial guidance," "expects," "anticipates," "intends," "plans," "believes," "estimates," and similar expressions are used to identify forward-looking statements. The company cautions investors that these statements are subject to risks and uncertainties many of which are difficult to predict and generally beyond the company's control that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. Some of the factors that could cause actual results to differ include, but are not limited to, the following: our dependence on the defense industry; backlog processing and program slips resulting from delayed awards and/or funding from the Department of Defense (DoD) and other major customers; the U.S. Government fiscal situation; changes in DoD budget levels and spending priorities; U.S. Government failure to raise the debt ceiling; our reliance on contracts with a limited number of customers and the possibility of termination of government contracts by unilateral government action or for failure to perform; the extensive legal and regulatory requirements surrounding many of our contracts; our ability to retain our existing business and related contracts; our ability to successfully compete for and win new business, or, identify, acquire and integrate additional businesses; our ability to maintain and improve our operating margin; the availability of government funding and changes in customer requirements for our products and services; the outcome of litigation matters (see Notes to our annual report on Form 10-K and quarterly reports on Form 10-Q); results of audits by U.S. Government agencies and of ongoing governmental investigations; our significant amount of debt and the restrictions contained in our debt agreements and actions taken by rating agencies that could result in a downgrade of our debt; our ability to continue to recruit, retain and train our employees; actual future interest rates, volatility and other assumptions used in the determination of pension benefits and equity based compensation, as well as the market performance of benefit plan assets; our collective bargaining agreements; our ability to successfully negotiate contracts with labor unions and our ability to favorably resolve labor disputes should they arise; the business, economic and political conditions in the markets in which we operate; the risk that our commercial aviation products and services businesses are affected by a downturn in global demand for air travel or a reduction in commercial aircraft OEM (Original Equipment Manufacturer) production rates; the DoD's Better Buying Power and other efficiency initiatives; events beyond our control such as acts of terrorism; our ability to perform contracts on schedule; our international operations including currency risks and compliance with foreign laws; our extensive use of fixed-price type revenue arrangements; the rapid change of technology and high level of competition in which our businesses participate; risks relating to technology and data security; our introduction of new products into commercial markets or our investments in civil and commercial products or companies; the impact on our business of improper conduct by our employees, agents or business partners; goodwill impairments and the fair values of our assets; and ultimate resolution of contingent matters, claims and investigations relating to acquired businesses, and the impact on the final purchase price allocations.

Our forward-looking statements speak only as of the date of these slides or as of the date they were made, and we undertake no obligation to update forward-looking statements. For a more detailed discussion of these factors, also see the information under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our most recent report on Form 10-K for the year ended December 31, 2016 and any material updates to these factors contained in any of our future filings.

As for the forward-looking statements that relate to future financial results and other projections, actual results will be different due to the inherent uncertainties of estimates, forecasts and projections and may be better or worse than projected and such differences could be material. Given these uncertainties, you should not place any reliance on these forward-looking statements.

Select Financial Data - - Third Quarter

(\$ in Millions, except per share amounts)

	3Q17 ⁽¹⁾	3Q16 ⁽²⁾	vs. 3Q16
Net Sales	\$2,646	\$2,505	6%
Organic Growth (Decline)	4%	-2.5%	n.m.
Segment Operating Margin⁽³⁾	9.4%	8.6%	+80 bps
Segment Operating Income⁽³⁾	\$250	\$215	16%
Interest Expense and Other, Net⁽⁴⁾	\$37	\$35	6%
Effective Income Tax Rate	0%	16.1%	n.m.
Minority Interest Expense⁽⁵⁾	\$3	\$3	n.c.
Diluted Shares	79.8	78.8	1%
Diluted EPS from Continuing Operations	\$0.29	\$1.88	-85%
Adjusted Diluted EPS from Continuing Operations^{(3) (6)}	\$1.96	\$1.88	4%
Net Cash from Operating Activities from Continuing Operations	\$316	\$210	50%
Free Cash Flow⁽⁶⁾	\$262	\$163	61%

Notes: (1) Quarter ended September 29, 2017.

