

# Second Quarter Earnings Call

## July 27, 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; global economic uncertainty; 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 - - Second Quarter

(\$ in Millions, except per share amounts)

	2Q17 <sup>(1)</sup>	2Q16 <sup>(2)</sup>	vs. 2Q16
<b>Net Sales</b>	<b>\$2,732</b>	<b>\$2,664</b>	<b>3%</b>
<b>Organic Growth</b>	<b>1%</b>	<b>7%</b>	<b>n.m.</b>
<b>Operating Margin</b>	<b>11.4%</b>	<b>9.3%</b>	<b>+210 bps</b>
<b>Operating Income</b>	<b>\$312</b>	<b>\$247</b>	<b>26%</b>
<b>Interest Expense and Other, Net</b>	<b>\$39 <sup>(3)</sup></b>	<b>\$43 <sup>(4)</sup></b>	<b>-9%</b>
<b>Effective Income Tax Rate</b>	<b>24.2%</b>	<b>26.0%</b>	<b>-180 bps</b>
<b>Minority Interest Expense <sup>(5)</sup></b>	<b>\$5</b>	<b>\$4</b>	<b>25%</b>
<b>Diluted Shares</b>	<b>79.5</b>	<b>78.4</b>	<b>1%</b>
<b>Diluted EPS from Continuing Operations</b>	<b>\$2.54 <sup>(6)</sup></b>	<b>\$1.88</b>	<b>35%</b>
<b>Net Cash from Operating Activities from Continuing Operations</b>	<b>\$266</b>	<b>\$264</b>	<b>1%</b>
<b>Free Cash Flow <sup>(7)</sup></b>	<b>\$274</b>	<b>\$228</b>	<b>20%</b>

Notes: (1) Quarter ended June 30, 2017.

(2) Quarter ended June 24, 2016.

(3) Interest Expense and Other for 2Q17 is comprised of: (i) interest expense of \$43 million and (ii) interest and other income, net of \$4 million.

(4) Interest Expense and Other for 2Q16 is comprised of: (i) interest expense of \$43 million, (ii) interest and other income, net of \$5 million, and (iii) a debt retirement charge of \$5 million.

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

(6) 2Q17 includes a pre-tax gain of \$42 million (\$26 million after-tax, or \$0.33 per share) in connection with the sale of the company's property in San Carlos, CA.

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

n.m. = not meaningful

# Segment Results - - Second Quarter

(\$ in Millions)

Segment	2Q17 Net Sales	Sales Growth vs. 2Q16	Organic Growth	2Q17 Operating Margin	Margin Change vs. 2Q16 (bps)
Electronic Systems	\$ 768	16%	11%	13.7%	+120
Aerospace Systems	1,026	-11%	-11%	6.8%	+70
Communication Systems	549	11%	11%	15.5%	+500
Sensor Systems	389	8%	7%	13.4%	+170
<b>Total Segment</b>	<b>\$ 2,732</b>	<b>3%</b>	<b>1%</b>	<b>11.4%</b>	<b>+210</b>

Note: Communication Systems and Total Segment Operating Income includes a net increase of \$33 million related to consolidation of the EDD/ETI TWT businesses consisting of: (i) a pre-tax gain of \$42 million on the sale of the company's property in San Carlos, CA, and (ii) severance and restructuring expenses of \$9 million. These consolidation activities increased Communication Systems Operating Margin by 610 basis points and Total Segment Operating Margin by 120 basis points.

# Select Financial Data - - First Half

(\$ in Millions, except per share amounts)

