First Quarter Earnings Call
April 27, 2016
Financial Data Charts

Forward-Looking Statements

Certain of the matters discussed in these slides, including information regarding the company's 2016 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; 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 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 outcome of litigation matters; results of audits by U.S. Government agencies and of ongoing governmental investigations, including the Aerospace Systems segment; our ability to predict the level of participation in and the related costs of our voluntary return program for certain EoTech holographic weapons sight products, and our ability to change and terminate the return program at our discretion; 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, 2015 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.

First Quarter Results

Select Financial Data - First Quarter

($ in Millions, except per share amounts)

	1Q16	1Q15	vs. 1Q15
Net Sales	$2,353	$2,488	-5%
Segment Operating Margin	10.7%	8.4%[1]	+230 bps
Segment Operating Income	$252	$209[1]	21%
Interest Expense	$41	$39	5%
Effective Income Tax Rate	22.3%	30.5%	-820 bps
Diluted Shares	79.0	83.8	-6%
Diluted Earnings Per Share (EPS) from Continuing Operations	$2.08	$1.20	73%
Adjusted Diluted EPS from Continuing Operations	$2.08	$1.38[1] [2]	51%
Net Cash from Operating Activities from Continuing Operations	$112	$112	n.c.
Free Cash Flow[2]	$84	$73	15%

Notes: (1) 1Q15 excludes a pre-tax loss of $22 million ($15 million after income taxes), or $0.18 per diluted share related to the MSI business divestiture.
(2) Non-GAAP Measurement. See pages 20 - 23 for a reconciliation of these GAAP to Non-GAAP Measurements and Definitions.

n.c. = no change

Segment Results - - First Quarter

($ in Millions)

Segment	1Q16 Net Sales	Sales Growth vs. 1Q15	1Q16 Operating Margin	Margin Change vs. 1Q15 (bps)
Electronic Systems	$ 877	-14%	10.8%	-30
Aerospace Systems	1,005	-2%	10.5%	+470
Communication Systems	471	6%	10.8%	+270
Total Segment	$ 2,353	-5%	10.7%	+230

2016 Financial Guidance

2016 Consolidated Financial Guidance

($ in Millions, except per share amounts)

USG/DoD	-2%
International	-14%
Commercial	8%

	Guidance (April 27, 2016)	vs. 2015	Prior Guidance (January 28, 2016)
Net Sales	$9,950 to $10,150	-4%	$9,950 to $10,150
Organic Growth	-2.5%	-10 bps	-2.5%
Segment Operating Margin	9.8%	+130 bps	9.8%
Segment Operating Income	$985	11%	$985
Interest Expense and Other	$162	6%	$162
Effective Tax Rate	26.7%	+550 bps	28.0%
Diluted Shares	77.5	-5%	77.5
Diluted EPS	$7.55 to $7.75	11%	$7.40 to $7.60
Free Cash Flow	$825	-6%	$825

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

- A decrease in the estimated effective tax rate due to the early adoption of a new accounting standard related to income tax benefits from employee stock based compensation awards, which is expected to reduce income tax expense by $10 million,
- A 40 basis point decrease in operating margin for Electronic Systems due to a $15 million increase in the product returns allowance recorded during the 2016 first quarter, and
- A 50 basis point increase in operating margin for Aerospace Systems primarily due to an improvement in expected contract performance at ISR Systems sector for 2016.

Notes: (1) Diluted EPS growth is calculated based on a comparison to 2015 adjusted diluted EPS.
(2) See Reconciliation of GAAP to Non-GAAP Measurements and Definitions.

2016 Segment Guidance

($ in Millions)

Segment	Net Sales	Midpoint Sales vs. 2015	Segment Operating Margin	Midpoint Margin vs. 2015 (bps)
Electronic Systems	$4,150 to $4,250	-2%	12.0% to 12.2%	+60
Aerospace Systems	$3,900 to $4,000	-5%	7.0% to 7.2%	+220
Comm Systems	$1,850 to $1,950	-7%	10.3% to 10.5%	+80
Total Segment	**$9,950 to $10,150**	**-4%**	**9.8%**	**+130**

Note: Estimated net pension expense (FAS, net of CAS) for 2016 vs. 2015 is expected to decrease $40 million, increasing estimated 2016 operating margin by 40 basis points (bps) ($10 million or 20 bps for Electronic Systems, $18 million or 50 bps for Aerospace Systems and $12 million or 60 bps for Communication Systems).