(2) Quarter ended September 23, 2016.

(3) 3Q17 excludes a goodwill impairment charge of \$187 million (\$133 million after-tax), or \$1.67 per share, for Vertex Aerospace.

(4) Interest Expense and Other, Net is comprised of: (i) interest expense of \$43 million for 3Q17 and \$41 million for 3Q16 and (ii) interest and other income, net of \$6 million for 3Q17 and 3Q16.

(5) Minority Interest Expense represents net income from continuing operations attributable to noncontrolling interests.

(6) See Reconciliation of GAAP to Non-GAAP Measurements.

n.m. = not meaningful n.c. = no change



Segment Results - - Third Quarter

(\$ in Millions)

Segment	3Q17 Net Sales	Sales Growth vs. 3Q16	Organic Growth	3Q17 Operating Margin	Margin Change vs. 3Q16 (bps)
Electronic Systems	\$ 715	13%	8%	14.4%	+50
Aerospace Systems ⁽¹⁾	1,025	1%	1%	5.6%	+10
Communication Systems ⁽²⁾	540	7%	7%	7.8%	-10
Sensor Systems ⁽³⁾	366	3%	1%	13.1%	+430
Total Segment⁽⁴⁾	\$ 2,646	6%	4%	9.4%	+80

- Notes: (1) Includes severance costs of \$15 million in connection with consolidating most of the Aircraft Systems Sector into the ISR Systems Sector, which has been renamed Mission Integration.
(2) Includes severance costs of \$15 million for restructuring costs primarily related to the EDD/ETI Traveling Wave Tube (TWT) businesses consolidation. Operating margin decreased by 290 basis points due to the severance and restructuring costs.
(3) Includes severance costs of \$4 million.
(4) Includes severance and restructuring costs of \$34 million.



Select Financial Data - - Year to Date September

(\$ in Millions, except per share amounts)

	2017 ⁽¹⁾	2016 ⁽²⁾	vs. 2016
Net Sales	\$8,047	\$7,522	7%
Organic Growth	5%	1%	n.m.
Segment Operating Margin⁽³⁾	10.1%	9.5%	+60 bps
Segment Operating Income⁽³⁾	\$815	\$714	14%
Interest Expense and Other, Net⁽⁴⁾	\$113	\$115	-2%
Effective Income Tax Rate	22.1%	21.7%	+40 bps
Minority Interest Expense⁽⁵⁾	\$12	\$10	20%
Diluted Shares	79.6	78.7	1%
Diluted EPS from Continuing Operations	\$4.88	\$5.83	-16%
Adjusted Diluted EPS from Continuing Operations^{(3) (6)}	\$6.55	\$5.83	12%
Net Cash from Operating Activities from Continuing Operations	\$667	\$586	14%
Free Cash Flow	\$580	\$475	22%

Notes: (1) Year-to-date period ended September 29, 2017.

(2) Year-to-date period ended September 23, 2016.

(3) 2017 excludes a goodwill impairment charge of \$187 million (\$133 million after-tax), or \$1.67 per share, for Vertex Aerospace.

(4) Interest Expense and Other, Net is comprised of: (i) interest expense of \$128 million for 2017 and \$125 million for 2016 and (ii) interest and other income, net of \$15 million for 2017 and 2016.

(5) Minority Interest Expense represents net income from continuing operations attributable to noncontrolling interests.