	1H17 <sup>(1)</sup>	1H16 <sup>(2)</sup>	vs. 1H16
<b>Net Sales</b>	<b>\$5,401</b>	<b>\$5,017</b>	<b>8%</b>
<b>Organic Growth</b>	<b>6%</b>	<b>3%</b>	<b>n.m.</b>
<b>Operating Margin</b>	<b>10.5%</b>	<b>9.9%</b>	<b>+60 bps</b>
<b>Operating Income</b>	<b>\$565</b>	<b>\$499</b>	<b>13%</b>
<b>Interest Expense and Other, Net</b>	<b>\$76<sup>(3)</sup></b>	<b>\$80<sup>(4)</sup></b>	<b>-5%</b>
<b>Effective Income Tax Rate</b>	<b>23.3%</b>	<b>24.1%</b>	<b>-80 bps</b>
<b>Minority Interest Expense<sup>(5)</sup></b>	<b>\$9</b>	<b>\$7</b>	<b>29%</b>
<b>Diluted Shares</b>	<b>79.4</b>	<b>78.7</b>	<b>1%</b>
<b>Diluted EPS from Continuing Operations</b>	<b>\$4.61<sup>(6)</sup></b>	<b>\$3.95</b>	<b>17%</b>
<b>Net Cash from Operating Activities from Continuing Operations</b>	<b>\$351</b>	<b>\$376</b>	<b>-7%</b>
<b>Free Cash Flow<sup>(7)</sup></b>	<b>\$318</b>	<b>\$312</b>	<b>2%</b>

Notes: (1) Year-to-date period ended June 30, 2017.

(2) Year-to-date period ended June 24, 2016.

(3) Interest Expense and Other for 1H17 is comprised of: (i) interest expense of \$85 million and (ii) interest and other income, net of \$9 million.

(4) Interest Expense and Other for 1H16 is comprised of: (i) interest expense of \$84 million, (ii) interest and other income, net of \$9 million, and a debt retirement charge of \$5 million.

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

(6) 1H17 includes a pre-tax gain of \$42 million (\$26 million after-tax, or \$0.33 per share) in connection with the sale of the company's property in San Carlos, CA.

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

n.m. = not meaningful



# Segment Results - - First Half

(\$ in Millions)

Segment	1H17 Net Sales	Sales Growth vs. 1H16	Organic Growth	1H17 Operating Margin	Margin Change vs. 1H16 (bps)
Electronic Systems	\$ 1,505	20%	14%	13.0%	-40
Aerospace Systems	2,071	-4%	-4%	6.7%	-150
Communication Systems	1,086	12%	12%	11.8%	+110
Sensor Systems	739	15%	14%	13.8%	+570
<b>Total Segment</b>	<b>\$ 5,401</b>	<b>8%</b>	<b>6%</b>	<b>10.5%</b>	<b>+60</b>

Note: Communication Systems and Total Segment Operating Income includes a net increase of \$24 million related to consolidation of the EDD/ETI TWT businesses consisting of: (i) a pre-tax gain of \$42 million on the sale of the company's property in San Carlos, CA, and (ii) severance and restructuring expenses of \$18 million. These consolidation activities increased Communication Systems Operating Margin by 220 basis points and Total Segment Operating Margin by 50 basis points.

# 2017 Consolidated Financial Guidance

(in Millions, except per share amounts)

	USG/DoD +2% International +1% Commercial +3%	Guidance (July 27, 2017)	vs. 2016	Prior Guidance (April 27, 2017)
Net Sales		\$10,800 to \$11,000	4%	\$10,750 to \$10,950
Organic Growth		2%	n.c.	2%
Operating Margin		10.3%	+70 bps	10.3%
Interest Expense and Other		\$158	n.c.	\$158
Effective Tax Rate		25.8%	+360 bps	27.0%
Minority Interest Expense		\$17	\$3	\$15
Diluted Shares		80.0	2%	79.8
Diluted EPS		\$8.65 to \$8.85	7%	\$8.50 to \$8.70
Free Cash Flow		\$875	-3%	\$865

The revisions to our Current Guidance compared to our Prior Guidance primarily include:

- An increase in estimated sales for Communication Systems primarily related to higher expected DoD sales.
- An increase in estimated operating margin for Communication Systems due to higher sales volume and a higher than expected gain on the sale of the company's property in San Carlos, California, partially offset by higher than expected restructuring expenses in connection with the consolidation of the EDD/ETI TWT businesses.
- A decrease in the effective tax rate primarily due to higher than expected tax benefits related to share-based compensation awards and research and experimentation (R&E) tax credits, partially offset by increases in minority interest expense and diluted shares.

