

2016 Investor Conference

Financial Review

December 6, 2016

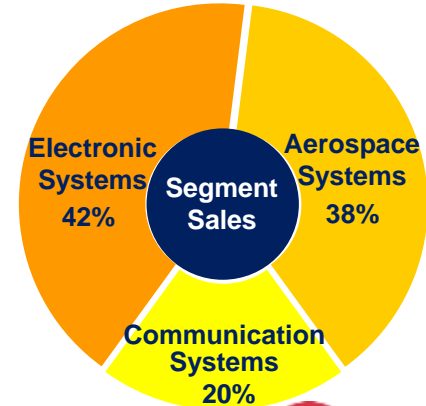
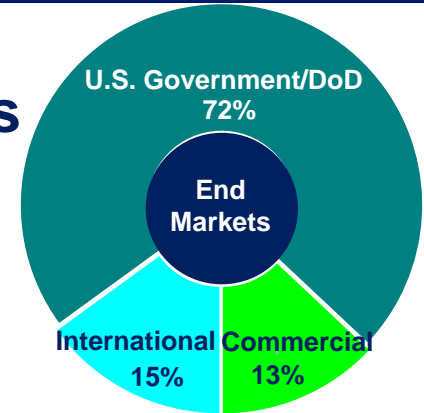
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2017 Financial Outlook

- Sales growing in USG and Commercial markets
- Margin, operating income and EPS growing
- Free cash flow increasing to \$865 million
- Balanced and disciplined cash deployment



2017 Financial Guidance

(\$ in Millions, except EPS)

	USG/DoD International Commercial	+2% -1% +2%	(December 6, 2016) Guidance	vs. 2016
Net Sales			\$10,575	3%
Organic Growth			1.5%	+180 bps
Operating Margin			10.0%	+40 bps
Effective Tax Rate			27.2%	+370 bps
Diluted EPS			\$8.25	4%
Free Cash Flow			\$865	5%

- Notes: (1) 2017 represents midpoints for net sales, operating income and diluted EPS, and includes the acquisition of MacDonald Humfrey (Automation) Ltd., which was completed on November 22, 2016.
 (2) Estimated higher net pension expense vs. 2016, based on an assumed discount rate of 3.91% vs. 4.66% for 2016, reducing operating income \$29 million, operating margin 27 bps and diluted EPS \$0.23.
 (3) See Reconciliation of GAAP to Non-GAAP Measurements.



Sales Growth Improving

(\$ in Millions)

	2015	2016	2017	2017 Sales
Electronic Systems	-8%	-3%	+7%	\$ 4,425
Aerospace Systems	-4%	0%	-2%	4,075
Communication Systems	+1%	-3%	+5%	2,075
Total Growth	-4.7%	-1.6%	+2.7%	\$ 10,575
<i>Organic Growth</i>	<i>-2.4%</i>	<i>-0.3%</i>	<i>+1.5%</i>	

Note: Estimated 2017 sales and estimated total sales growth rates for 2016 and 2017 are based on midpoint net sales guidance for 2016 and 2017.

Operating Margins Expanding

	<u>2015</u>	<u>2016 Estimate</u>	<u>2017 Guidance</u>	<u>2017 Before Higher Pension</u>
Electronic Systems	11.5%	12.1%	12.9%	13.1%
Aerospace Systems	4.9%	7.0%	6.8%	7.1%
Communication Systems	9.6%	10.0%	10.3%	10.7%
Consolidated	8.5%	9.6%	10.0%	10.3%

Notes: (1) Estimated net pension expense (FAS, net of CAS) for 2017 vs. 2016 is expected to increase \$29 million, decreasing estimated 2017 operating margin by 27 basis points (bps) (\$9 million or 21 bps for Electronic Systems, \$11 million or 27 bps for Aerospace Systems and \$9 million or 45 bps for Communication Systems).

(2) Communication Systems quarterly operating margins for 2017 will be impacted by the timing of approximately \$24 million of restructuring and severance expenses for the EDD/ETI business unit consolidation, that are expected to be offset by a property sale gain.