(6) See Reconciliation of GAAP to Non-GAAP Measurements.

n.m. = not meaningful



Segment Results - - Year to Date September

(\$ in Millions)

Segment	2017 Net Sales	Sales Growth vs. 2016	Organic Growth	2017 Operating Margin	Margin Change vs. 2016 (bps)
Electronic Systems	\$ 2,220	17%	12%	13.5%	n.c.
Aerospace Systems	3,096	-2%	-2%	6.3%	-100
Communication Systems	1,626	11%	11%	10.5%	+80
Sensor Systems	1,105	11%	9%	13.6%	+530
Total Segment	\$ 8,047	7%	5%	10.1%	+60

n.c. = no change



2017 Consolidated Financial Guidance

(in Millions, except per share amounts)

	<table border="0"> <tr> <td>USG/DoD</td> <td>+4%</td> </tr> <tr> <td>International</td> <td>-7%</td> </tr> <tr> <td>Commercial</td> <td>+5%</td> </tr> </table>	USG/DoD	+4%	International	-7%	Commercial	+5%	Guidance (October 26, 2017) <hr/> \$10,800 to \$11,000	vs. 2016 <hr/>	Prior Guidance (July 27, 2017) <hr/> \$10,800 to \$11,000
USG/DoD	+4%									
International	-7%									
Commercial	+5%									
Net Sales			4%							
Organic Growth		2%	n.c.	2%						
Operating Margin		10.3%	+70 bps	10.3%						
Interest Expense and Other		\$154	\$(4)	\$158						
Effective Tax Rate		24.9%	+270 bps	25.8%						
Minority Interest Expense		\$17	\$3	\$17						
Diluted Shares		80	2%	80						
Diluted EPS		\$7.13 to \$7.23	-13%	\$8.65 to \$8.85						
Adjusted Diluted EPS		\$8.80 to \$8.90	8%	n.a.						
Free Cash Flow		\$875	-3%	\$875						

The current guidance for 2017 excludes: (i) the Vertex Aerospace and any potential goodwill impairment charges for which the information is presently unknown, (ii) potential adverse results related to litigation contingencies and (iii) other items such as gains or losses related to potential business divestitures and the impact of potential acquisitions.

- Notes: (1) Excludes the goodwill impairment charge of \$187 million (\$133 million after income taxes), or \$1.67 per diluted share, for Vertex Aerospace.
 (2) Interest expense and other is comprised of: (i) interest expense of \$172 million and (ii) interest and other income, net, of \$18 million.
 (3) See Reconciliation of GAAP to Non-GAAP Measurements.

n.c. = no change n.a. = not applicable



2017 Segment Guidance

(in Millions)

Segment	Net Sales	Midpoint Sales vs. 2016	Midpoint Organic Growth	Segment Operating Margin	Midpoint Margin vs. 2016 (bps)
Electronic Systems	\$3,000 to \$3,100	11%	6%	13.3% to 13.5%	+10
Aerospace Systems	\$4,050 to \$4,150	-3%	-3%	6.4% to 6.6%	-30
Communication Systems	\$2,125 to \$2,225	6%	6%	10.6% to 10.8%	+90
Sensor Systems	\$1,525 to \$1,625	7%	6%	13.3% to 13.5%	+310
Total Segments	\$10,800 to \$11,000	4%	2%	10.3%	+70

Note: Aerospace Systems operating income includes \$15 million of severance costs in connection with consolidating most of the Aircraft Systems sector into the ISR sector, which has been renamed Mission Integration.



Cash Flow

(\$ in Millions)

	3Q17 Actual	3Q16 Actual	9M17 Actual	9M16 Actual	2017 Guidance	2016 Actual
Income from continuing operations	\$ 26 ⁽¹⁾	\$ 151	\$ 401 ⁽¹⁾	\$ 469	\$ 590 ⁽¹⁾	\$ 661
Impairment charge	187	-	187	-	187	-
Gain on sale of property, plant and equipment	-	-	(42)	(6)	(42)	(5)
Depreciation & amortization	56	51	165	153	220	206
Deferred income taxes	(46)	19	(15)	48	(3)	43
401K common stock match	36	34	96	92	115	113
Stock-based employee compensation	15	15	43	34	57	49
Amortization of pension and OPEB net losses	13	12	43	37	58	48
Working capital/other items	29	(72)	(211)	(241)	(152)	(18)
Capital expenditures, net	(54)	(47)	(87)	(111)	(155)	(195)
Free cash flow⁽²⁾	\$ 262	\$ 163	\$ 580	\$ 475	\$ 875	\$ 902

Notes: (1) Includes after tax charge of \$133 million related to goodwill impairment.

