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

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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



Organic Revenue

(In millions)	Three Quarters Ended September 27, 2019		
	Pro Forma ¹	Adjustment (A)	Organic
Revenue			
Integrated Mission Systems segment	\$ 3,894	\$ —	\$ 3,894
Space and Airborne Systems segment	3,485	(7)	3,478
Communication Systems segment	3,159	(7)	3,152
Aviation Systems segment	2,827	(223)	2,604
Other non-reportable business segments	23	(23)	—
Corporate eliminations	(123)	—	(123)
Consolidated	\$ 13,265	\$ (260)	\$ 13,005

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

¹"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 our Current Report on Form 8-K filed on May 4, 2020 combined with the applicable post-L3Harris Merger prior-year result (prepared in accordance with GAAP).

Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



L3 Pre-Merger Adjusted Free Cash Flow

(In millions)	Two Quarters Ended June 28, 2019
Net cash provided by operating activities	\$ 414
Less capital expenditures, net of dispositions	(98)
Free cash flow	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	68
Adjusted free cash flow	\$ 366

Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



Aviation Systems Segment Organic Operating Income

(In millions)	Quarter Ended	
	September 27, 2019	
Segment operating income	\$	127
Adjustment for divested business		(14)
Non-GAAP organic segment operating income	\$	113

Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



Aviation Systems Segment Operating Margin

(\$ in millions)	<u>2020 Guidance</u>
Revenue from product sales and services (B)	~ \$3,446
Segment operating income	~ 61
Impairment of goodwill and other assets and other COVID-19-related charges	~ 396
Non-GAAP segment operating income (A)	<u>~ \$457</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)	~ \$4,427
Segment operating income	~ 1,061
Restructuring charges	~ 1
Non-GAAP segment operating income (A)	<u>~ \$1,062</u>
Non-GAAP segment operating margin percentage (A) / (B)	~ 24.00%

Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



L3Harris Adjusted Pro Forma¹ EPS

	<u>CY19</u>
Pro forma ¹ 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>

"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 our Current Report on Form 8-K filed on May 4, 2020 combined with the applicable post-L3Harris Merger prior-year result (prepared in accordance with GAAP).

Reconciliation of Non-GAAP Financial Measures – Earnings Release Information



Noncontrolling Interests, Net of Income Taxes

(In millions)	Quarter Ended	
	October 2, 2020	2020 Guidance
Noncontrolling interests, net of income taxes	\$ (4)	~ \$26
Adjustments (A)	4	~ (33)
Non-GAAP noncontrolling interests, net of income taxes	\$ —	~ \$(7)

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