

2018 ANNUAL MEETING OF SHAREHOLDERS
May 7, 2018



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Chief Executive Officer and President

Safe Harbor Statement

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.

2017 Summary Performance

- ▶ Renamed company “L3 Technologies” to reflect our broad capabilities and future focus
- ▶ Solid year... strategically, operationally and financially
- ▶ Total Shareholder Return (TSR) = 32%
- ▶ 13th annual dividend increase to \$3.00 per share
- ▶ Shifted capital allocation to M&A from share repurchases
- ▶ Smooth CEO transition
- ▶ Announced new L3 3.0 vision, strategy and objectives



Strategic and Operational Highlights

- ▶ **Solid orders, with 1.03x book-to-bill**
- ▶ **Increased R&D 11% over 2016 to \$287 million**
- ▶ **Focusing on talent management**
- ▶ **Pursuing more prime contractor positions**
- ▶ **Accelerating integration of business units**
- ▶ **Acquired eight businesses for \$316 million to build core business areas and enter UUV market**
- ▶ **Announced sale of Vertex Aerospace... sharpens portfolio**



2017 Financial Performance Highlights

- ▶ **Solid year... significant performance improvements**
- ▶ **4% sales growth, including strong 5% DoD end market growth**
- ▶ **Expanded margin despite increased restructuring actions**
- ▶ **Grew all financial metrics, including EPS and free cash flow**
- ▶ **Increased cash balance to \$662 million**

Financial Results		
(\$ in Millions except EPS)	2017	vs. 2016
Net Sales	\$9,573	4%
Operating Margin	10.7%	+30 bps
Operating Income	\$1,020	7%
Tax Rate	11.7%	-960 bps
Diluted EPS	\$9.46	20%
Free Cash Flow	\$862	4%

L3 Summary

- ▶ **High Technology A&D Entrepreneurial Company**
- ▶ **Integrating, Collaborating & Innovating**
- ▶ **Relentless Focus On Increasing Shareholder Value, Customer Satisfaction & Employee Engagement**



Q&A

L3.0

Reconciliation of GAAP to Non-GAAP Measurements

(in Millions)

	<u>2017 Actual</u>
Net cash from operating activities from continuing operations	\$ 985
Less: Capital expenditures	(224)
Add: Dispositions of property, plant and equipment	74
Income tax payments attributable to discontinued operations	27
Free cash flow from continuing operations	<u>\$ 862</u>