(2) See Reconciliation of GAAP to Non-GAAP Measurements.



Supplemental Cash Flow Data

(\$ in Millions)

	<u>3Q17 Actual</u>	<u>3Q16 Actual</u>	<u>9M17 Actual</u>	<u>9M16 Actual</u>	<u>2017 Guidance</u>	<u>2016 Actual</u>
Cash interest payments	\$ 37	\$ 37	\$ 120	\$ 120	\$ 165	\$ 162
Income tax payments, net	26	33	115	81	180	112
FAS pension expense	26	23	80	71	106 ^{(1) (2)}	97
CAS pension cost ⁽³⁾	28	29	89	83	119	111
Pension contributions	53	29	64	49	100	97

(1) FAS pension expense represents pension expense determined using U.S. GAAP and assumes a 2016 year-end weighted average discount rate of 4.41% (vs. 4.67% for 2015 year-end) and a 2017 weighted average pension asset return of 7.92%.

(2) Estimated 2017 Pension Expense Sensitivity: A 25 bps increase/decrease in 12/31/16 discount rate would decrease/increase 2017 pension expense by ~\$14 million and decrease/increase the 12/31/16 unfunded obligation by ~\$130 million.

(3) CAS pension cost represents estimated allowable and reimbursable pension cost under U.S. Government procurement regulations (determined using Cost Accounting Standards or CAS) on L3's U.S. Government contracts.

Depreciation, Amortization and Capital Expenditures

(\$ in Millions)

Segment	2017				2016			
	D&A		CapEx, Net		D&A		CapEx, Net	
	3Q17	9M17	3Q17	9M17	3Q16	9M16	3Q16	9M16
Electronic Systems	\$ 19	\$ 54	\$ 15	\$ 51	\$ 15	\$ 45	\$ 15	\$ 41
Aerospace Systems	15	42	15	34	13	40	10	28
Communication Systems	12	36	14	(22)	12	35	8	15
Sensor Systems	10	33	10	24	11	33	14	27
Consolidated	\$ 56	\$ 165	\$ 54	\$ 87	\$ 51	\$ 153	\$ 47	\$ 111

Cash Sources and Uses

(\$ in Millions)

	<u>3Q17 Actual</u>	<u>3Q16 Actual</u>	<u>9M17 Actual</u>	<u>9M16 Actual</u>	<u>2017 Guidance</u>	<u>2016 Actual</u>
Beginning cash	\$ 385	\$ 352	\$ 363	\$ 207	\$ 363	\$ 207
Free cash flow from continuing operations	262	163	580	475	875	902
Free cash flow from discontinued operations	(2)	-	(2)	(56)	(2)	(56)
Divestitures	2	(14)	18	561	18	561
Acquisitions	(100)	-	(291)	(27)	(291)	(388)
Dividends	(59)	(54)	(178)	(166)	(237)	(220)
Share repurchases	(65)	(50)	(91)	(326)	(200)	(373)
Placeholder for add'l M&A/share repurchases	-	-	-	-	(130)	-
Debt reduction	-	-	-	(300)	-	(303)
Other, net	16	14	40	43	64	33
Ending cash	<u>\$ 439</u>	<u>\$ 411</u>	<u>\$ 439</u>	<u>\$ 411</u>	<u>\$ 460</u>	<u>\$ 363</u>

Note: See Reconciliation of GAAP to Non-GAAP Measurements.