Cash Flow Data

Cash Flow

($ in Millions)

	1Q16 Actual	1Q15 Actual	2016 Guidance	2015 Actual
Net income from continuing operations*	$ 167	$ 105**	$ 605	$ 297**
Impairment/divestiture charges	-	22	-	415
Depreciation & amortization	50	52	213	210
Deferred income taxes	12	10	65	(66)
401K common stock match	30	26	108	110
Stock-based employee compensation	6	13	41	46
Amortization of pension and OPEB net losses	12	17	50	67
Working capital/other items	(165)	(133)	(52)	(9)
Capital expenditures, net	(28)	(39)	(205)	(194)
Free cash flow	$ 84	$ 73	$ 825	$ 876

* Before deduction for net income attributable to non-controlling interests.

** Includes after tax charges related to business divestitures of $15 million for 1Q15 and $20 million for 2015 and after tax charges related to goodwill impairments of $264 million for 2015.

Supplemental Cash Flow Data

($ in Millions)

	1Q16 Actual	1Q15 Actual	2016 Guidance	2015 Actual
Cash interest payments	$ 36	$ 37	$ 163	$ 182
Income tax payments, net[1]	11	9	130	122
FAS pension expense	24	35	96[2] [3]	139
CAS pension cost[4]	27	27	104	108
Pension contributions	12	14	100	97

(1) Excludes income tax payments attributable to discontinued operations.
(2) FAS pension expense represents pension expense determined using U.S. GAAP and assumes a 2015 year-end weighted average discount rate of 4.63% (vs. 4.14% for 2014 year-end) and a 2016 weighted average pension asset return of 8.14%.
(3) Estimated 2016 Pension Expense Sensitivity: A 25 bps increase/decrease in 12/31/15 discount rate would decrease/increase 2016 pension expense by ~$13 million and decrease/increase the 12/31/15 unfunded obligation by ~$120 million.
(4) CAS pension cost represents estimated allowable and reimbursable pension cost under U.S. Government procurement regulations (determined using Cost Accounting Standards or CAS) on L-3's U.S. Government contracts.

Depreciation, Amortization and Capital Expenditures

($ in Millions)

	2016				2015			
	D&A		CapEx, Net		D&A		CapEx, Net	
Segment	1Q16	2016	1Q16	2016	1Q15	2015	1Q15	2015
Electronic Systems	$ 25	$106	$ 20	$115	$ 28	$110	$ 21	$100
Aerospace Systems	13	56	7	57	12	50	11	57
Comm Systems	12	51	1	33	12	50	7	37
Consolidated	$ 50	$213	$ 28	$205	$ 52	$210	$ 39	$194

D&A = Depreciation and Amortization
CapEx, Net = Capital expenditures net of dispositions of property, plant and equipment

Cash Sources and Uses, and Capitalization and Leverage

Cash Sources and Uses

($ in Millions)

	1Q16 Actual	1Q15 Actual	2016 Guidance	2015 Actual
Beginning cash	$ 207	$ 442	$ 207	$ 442
Free cash flow from continuing operations	84	73	825	876
Free cash flow from discontinued operations	(56)	(3)	(56)	49
Divestitures	576	-	558	318
Acquisitions	(27)	(41)	(27)	(320)
Dividends	(58)	(58)	(217)	(214)
Share repurchases	(198)	(100)	(750)	(740)
Senior notes redemption	-	-	(300)	(296)
Change in cash balance included in assets held for sale	-	1	-	61
Other, net	6	3	35	31
Ending cash	$ 534	$ 317	$ 275	$ 207

