

# 2017 Annual Meeting of Shareholders

May 9, 2017

**Michael T. Strianese**

**Chairman and Chief Executive Officer**



**Technologies**

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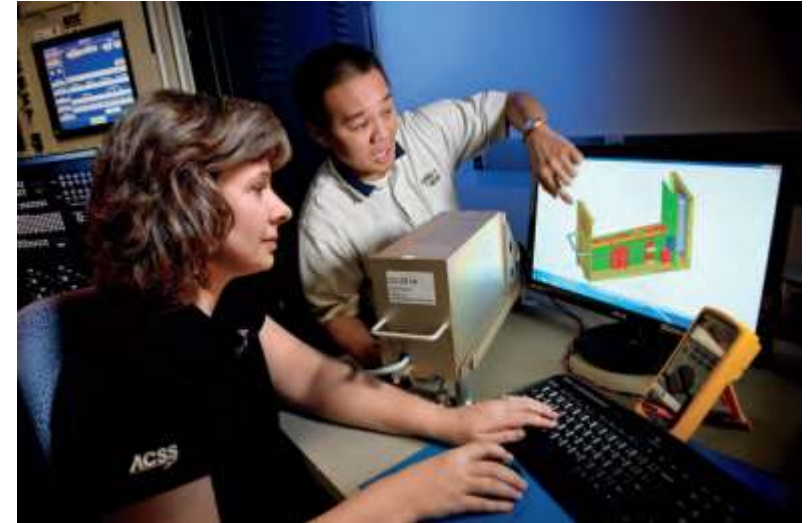
This presentation consists of L3 Technologies, Inc. general capabilities and administrative information that does not contain controlled technical data as defined within the International Traffic in Arms (ITAR) Part 120.10 or Export Administration Regulations (EAR) Part 734.7-11.

# Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

Except for historical information contained herein, the matters set forth in this presentation are forward-looking statements. Statements that are predictive in nature, that depend upon or refer to events or conditions or that include words such as expects, anticipates, intends, plans, believes, estimates and similar expressions are forward-looking statements. The forward-looking statements set forth above involve a number of risks and uncertainties that could cause actual results to differ materially from any such statement, including the risks and uncertainties discussed in the company's safe harbor compliance statement for forward-looking statements included at the end of this presentation and in the company's recent filings, including Forms 10-K and 10-Q, with the securities and exchange commission. The forward-looking statements speak only as of the date made, and the company undertakes no obligation to update these forward-looking statements.

# L3 Technologies Vision

- Affordable, innovative customer solutions
- Leading market positions
- Excellence, integrity and accountability
- Stakeholder value growth



# Highlights - - 2016

- Very solid year... significant performance improvements
- Increased IRAD 13% over 2015
- Acquired four businesses to strengthen and build L3
- Won new business and recompetitions
- Realigned from three into four segments, effective March 1, 2017

(\$ in Millions)	2016	vs. 2015
Net Sales	\$10,511	0.4%
Organic Growth	2%	+500 bps
Segment Operating Margin	9.6%	+110 bps
Segment Operating Income	\$1,008	13%
Diluted EPS <sup>(1)</sup>	\$8.21	19%
Free Cash Flow <sup>(1)</sup>	\$902	3%



Note: (1) See Reconciliation of GAAP to Non-GAAP Measurements.

# Celebrated 20th Anniversary on April 30, 2017

## PRODUCTS



Defense Electronics

Government Services  
*Ilex (1998)*  
*MPRI (2000)*  
*SY Technologies (2001)*  
*EER (2001)*  
*TMA (2002)*

## PRODUCTS & SERVICES



Services



Defense Electronics

## SYSTEMS & SOLUTIONS



Defense Electronics



Communications



ISR



Warrior Systems



Security



Simulation & Training

CTC Aviation  
 ForceX  
 Miteq  
*Acquisitions*

Aerosim  
 Micro  
 MacDonald Humfrey  
*Acquisitions*

Implant Sciences  
 OceanServer  
*Acquisitions*

Engility  
*Spin-off*

MSI  
*Sale*

NSS  
*Sale*

Aircraft Integrated  
 Systems  
*Acquisition*

Vertex  
*Acquisition*

Titan  
*Acquisition*

1997

2002

2003

2005

2012

2015

2016

2017

**LLL stock returns (including dividends) since IPO (May 1998) = CAGR >16%**

# Recognition for L3 Technologies - - 2016

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- **Fortune 500: #245**
- **Defense News Top 100: #9**
- **Flight International Top 100: #13**
- **Four James S. Cogswell Outstanding Industrial Security Achievement Awards**