Robust Free Cash Flow

(\$ in Millions)

	2016 Estimate	2017 Estimate
Net income from continuing operations	\$ 636	\$ 660
Depreciation & amortization	210	210
Deferred income taxes	65	40
401K common stock match	109	110
Stock-based employee compensation	45	45
Amortization of pension and OPEB net losses	50	92
Working capital/other items	(85)	(82)
Capital expenditures, net	(205)	(210)
Free cash flow	<u>\$ 825</u>	<u>\$ 865</u>
Earnings-to-Cash Conversion	130%	131%

Note: Capital expenditures, net for 2017 does not include the anticipated sale of the Electron Devices property in San Carlos, CA, which is offset in Working capital/other items.

Balanced & Disciplined Cash Deployment

(\$ in Millions)

	2015	2016 Estimate	2017 Estimate
Beginning cash	\$ 442	\$ 207	\$ 285
Free cash flow	876	825	865
Divestitures	318	556	-
Senior Notes Offering	-	547	-
Debt repayments	(296)	(848)	-
Dividends	(214)	(220)	(234)
Acquisitions	(320)	(387)	(600)
Share repurchases	(740)	(373)	74
Other, net	141	(22)	74
Ending cash	<u>\$ 207</u>	<u>\$ 285</u>	<u>\$ 390</u>

Notes: (1) Divestitures include cash flow from discontinued operations and cash from divested businesses.

(2) 2017 share repurchases could be reduced to pay for potential future acquisitions.

(3) See Reconciliation GAAP to Non-GAAP Measurements.

Solid Balance Sheet and Ample Liquidity

(\$ in Millions)

	12/31/15	12/31/16 Estimate	12/31/17 Estimate
Cash	\$ 207	\$ 285	\$ 390
Debt	\$ 3,624	\$ 3,320	\$ 3,327
Equity	4,429	4,355	4,500
Book Capitalization	\$ 8,053	\$ 7,675	\$ 7,827
Available Revolver	\$ 1,000	\$ 1,000	\$ 1,000
Debt / EBITDA	3.3x	2.8x	2.6x

Notes: (1) Debt/EBITDA excludes discontinued operations.

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

Financial Summary

Sharpened portfolio and increasing R&D and M&A investments

Broad/diverse positions in U.S. DoD market supporting organic growth

Growing sales, margins and EPS with high cash flow conversion

Efficient capital structure... investment grade credit

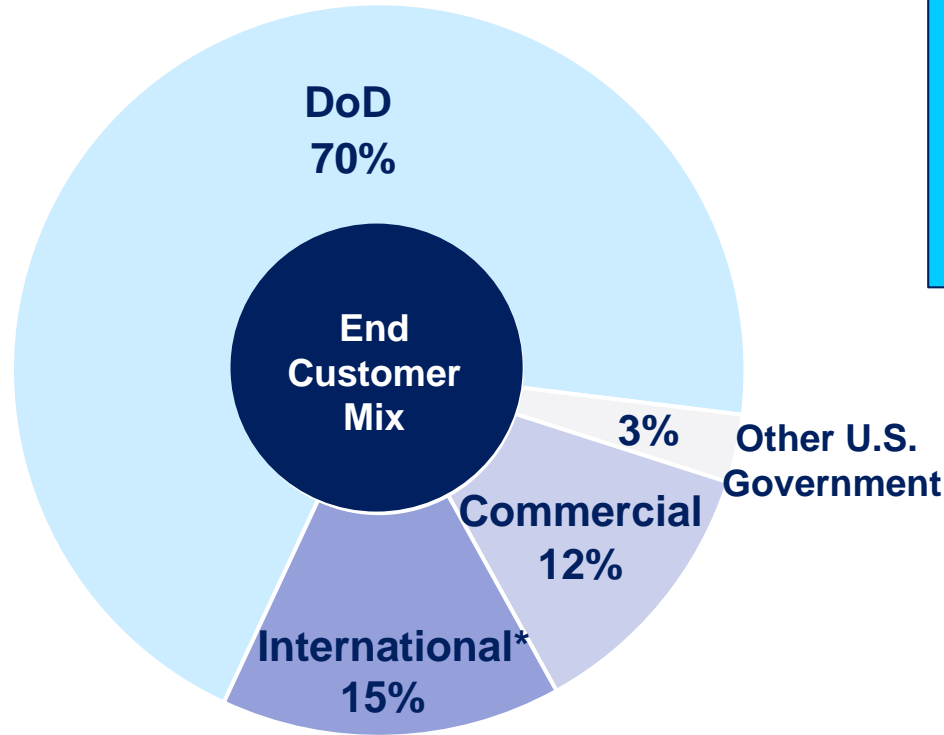
Balanced and disciplined cash deployment