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

Capitalization and Leverage

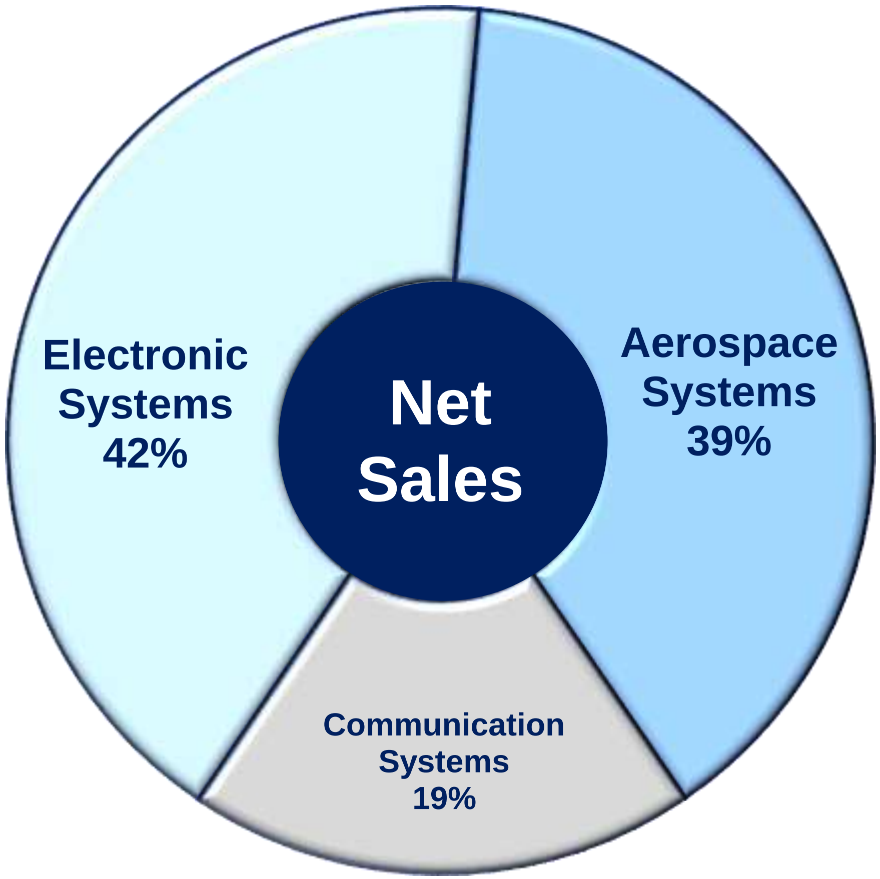
($ in Millions)

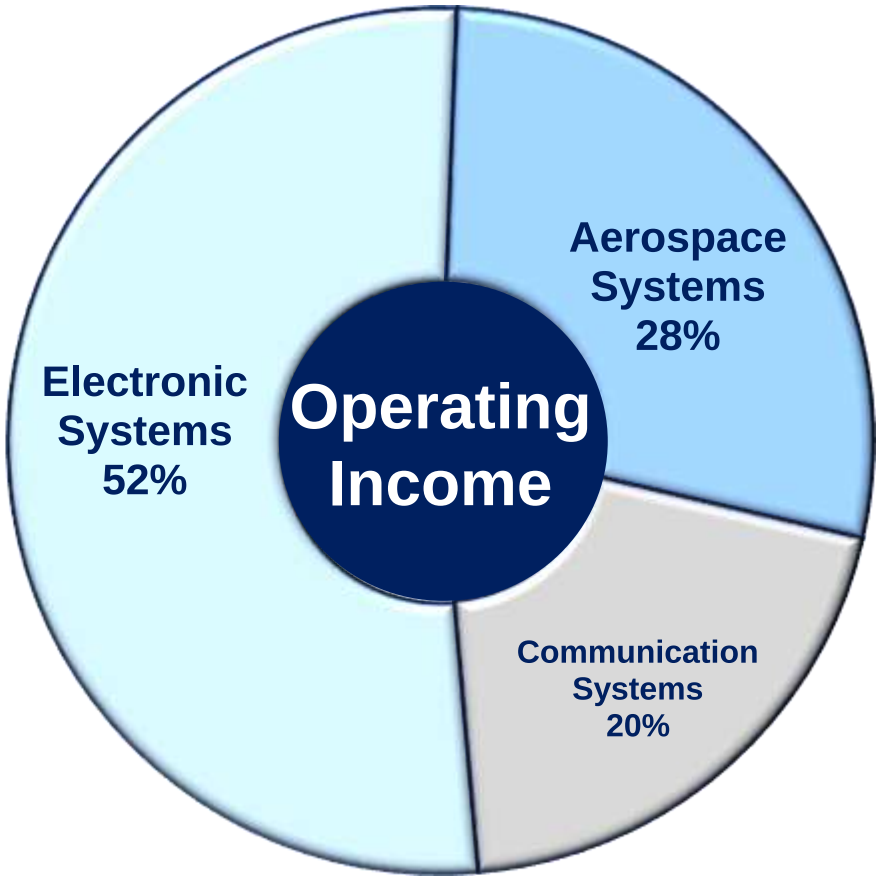
	3/25/16 Actual	12/31/15 Actual
Cash	$534	$207
Debt	$3,626	$3,624
Equity	4,451	4,429
Invested Capital	$8,077	$8,053
Debt/Invested Capital	44.9%	45.0%
Debt/LTM EBITDA	3.18x	3.29x
Available Revolver	$1,000	$1,000