Capitalization and Leverage

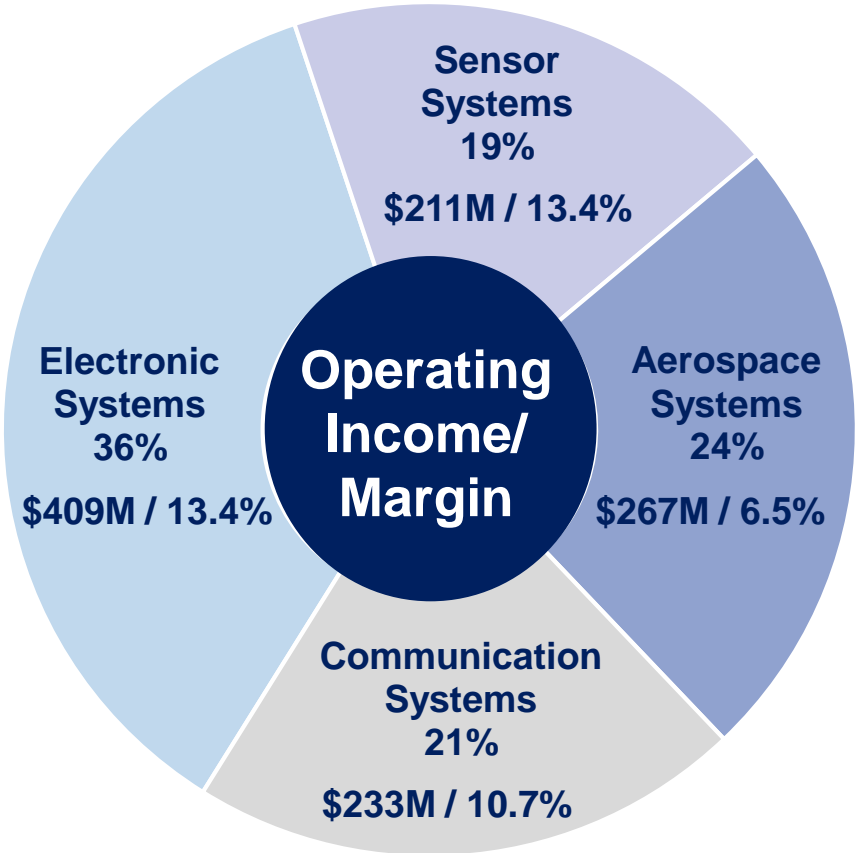
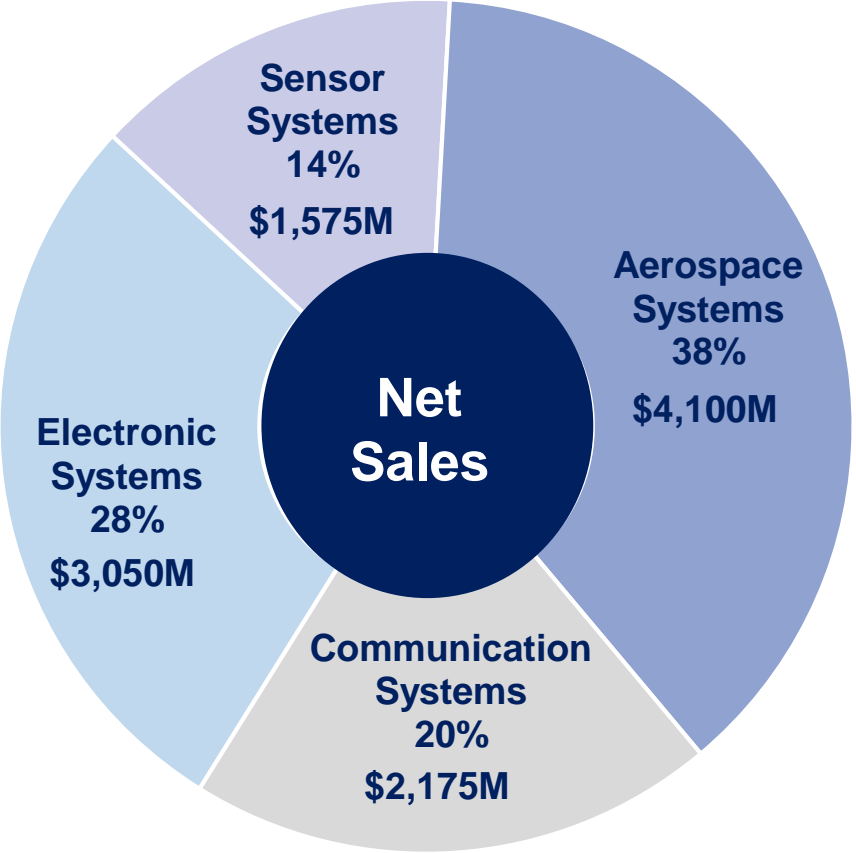
(\$ in Millions)