Supplemental Financial Data



Sales Mix 2016 Estimates

DoD Title Accounts Funding	
O&M	62%
Procurement	33%
RDT&E	5%



<u>DoD Armed Services</u>	
USAF	29%
Army	17%
Navy	16%
Other	8%
Total	70%

<u>Top Contracts Concentration</u>	
Top 5	15%
Top 10	21%
Top 30	33%

Note: Top 6 Defense platform OEMs comprised 10% of 2015 sales.

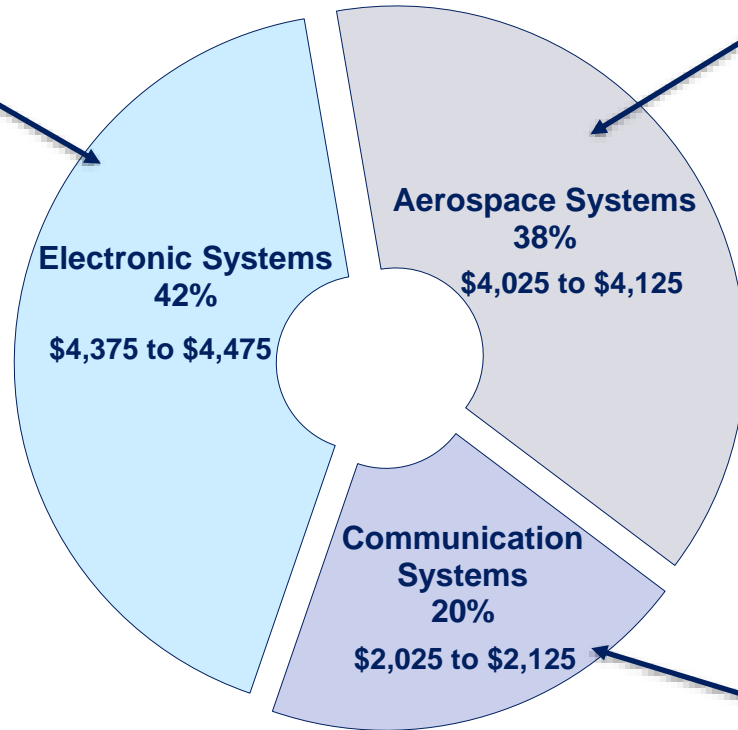
* FMS are ~5% of sales.



2017 Segment / Sector Sales Estimates

(\$ Net Sales in Millions)

<u>Electronic Systems</u>		
Precision Engagement & Training	\$ 1,195	27%
Aviation Products & Security	1,030	23%
Integrated Sensor Systems	840	19%
Power & Propulsion Systems	775	18%
Warrior Systems	450	10%
Advanced Programs	135	3%



<u>Aerospace Systems</u>		
ISR Systems	\$ 2,080	51%
Vertex Aerospace	1,325	33%
Aircraft Systems	670	16%

<u>Communication Systems</u>		
Broadband Communications	\$ 1,060	51%
Advanced Communications	470	23%
Space & Power Systems	340	16%
Tactical SatCom	205	10%

2017 Financial Guidance

(\$ in Millions, except EPS)