## Key Employment Rankings

- **Forbes Top Employer for Veterans: #8**
- **Minority Engineers: Top 50 Employer**
- **STEMconnector: Top 100 CEO Leaders**
- **Top 100 Supporter of Historically Black Colleges and Universities (HBCU) Engineering Programs and Schools**



# Favorable Outlook in U.S. Government Markets

- Geopolitical conditions support growth in military spending
- Trump Administration increasing engagement overseas
- DoD budget upcycle began FY16
  - classified budgets expanding and growing
  - increasing attention on Readiness
  - anticipate more sequester trimming and OCO relief
- Higher defense spending expected under Trump Administration, despite legislative uncertainties



# Attractive International & Commercial Markets

- **Markets affected by global economic and security conditions**
- **International - - large addressable market**
  - foreign governments and FMS
  - ISR systems, simulators, communication terminals, night vision, sensors systems
- **Commercial - - favorable fundamentals**
  - avionics, aviation security, simulation & training





# L3 Technologies Strategy and Priorities

- **Affordable customer solutions**
- **Strengthen market positions**
  - innovation
  - customer relationships
  - build presence in growth areas
  - targeted M&A
  - operational excellence
- **Drive margin, operating income, and organic sales growth**
- **Grow EPS... generate robust cash flow**



# Summary

- **All end markets growing, including DoD budget**
- **Affordable solutions & technologies aligned with customer priorities**
- **Focused on satisfying customers... growing sales, margin, operating income and EPS**
- **Generating robust cash flow... deploying cash to increase shareholder value**



# Questions ?

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

(in Millions)

	<u>2016 Actual</u>	<u>2015 Actual</u>
<b>Net cash from operating activities from continuing operations</b>	<b>\$ 1,097</b>	<b>\$ 1,069</b>
<b>Less: Capital expenditures</b>	<b>(216)</b>	<b>(197)</b>
<b>Add: Dispositions of property, plant and equipment</b>	<b>21</b>	<b>3</b>
<b>Income tax payments attributable to discontinued operations</b>	<b>-</b>	<b>2</b>
<b>Free cash flow from continuing operations</b>	<b><u>\$ 902</u></b>	<b><u>\$ 877</u></b>

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

(in Millions except per share amounts)

	2015 Actual
Diluted earnings (loss) per share from continuing operations attributable to L3's common stockholders	\$ 3.44
EPS impact of loss on business divestitures <sup>(1)</sup>	0.25
EPS impact of goodwill impairment charges <sup>(2)</sup>	3.22
Dilutive impact of common share equivalents <sup>(3)</sup>	-
<b>Adjusted diluted EPS from continuing operations</b>	<b>\$ 6.91</b>
Net income (loss) from continuing operations attributable to L3	\$ 282
Loss on business divestitures <sup>(1)</sup>	20
Goodwill impairment charges <sup>(2)</sup>	264
<b>Adjusted net income from continuing operations attributable to L3</b>	<b>\$ 566</b>
<sup>(1)</sup> Loss on business divestitures	\$ (31)
Tax benefit	11
After-tax impact	(20)
Diluted weighted average common shares outstanding	81.9
<b>Per share impact (may not calculate due to rounding)</b>	<b>\$ (0.25)</b>
<sup>(2)</sup> Goodwill impairment charges	\$ (384)
Tax benefit	120
After-tax impact	(264)
Diluted weighted average common shares outstanding	81.9
<b>Per share impact</b>	<b>\$ (3.22)</b>
<sup>(3)</sup> The dilutive impact of common share equivalents represents an increase in the diluted weighted average common shares outstanding of 1.2 million shares from 78.5 million to 79.7 million.	

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

(in Millions)

Cash Flow to EBITDA Reconciliation	3/31/17 LTM	12/31/16 Actual
Net cash from operating activities from continuing operations	\$ 1,070	\$ 1,097
Income tax payments, net of refunds	116	112
Interest payments, net of interest income	145	145
Stock-based employee compensation	(176)	(162)
Amortization of pension and post retirement benefit plans net loss	(51)	(48)
Other non-cash items	(15)	(12)
Changes in operating assets and liabilities	130	82
<b>LTM EBITDA from continuing operations</b>	<b>\$ 1,219</b>	<b>\$ 1,214</b>
<b>Debt</b>	<b>\$ 3,326</b>	<b>\$ 3,325</b>
<b>Debt/LTM EBITDA</b>	<b>2.73x</b>	<b>2.74x</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.





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