	9/29/17 Actual	12/31/16 Actual	12/31/15 Actual
Cash	\$439	\$363	\$207
Debt	\$3,329	\$3,325	\$3,626
Equity	5,069	4,624	4,429
Invested Capital	\$8,398	\$7,949	\$8,055
Debt/Invested Capital	39.6%	41.8%	45.0%
Debt/LTM EBITDA	2.51x	2.74x	3.30x
Available Revolver	\$1,000	\$1,000	\$1,000

Notes: (1) Debt/LTM EBITDA excludes discontinued operations.
 (2) See Reconciliation of GAAP to Non-GAAP Measurements.

Appendix

Segment Mix: 2017 Guidance



Note: Net sales and operating income/margin represent midpoints of the range of segment guidance.



2017 Segment Guidance - Current vs. Prior

(\$ in Millions)

Segment	Current Guidance (October 26, 2017)		Prior Guidance (July 27, 2017)	
	Net Sales	Operating Margin	Net Sales	Operating Margin
Electronic Systems	\$3,000 to \$3,100	13.3% to 13.5%	\$3,000 to \$3,100	13.2% to 13.4%
Aerospace Systems	\$4,050 to \$4,150	6.4% to 6.6%	\$4,050 to \$4,150	6.9% to 7.1%
Communication Systems	\$2,125 to \$2,225	10.6% to 10.8%	\$2,125 to \$2,225	10.6% to 10.8%
Sensor Systems	\$1,525 to \$1,625	13.3% to 13.5%	\$1,525 to \$1,625	12.7% to 12.9%
Consolidated	\$10,800 to \$11,000	10.3%	\$10,800 to \$11,000	10.3%

Reconciliation of GAAP to Non-GAAP Measurements (1 of 3)

(in Millions)

	3Q17 Actual	3Q16 Actual	9M17 Actual	9M16 Actual	2017 Guidance	2016 Actual
Net cash from operating activities from continuing operations	\$ 316	\$ 210	\$ 667	\$ 586	\$ 1,030	\$ 1,097
Less: Capital expenditures	(56)	(51)	(154)	(126)	(225)	(216)
Add: Dispositions of property, plant and equipment	2	4	67	15	70	21
Free cash flow from continuing operations	<u>\$ 262</u>	<u>\$ 163</u>	<u>\$ 580</u>	<u>\$ 475</u>	<u>\$ 875</u>	<u>\$ 902</u>
Net cash from operating activities from discontinued operations	\$ (2)	\$ -	\$ (2)	\$ (56)	\$ (2)	\$ (56)
Less: Capital expenditures	-	-	-	-	-	-
Free cash flow from discontinued operations	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ (2)</u>	<u>\$ (56)</u>	<u>\$ (2)</u>	<u>\$ (56)</u>

Reconciliation of GAAP to Non-GAAP Measurements (2 of 3)

(in Millions except per share amounts)