	USG/DoD International Commercial	Initial Guidance	Midpoint vs. 2016
Net Sales	+2% -1% +2%	\$10,475 to \$10,675	3%
Organic Growth		1.5%	+180 bps
Operating Margin		10.0%	+40 bps
Interest Expense and Other		\$157	n.c.
Effective Tax Rate		27.2%	+370 bps
Minority Interest Expense		\$15	\$1
Diluted Shares		78.3	-1%
Diluted EPS		\$8.15 to \$8.35	4%
Free Cash Flow		\$865	5%

- Notes: (1) The 2017 Initial Guidance includes the acquisition of MacDonald Humfrey (Automation) Ltd. completed on November 22, 2016.
 (2) Estimated higher net pension expense vs. 2016, based on an assumed discount rate of 3.91% vs. 4.66% for 2016, reducing operating income \$29 million, operating margin 27 bps and diluted EPS \$0.23.
 (3) Assumes share repurchases for 2017 of \$600 million. However, share repurchases could be reduced to pay for potential future business acquisitions, which would increase estimated 2017 diluted shares outstanding.
 (4) Interest Expense and Other is comprised of: (i) interest expense of \$171 million, (ii) interest and other income, net of \$14 million.
 (5) Minority Interest Expense represents net income from continuing operations attributable to non-controlling interests
 (6) See Reconciliation of GAAP to Non-GAAP Measurements.

2017 Segment Guidance (December 6, 2016)

(in Millions)

Segment	Net Sales	Midpoint Sales vs. 2016	Midpoint Organic Growth	Segment Operating Margin	Midpoint Margin vs. 2016 (bps)
Electronic Systems	\$4,375 to \$4,475	7%	4%	12.8% to 13.0%	+85
Aerospace Systems	\$4,025 to \$4,125	-2%	-2%	6.7% to 6.9%	-25
Comm Systems	\$2,025 to \$2,125	5%	5%	10.2% to 10.4%	+25
Total Segments	\$10,475 to \$10,675	3%	1.5%	10.0%	+40

Notes: (1) Estimated net pension expense (FAS, net of CAS) for 2017 vs. 2016 is expected to increase \$29 million, decreasing estimated 2017 operating margin by 27 basis points (bps) (\$9 million or 21 bps for Electronic Systems, \$11 million or 27 bps for Aerospace Systems and \$9 million or 45 bps for Communication Systems).

(2) Communication Systems quarterly operating margins for 2017 will be impacted by approximately \$24 million of restructuring and severance expenses for the EDD/ETI business unit consolidation, that are expected to be offset by a property sale gain.

2016 Financial Guidance

(in Millions, except per share amounts)

	USG/DoD International Commercial	Guidance (December 6, 2016)	vs. 2015
Net Sales	+3% -12% -1%	\$10,250 to \$10,350	-2%
Organic Growth		-0.3%	+210 bps
Segment Operating Margin		9.6%	+110 bps
Segment Operating Income		\$989	11%
Interest Expense and Other		\$157	3%
Effective Tax Rate		23.5%	+230 bps
Minority Interest Expense		\$14	\$(1)
Diluted Shares		78.8	-4%
Diluted EPS		\$7.85 to \$7.95	14%
Free Cash Flow		\$825	-6%

Notes: (1) Current 2016 Guidance is unchanged from the Prior Guidance (October 27, 2016).

(2) Diluted EPS growth is calculated based on a comparison to 2015 adjusted diluted EPS.

(3) Interest Expense and Other is comprised of: (i) interest expense of \$170 million, (ii) interest and other income, net, and (iii) a debt retirement charge of \$6 million.