Notes: (1) Equity includes non-controlling interests (minority interests) of $73 million and $74 million as of March 25, 2016 and December 31, 2015, respectively.
(2) Debt/LTM EBITDA excludes discontinued operations.
(3) See Reconciliation of GAAP to Non-GAAP Measurements and Definitions.

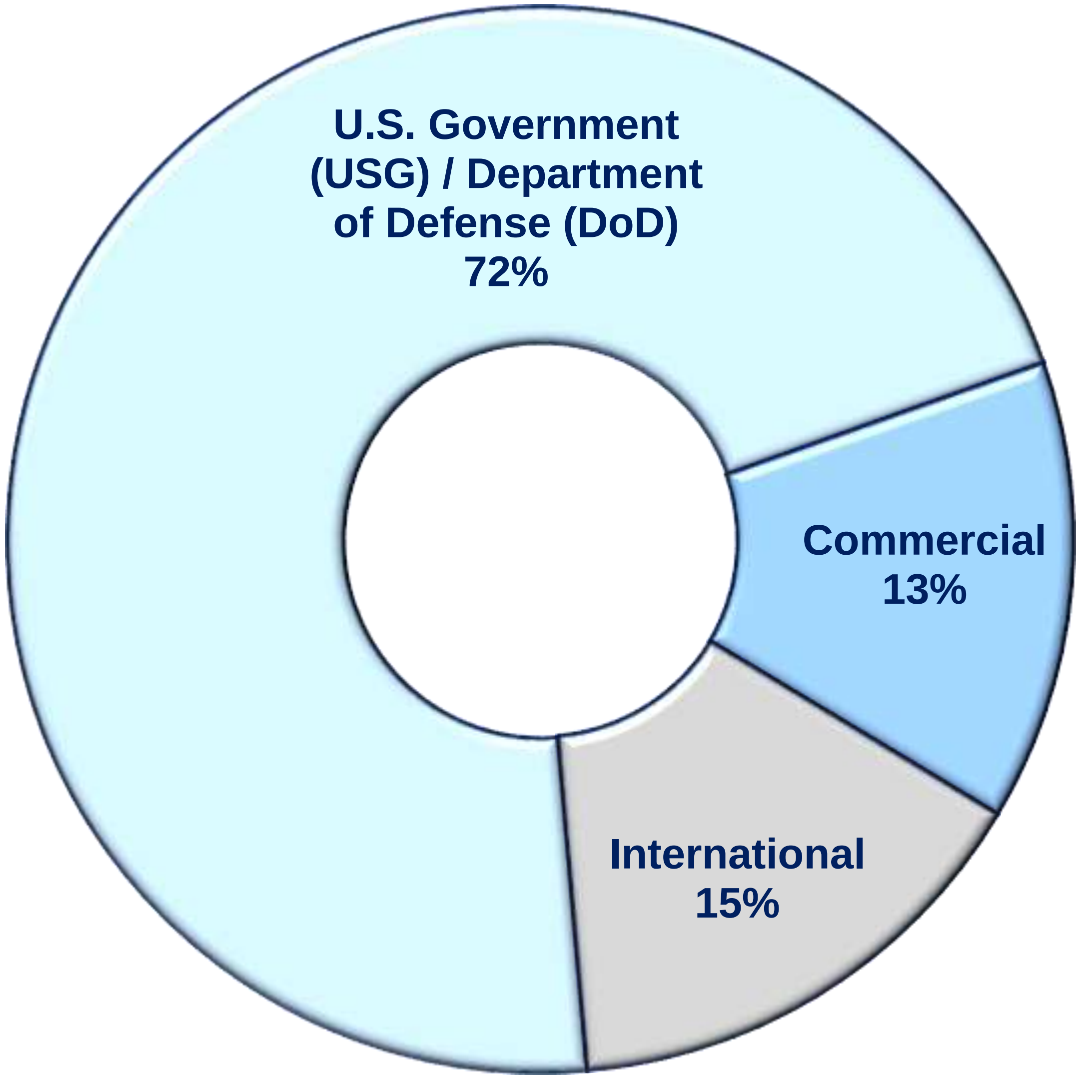
Appendix

Segment Mix: 2016 Guidance Midpoints





2016 Estimated End Customer Sales Mix



DoD Armed Services	
Air Force	29%
Army	17%
Navy	15%
Other	8%
Total	69%

2016 Segment Guidance - Current vs. Prior

($ in Millions)