	Third Quarter Ended		Year-to-Date Ended	
	9/29/17	9/23/16	9/29/17	9/23/16
Diluted EPS from continuing operations attributable to L3's common stockholders	\$ 0.29	\$ 1.88	\$ 4.88	\$ 5.83
EPS impact of goodwill impairment charge ⁽¹⁾	1.67	-	1.67	-
Adjusted diluted EPS from continuing operations ⁽²⁾	<u>\$ 1.96</u>	<u>\$ 1.88</u>	<u>\$ 6.55</u>	<u>\$ 5.83</u>
Net income from continuing operations attributable to L3	\$ 23	\$ 148	\$ 389	\$ 459
Goodwill impairment charge ⁽¹⁾	133	-	133	-
Adjusted net income from continuing operations attributable to L3 ⁽²⁾	<u>\$ 156</u>	<u>\$ 148</u>	<u>\$ 522</u>	<u>\$ 459</u>

⁽¹⁾ Goodwill impairment charge	\$ (187)	\$ (187)
Tax benefit	54	54
After-tax impact	<u>(133)</u>	<u>(133)</u>
Diluted weighted average common shares outstanding	79.8	79.6
Per share impact ⁽³⁾	<u>\$ (1.67)</u>	<u>\$ (1.67)</u>

⁽²⁾ Adjusted diluted EPS is diluted EPS attributable to L3's common stockholders, excluding the goodwill impairment charge related to Vertex Aerospace. Adjusted net income attributable to L3 is net income attributable to L3, excluding the goodwill impairment charge related to Vertex Aerospace. These amounts are not calculated in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP). The company believes that the goodwill impairment charge affects the comparability of the results of operations for 2017 to the results of operations for 2016. The company also believes that disclosing net income and diluted EPS excluding the goodwill impairment charge will allow investors to more easily compare the 2017 results to the 2016 results. However, these measures may not be defined or calculated by other companies in the same manner.

⁽³⁾ Amounts may not calculate due to rounding.

Reconciliation of GAAP to Non-GAAP Measurements (3 of 3)

(in Millions)

Cash Flow to EBITDA Reconciliation	9/29/17 LTM	12/31/16 Actual	12/31/15 Actual
Net cash from operating activities from continuing operations	\$ 1,178	\$ 1,097	\$ 1,069
Income tax payments, net of refunds	146	112	122
Interest payments, net of interest income	144	145	145
Stock-based employee compensation	(175)	(162)	(156)
Amortization of pension and post retirement benefit plans net loss	(54)	(48)	(67)
Gain on sale of property, plant and equipment	41	5	-
Other non-cash items	1	(12)	3
Changes in operating assets and liabilities	46	77	(16)
LTM EBITDA from continuing operations	\$ 1,327	\$ 1,214	\$ 1,100
Debt	\$ 3,329	\$ 3,325	\$ 3,626
Debt/LTM EBITDA	2.51x	2.74x	3.30x

Note: EBITDA is defined as consolidated income from continuing operations (excluding impairment losses incurred on goodwill and identifiable intangible assets and losses related to business divestiture transactions), plus consolidated interest, taxes, depreciation and amortization. The Debt to EBITDA ratio is presented because we believe it to be a useful indicator of our debt capacity and our ability to service our debt. EBITDA is not a substitute for net cash from operating activities as determined in accordance with generally accepted accounting principles in the United States of America. EBITDA is not a complete net cash flow measure because EBITDA is a financial measure that does not include reductions for cash payments for our obligation to service our debt, fund our working capital and capital expenditures and pay our income taxes. Rather, EBITDA is one potential indicator of our ability to fund these cash requirements. We believe that the most directly comparable GAAP financial measure to EBITDA is net cash from operating activities. The table above presents a reconciliation of net cash from operating activities to EBITDA.

Glossary of Acronyms

bps	Basis Points
CapEx, Net	Capital expenditures, net of disposition of property, plant and equipment
CAS	Cost Accounting Standards - U.S. Government
D&A	Depreciation and Amortization
EBITDA	Earnings Before Interest Taxes Depreciation Amortization
EDD/ETI	Electron Devices Division / Electronic Technologies, Inc.
EPS	Earnings Per Share
FAS	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
LTM	Last Twelve Months
OPEB	Other Post Employment Benefits



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