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

n.c. = no change



# 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%	5%	13.2% to 13.4%	n.c.
Aerospace Systems	\$4,050 to \$4,150	-3%	-3%	6.9% to 7.1%	+20
Communication Systems	\$2,125 to \$2,225	6%	6%	10.6% to 10.8%	+90
Sensor Systems	\$1,525 to \$1,625	7%	6%	12.7% to 12.9%	+250
<b>Total Segments</b>	<b>\$10,800 to \$11,000</b>	<b>4%</b>	<b>2%</b>	<b>10.3%</b>	<b>+70</b>

Note: Communication Systems and Total Segments operating income includes a net increase of \$3 million related to consolidation of the EDD/ETI TWT businesses consisting of: (i) a pre-tax gain of \$42 million on the sale of the company's property in San Carlos, CA, and (ii) expected severance and restructuring costs of \$39 million.

n.c. = no change





# Cash Flow

(\$ in Millions)

	<u>2Q17 Actual</u>	<u>2Q16 Actual</u>	<u>1H17 Actual</u>	<u>1H16 Actual</u>	<u>2017 Guidance</u>	<u>2016 Actual</u>
Net income from continuing operations <sup>(1)</sup>	\$ 207	\$ 151	\$ 375	\$ 318	\$ 715	\$ 661
Gain on sale of property, plant and equipment	(42)	(2)	(42)	(6)	(42)	(5)
Depreciation & amortization	55	52	109	102	220	206
Deferred income taxes	14	17	31	29	50	43
401K common stock match	24	28	60	58	117	113
Stock-based employee compensation	14	13	28	19	57	49
Amortization of pension and OPEB net losses	15	13	30	25	59	48
Working capital/other items	(21)	(8)	(240)	(169)	(146)	(18)
Capital expenditures, net	8	(36)	(33)	(64)	(155)	(195)
Free cash flow <sup>(2)</sup>	<u>\$ 274</u>	<u>\$ 228</u>	<u>\$ 318</u>	<u>\$ 312</u>	<u>\$ 875</u>	<u>\$ 902</u>

Notes: (1) Before deduction for net income attributable to noncontrolling interests.

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

# Supplemental Cash Flow Data

(\$ in Millions)

	<u>2Q17 Actual</u>	<u>2Q16 Actual</u>	<u>1H17 Actual</u>	<u>1H16 Actual</u>	<u>2017 Guidance</u>	<u>2016 Actual</u>
Cash interest payments	\$ 46	\$ 47	\$ 83	\$ 83	\$ 165	\$ 162
Income tax payments, net	74	37	89	48	210	112
FAS pension expense	27	24	54	48	107 <sup>(1) (2)</sup>	97
CAS pension cost <sup>(3)</sup>	31	27	61	54	121	111
Pension contributions	7	8	11	20	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	
	2Q17	1H17	2Q17	1H17	2Q16	1H16	2Q16	1H16
Electronic Systems	\$ 17	\$ 35	\$ 18	\$ 36	\$ 16	\$ 30	\$ 11	\$ 26
Aerospace Systems	14	27	12	19	14	27	11	18
Communication Systems	12	24	(45)	(36)	11	23	6	7
Sensor Systems	12	23	7	14	11	22	8	13
<b>Consolidated</b>	<b>\$ 55</b>	<b>\$ 109</b>	<b>\$ (8)</b>	<b>\$ 33</b>	<b>\$ 52</b>	<b>\$ 102</b>	<b>\$ 36</b>	<b>\$ 64</b>

# Cash Sources and Uses

(\$ in Millions)

	<u>2Q17 Actual</u>	<u>2Q16 Actual</u>	<u>1H17 Actual</u>	<u>1H16 Actual</u>	<u>2017 Guidance</u>	<u>2016 Actual</u>
Beginning cash	\$ 230	\$ 534	\$ 363	\$ 207	\$ 363	\$ 207
Free cash flow from continuing operations	274	228	318	312	875	902
Free cash flow from discontinued operations	-	-	-	(56)	-	(56)
Divestitures	-	(1)	16	575	16	561
Acquisitions	(52)	-	(191)	(27)	(191)	(388)
Dividends	(58)	(54)	(119)	(112)	(237)	(220)
Share repurchases	(26)	(78)	(26)	(276)	(450)	(373)
Debt reduction	-	(300)	-	(300)	-	(303)
Other, net	17	23	24	29	59	33
Ending cash	<u>\$ 385</u>	<u>\$ 352</u>	<u>\$ 385</u>	<u>\$ 352</u>	<u>\$ 435</u>	<u>\$ 363</u>

