

First Quarter Earnings Call

April 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 - First Quarter

(\$ in Millions, except per share amounts)

	1Q17 ⁽¹⁾	1Q16 ⁽²⁾	vs. 1Q16
Net Sales	\$2,669	\$2,353	13%
Organic Growth (Decline)	11%	-2%	n.m.
Operating Margin	9.5%	10.7%	-120 bps
Operating Income	\$253	\$252	-
Interest Expense and Other, Net	\$37 ⁽³⁾	\$37 ⁽⁴⁾	-
Effective Income Tax Rate	22.2%	22.3%	-10 bps
Minority Interest Expense ⁽⁵⁾	\$4	\$3	33%
Diluted Shares	79.3	79.0	-
Diluted EPS from Continuing Operations	\$2.07	\$2.08	-
Net Cash from Operating Activities from Continuing Operations	\$85	\$112	-24%
Free Cash Flow ⁽⁶⁾	\$44	\$84	-48%

Notes: (1) Quarter ended March 31, 2017.

(2) Quarter ended March 25, 2016.

(3) Interest Expense and Other for 1Q17 is comprised of: (i) interest expense of \$42 million and (ii) interest and other income, net of \$5 million.

(4) Interest Expense and Other for 1Q16 is comprised of: (i) interest expense of \$41 million and (ii) interest and other income, net of \$4 million.

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

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

n.m. = not meaningful



Segment Results - First Quarter

(\$ in Millions)

<u>Segment</u>	<u>1Q17 Net Sales</u>	<u>Sales Growth vs. 1Q16</u>	<u>Organic Growth</u>	<u>1Q17 Operating Margin</u>	<u>Margin Change vs. 1Q16 (bps)</u>
Electronic Systems	\$ 737	24%	17%	12.3%	-200
Aerospace Systems	1,045	4%	4%	6.6%	-390
Communication Systems	537	14%	14%	8.0%	-280
Sensor Systems	350	23%	23%	14.3%	+1,080
Total Segment	\$ 2,669	13%	11%	9.5%	-120

2017 Consolidated Financial Guidance

(in Millions, except per share amounts)

	Guidance (April 27, 2017)	vs. 2016	Prior Guidance (January 26, 2017)
Net Sales	\$10,750 to \$10,950	3%	\$10,625 to \$10,825
Organic Growth	2%	n.c.	1%
Operating Margin	10.3%	+70 bps	10.3%
Interest Expense and Other	\$158	\$0	\$158
Effective Tax Rate	27.0%	+480 bps	27.2%
Minority Interest Expense	\$15	\$1	\$15
Diluted Shares	79.8	1%	79.3
Diluted EPS	\$8.50 to \$8.70	5%	\$8.40 to \$8.60
Free Cash Flow	\$865	-4%	\$865

USG/DoD	+2%
International	+1%
Commercial	+3%

- Notes: (1) Operating margin for 2017 will be impacted by approximately \$28 million of restructuring and severance expenses for the EDD/ETI business unit consolidation in Communication Systems Segment, that are expected to be offset by a property gain.
 (2) See Reconciliation of GAAP to Non-GAAP Measurements.

The current guidance for 2017 excludes: (i) any potential non-cash goodwill impairment charges for which the information is presently unknown, (ii) potential adverse results related to litigation contingencies and (iii) other items such as gains or losses related to potential business divestitures and the impact of potential acquisitions.



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 ⁽¹⁾	\$2,075 to \$2,175	4%	4%	10.5% to 10.7%	+80
Sensor Systems	\$1,525 to \$1,625	7%	6%	12.7% to 12.9%	+250
Total Segments	\$10,750 to \$10,950	3%	2%	10.3%	+70

Note: (1) Communication Systems quarterly operating margin for 2017 will be impacted by approximately \$28 million of restructuring and severance expenses for the EDD/ETI business unit consolidation that are expected to be offset by a property gain.

n.c. = no change



Cash Flow

(\$ in Millions)

	<u>1Q17 Actual</u>	<u>1Q16 Actual</u>	<u>2017 Guidance</u>	<u>2016 Actual</u>
Net income from continuing operations ⁽¹⁾	\$ 168	\$ 167	\$ 700	\$ 661
Depreciation & amortization	54	50	220	206
Deferred income taxes	17	12	50	43
401K common stock match	36	30	116	113
Stock-based employee compensation	14	6	59	49
Amortization of pension and OPEB net losses	15	12	59	48
Working capital/other items	(219)	(165)	(119) ⁽²⁾	(23)
Capital expenditures, net	(41)	(28)	(220) ⁽²⁾	(195)
Free cash flow ⁽³⁾	<u>\$ 44</u>	<u>\$ 84</u>	<u>\$ 865</u>	<u>\$ 902</u>

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

(2) 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.