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

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

2016 Segment Guidance (December 6, 2016)

(in Millions)

Segment	Net Sales	Midpoint Sales vs. 2015	Midpoint Organic Growth	Segment Operating Margin	Midpoint Margin vs. 2015 (bps)
Electronic Systems	\$4,125 to \$4,175	-3%	0%	12.0% to 12.1%	+55
Aerospace Systems	\$4,150 to \$4,200	0%	0%	7.0% to 7.1%	+215
Comm Systems	\$1,950 to \$2,000	-3%	-4%	10.0% to 10.1%	+45
Total Segments	\$10,250 to \$10,350	-2%	-0.3%	9.6%	+110

Note: Estimated net pension expense (FAS, net of CAS) for 2016 vs. 2015 is expected to decrease \$45 million, increasing estimated 2016 operating margin by 40 basis points (bps) (\$15 million or 40 bps for Electronic Systems, \$17 million or 40 bps for Aerospace Systems and \$13 million or 70 bps for Communication Systems).

Pension Expense Trends

(\$ in Millions)

Pension	2015 Actual	2016 Estimate	2017 Estimate	2018 to 2020 Outlook
FAS Expense	\$ 139	\$ 97	\$ 133	Average annual declines of ~\$20 million
CAS Cost	108	111	118	
FAS, net CAS	\$ 31	\$ (14)	\$ 15	
Cash Contributions	\$ 97	\$ 100	\$ 100	~\$100M per year

FAS Expense discount rate sensitivity: 25 bps changes estimated 2017 pension expense by \$16 million, and 12/31/16 unfunded obligation by \$150 million.

Asset return sensitivity: 100 bps changes estimated pension expense by \$5 million and unfunded obligation by \$25 million.

Depreciation & Amortization and Capital Expenditures 2016 Estimates

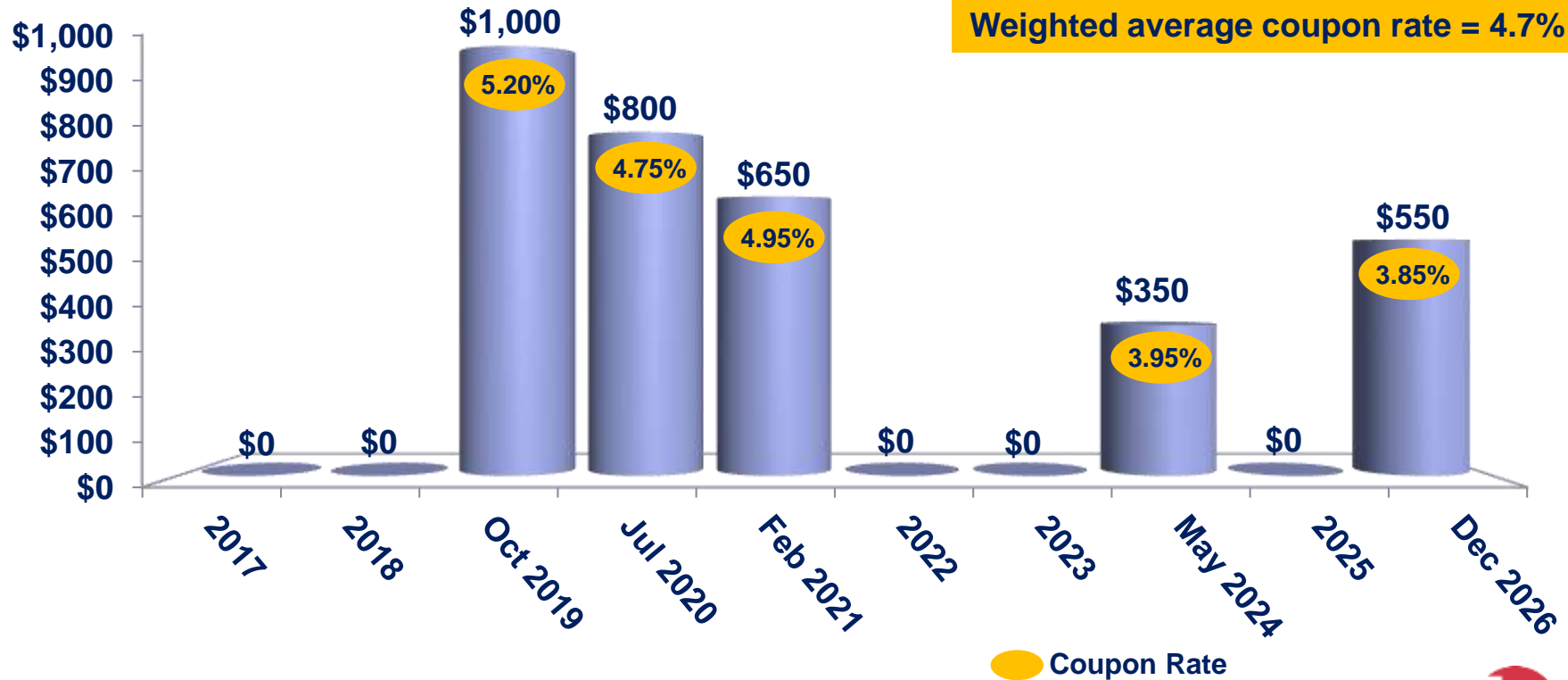
(\$ in Millions)