Segment	Current Guidance (April 27, 2016) Net Sales	Current Guidance (April 27, 2016) Operating Margin	Prior Guidance (January 28, 2016) Net Sales	Prior Guidance (January 28, 2016) Operating Margin
Electronic Systems	$4,150 to $4,250	12.0% to 12.2%	$4,150 to $4,250	12.4% to 12.6%
Aerospace Systems	$3,900 to $4,000	7.0% to 7.2%	$3,900 to $4,000	6.5% to 6.7%
Communication Systems	$1,850 to $1,950	10.3% to 10.5%	$1,850 to $1,950	10.3% to 10.5%
Consolidated	$9,950 to $10,150	9.8%	$9,950 to $10,150	9.8%

Reconciliation of GAAP to Non-GAAP Measurements (1 of 4)

($ in Millions)

	1Q16 Actual	1Q15 Actual	2016 Guidance	2015 Actual
Net cash from operating activities from continuing operations	$ 112	$ 112	$ 1,030	$ 1,068
Less: Capital expenditures	(35)	(40)	(215)	(197)
Add: Dispositions of property, plant and equipment	7	1	10	3
Income tax payments attributable to discontinued operations	-	-	-	2
Free cash flow	$ 84	$ 73	$ 825	$ 876

Reconciliation of GAAP to Non-GAAP Measurements (2 of 4)

($ in Millions except per share amounts)

	1Q16 Actual	1Q15 Actual
Diluted EPS from continuing operations attributable to L-3 Holdings' common stockholders	$ 2.08	$ 1.20
EPS impact of loss on MSI business divestiture[1]	-	0.18
Adjusted diluted EPS from continuing operations[2]	$ 2.08	$ 1.38
Net income from continuing operations attributable to L-3	$ 164	$ 101
Loss on MSI business divestiture[1]	-	15
Adjusted net income from continuing operations attributable to L-3[2]	$ 164	$ 116

(1)

Loss on MSI business divestiture	$ (22)
Tax benefit	7
After-tax impact	(15)
Diluted shares	83.8
Per share impact	$(0.18)

(2) Adjusted diluted EPS is diluted EPS attributable to L-3 Holdings' common stockholders, excluding the charges relating to business divestitures. Adjusted net income attributable to L-3 is net income attributable to L-3, excluding the charges relating to business divestitures. These amounts are not calculated in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The company believes that the charges relating to business divestitures affect the comparability of the results of operations of 2015 to the results of operations for 2016. The company also believes that disclosing net income and diluted EPS excluding the charges relating to business divestitures will allow investors to more easily compare the 2016 results to the 2015 results. However, these measures may not be defined or calculated by other companies in the same manner.

Reconciliation of GAAP to Non-GAAP Measurements (3 of 4)

($ in Millions)

Cash Flow to EBITDA Reconciliation	1Q16 LTM	4Q15 LTM
Net cash from operating activities from continuing operations	$ 1,068	$ 1,068
Income tax payments, net of refunds	126	124
Interest payments, net of interest income	143	145
Stock based employee compensation	(153)	(156)
Amortization of pension and post retirement benefit plans net loss	(62)	(67)
Other non-cash items	(4)	3
Changes in operating assets and liabilities	23	(17)
LTM EBITDA from continuing operations	$ 1,141	$ 1,100
DEBT	$ 3,626	$ 3,624
DEBT/EBITDA	3.18x	3.29x

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.

Reconciliation of GAAP to Non-GAAP Measurements (4 of 4)

<u>Organic Sales Growth</u>: Organic sales growth is defined as the increase or decrease in sales compared to the prior year, excluding the increase or decrease in sales attributable to acquired businesses or business divestitures. Sales from acquired businesses is defined as sales from business acquisitions that are included in L-3's actual results for less than 12 months. Sales from business divestitures is defined as sales from business divestitures that are included in L-3's actual results for the 12 months prior to the divestiture.

L3