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

# Capitalization and Leverage

(\$ in Millions)

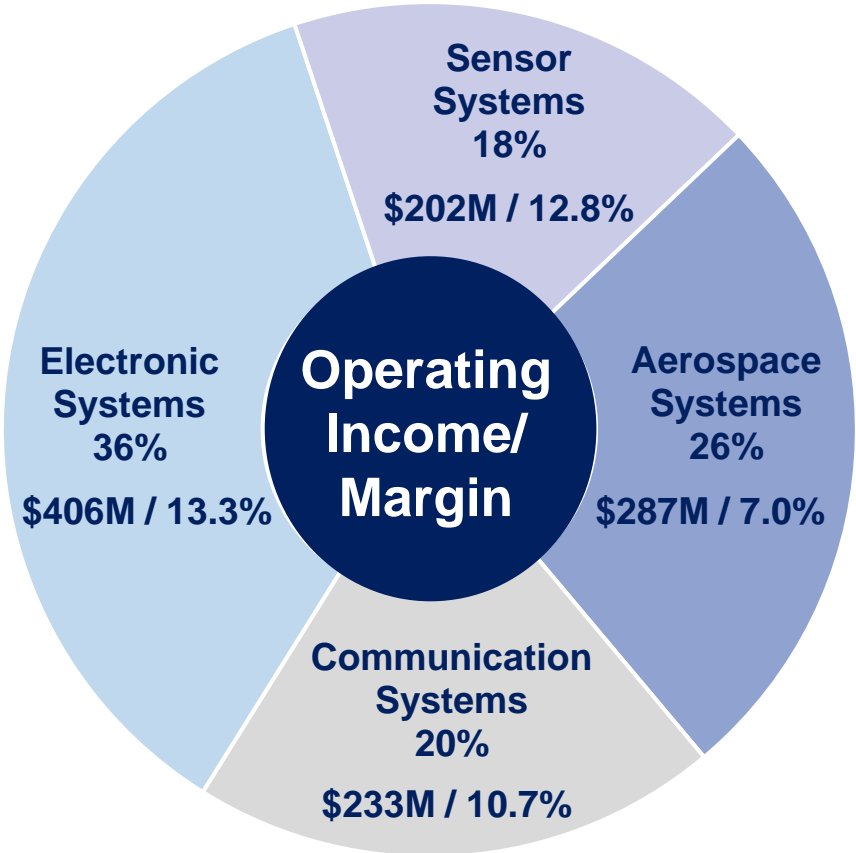
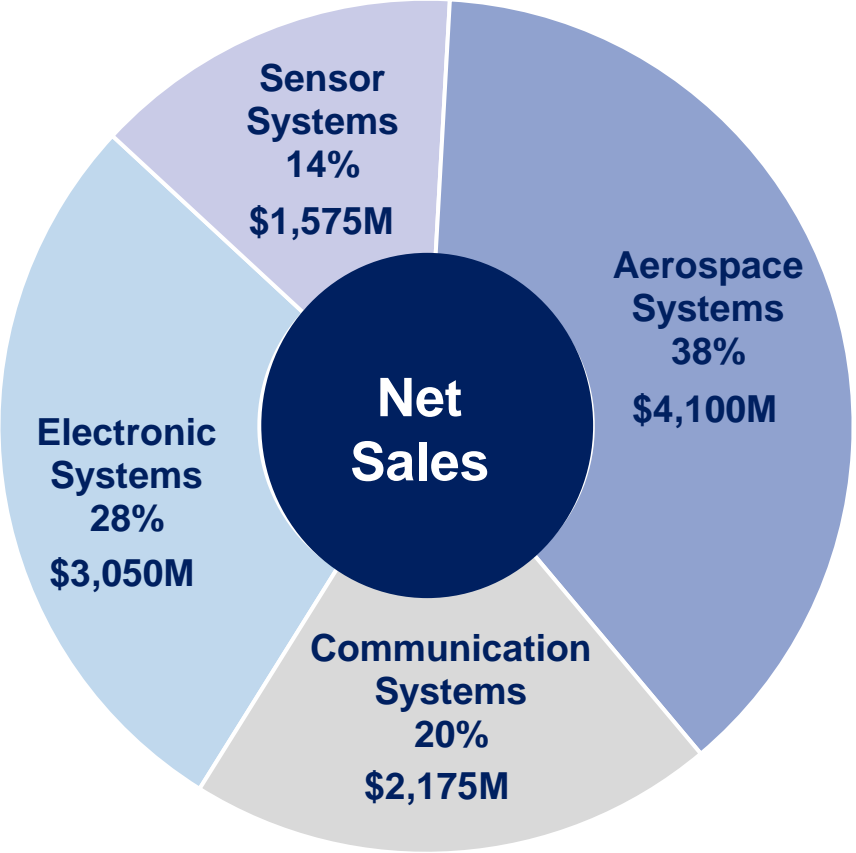
	6/30/17 Actual	12/31/16 Actual	12/31/15 Actual
Cash	\$385	\$363	\$207
Debt	\$3,327	\$3,325	\$3,626
Equity	5,047	4,624	4,429
Invested Capital	\$8,374	\$7,949	\$8,055
<b>Debt/Invested Capital</b>	<b>39.7%</b>	<b>41.8%</b>	<b>45.0%</b>
<b>Debt/LTM EBITDA</b>	<b>2.59x</b>	<b>2.74x</b>	<b>3.30x</b>
<b>Available Revolver</b>	<b>\$1,000</b>	<b>\$1,000</b>	<b>\$1,000</b>