<u>Segment</u>	<u>Depreciation & Amortization</u>	<u>CapEx, Net</u>
Electronic Systems	\$105	\$114
Aerospace Systems	55	58
Communication Systems	50	33
Consolidated	<u>\$210</u>	<u>\$205</u>

Capital Expenditures, Net = capital expenditures net of dispositions of property, plant and equipment

Debt Maturity Profile

(\$ in Millions)



Debt Analysis (After November 29, 2016 Refinancing)

(\$ in Millions)

	<u>12/31/16 Estimate</u>	<u>Type</u>	<u>Maturity Date</u>	<u>Redemption Premium</u>
<u>Senior:</u>				
Revolver	\$ -	L+150 bpts	10/31/21	n.a.
5.2% Senior Notes	1,000	fixed	10/15/19	T+0.30% make-whole
4.75% Senior Notes	800	fixed	7/15/20	T+0.25% make-whole
4.95% Senior Notes	650	fixed	2/15/21	T+0.25% make-whole
3.95% Senior Notes	350	fixed	5/28/24	T+0.20% make-whole
3.85% Senior Notes	550	fixed	12/15/26	T+0.25% make-whole
Unamortized Debt Issue Costs	(21)			
Unamortized Discounts	(9)			
Total	\$ 3,320			

Note: T = comparable U.S. treasury note rate.

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

(\$ in Millions)

	<u>2017 Guidance</u>	<u>2016 Guidance</u>	<u>2015 Actual</u>
Net cash from operating activities from continuing operations	\$ 1,075	\$ 1,030	\$ 1,068
Less: Capital expenditures	(215)	(220)	(197)
Add: Dispositions of property, plant and equipment	5	15	3
Income tax payments attributable to discontinued operations	-	-	2
Free cash flow from continuing operations	<u>\$ 865</u>	<u>\$ 825</u>	<u>\$ 876</u>

Note: Capital expenditures, net for 2017 does not reflect the anticipated sale of the Electron Devices property in San Carlos, CA which is offset in Net cash from operating activities from continuing operations.

Reconciliation of GAAP to Non-GAAP Measurements

(2 of 2)

(\$ in Millions)

	2015 Actual	2016 Estimate	2017 Estimate
Cash Flow to EBITDA Reconciliation			
Net cash from operating activities from continuing operations	\$ 1,068	\$ 1,030	\$ 1,075
Income tax payments, net of refunds	124	120	200
Interest payments, net of interest income	145	145	150
Stock based employee compensation	(156)	(154)	(155)
Amortization of pension and post retirement benefit plans net loss	(67)	(50)	(92)
Other non-cash items	3	5	6
Changes in operating assets and liabilities	(17)	105	89
LTM EBITDA from continuing operations	\$ 1,100	\$ 1,201	\$ 1,273
Debt	\$ 3,624	\$ 3,320	\$ 3,327
Debt/EBITDA	3.3x	2.8x	2.6x

Note: EBITDA is defined as consolidated operating income (excluding impairment losses incurred on goodwill and identifiable intangible assets and losses related to business divestiture transactions), plus consolidated 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.