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 (July 27, 2017)		Prior Guidance (April 27, 2017)	
	Net Sales	Operating Margin	Net Sales	Operating Margin
Electronic Systems	\$3,000 to \$3,100	13.2% to 13.4%	\$3,000 to \$3,100	13.2% to 13.4%
Aerospace Systems	\$4,050 to \$4,150	6.9% to 7.1%	\$4,050 to \$4,150	6.9% to 7.1%
Communication Systems	\$2,125 to \$2,225	10.6% to 10.8%	\$2,075 to \$2,175	10.5% to 10.7%
Sensor Systems	\$1,525 to \$1,625	12.7% to 12.9%	\$1,525 to \$1,625	12.7% to 12.9%
Consolidated	\$10,800 to \$11,000	10.3%	\$10,750 to \$10,950	10.3%





# Reconciliation of GAAP to Non-GAAP Measurements (1 of 2)

(in Millions)

	2Q17 Actual	2Q16 Actual	1H17 Actual	1H16 Actual	2017 Guidance	2016 Actual
Net cash from operating activities from continuing operations	\$ 266	\$ 264	\$ 351	\$ 376	\$ 1,030	\$ 1,097
Less: Capital expenditures	(56)	(40)	(98)	(75)	(225)	(216)
Add: Dispositions of property, plant and equipment	64	4	65	11	70	21
Free cash flow from continuing operations	<u>\$ 274</u>	<u>\$ 228</u>	<u>\$ 318</u>	<u>\$ 312</u>	<u>\$ 875</u>	<u>\$ 902</u>
Net cash from operating activities from discontinued operations				\$ (56)		\$ (56)
Less: Capital expenditures				-		-
Free cash flow from discontinued operations				<u>\$ (56)</u>		<u>\$ (56)</u>

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

(in Millions)

Cash Flow to EBITDA Reconciliation	6/30/17 LTM	12/31/16 Actual	12/31/15 Actual
Net cash from operating activities from continuing operations	\$ 1,072	\$ 1,097	\$ 1,069
Income tax payments, net of refunds	154	112	122
Interest payments, net of interest income	144	145	145
Stock-based employee compensation	(173)	(162)	(156)
Amortization of pension and post retirement benefit plans net loss	(53)	(48)	(67)
Gain on sale of property, plant and equipment	41	5	-
Other non-cash items	2	(12)	3
Changes in operating assets and liabilities	100	77	(16)
<b>LTM EBITDA from continuing operations</b>	<b>\$ 1,287</b>	<b>\$ 1,214</b>	<b>\$ 1,100</b>
<b>Debt</b>	<b>\$ 3,327</b>	<b>\$ 3,325</b>	<b>\$ 3,626</b>
<b>Debt/LTM EBITDA</b>	<b>2.59x</b>	<b>2.74x</b>	<b>3.30x</b>

**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

---

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



**Technologies**