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

Supplemental Cash Flow Data

(\$ in Millions)

	<u>1Q17 Actual</u>	<u>1Q16 Actual</u>	<u>2017 Guidance</u>	<u>2016 Actual</u>
Cash interest payments	\$ 37	\$ 36	\$ 164	\$ 162
Income tax payments, net	15	11	210	112
FAS pension expense	27	24	107 ^{(1) (2)}	97
CAS pension cost ⁽³⁾	30	27	121	111
Pension contributions	4	12	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	
	1Q17	2017	1Q17	2017	1Q16	2016	1Q16	2016
Electronic Systems	\$ 18	\$ 71	\$ 18	\$ 91	\$ 14	\$ 60	\$ 15	\$ 68
Aerospace Systems	13	52	7	57	13	54	7	58
Communication Systems	12	49	9	44	12	47	1	31
Sensor Systems	11	48	7	28	11	45	5	38
Consolidated	\$ 54	\$ 220	\$ 41	\$ 220	\$ 50	\$ 206	\$ 28	\$ 195

Cash Sources and Uses

(\$ in Millions)

	<u>1Q17 Actual</u>	<u>1Q16 Actual</u>	<u>2017 Guidance</u>	<u>2016 Actual</u>
Beginning cash	\$ 363	\$ 207	\$ 363	\$ 207
Free cash flow from continuing operations⁽¹⁾	44	84	865	902
Free cash flow from discontinued operations⁽¹⁾	-	(56)	-	(56)
Divestitures	16	576	16	561
Acquisitions	(139)	(27)	(139)	(388)
Dividends	(61)	(58)	(235)	(220)
Share repurchases	-	(198)	(500)	(373)
Debt reduction	-	-	-	(303)
Other, net	7	6	80	33
Ending cash	<u>\$ 230</u>	<u>\$ 534</u>	<u>\$ 450</u>	<u>\$ 363</u>

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

Capitalization and Leverage

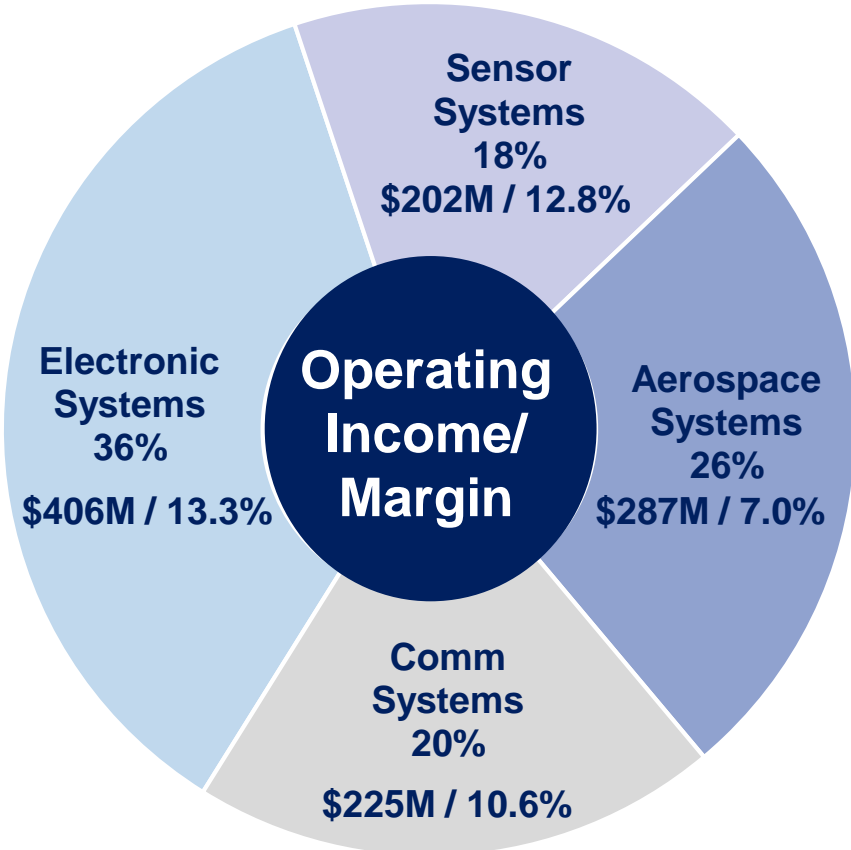
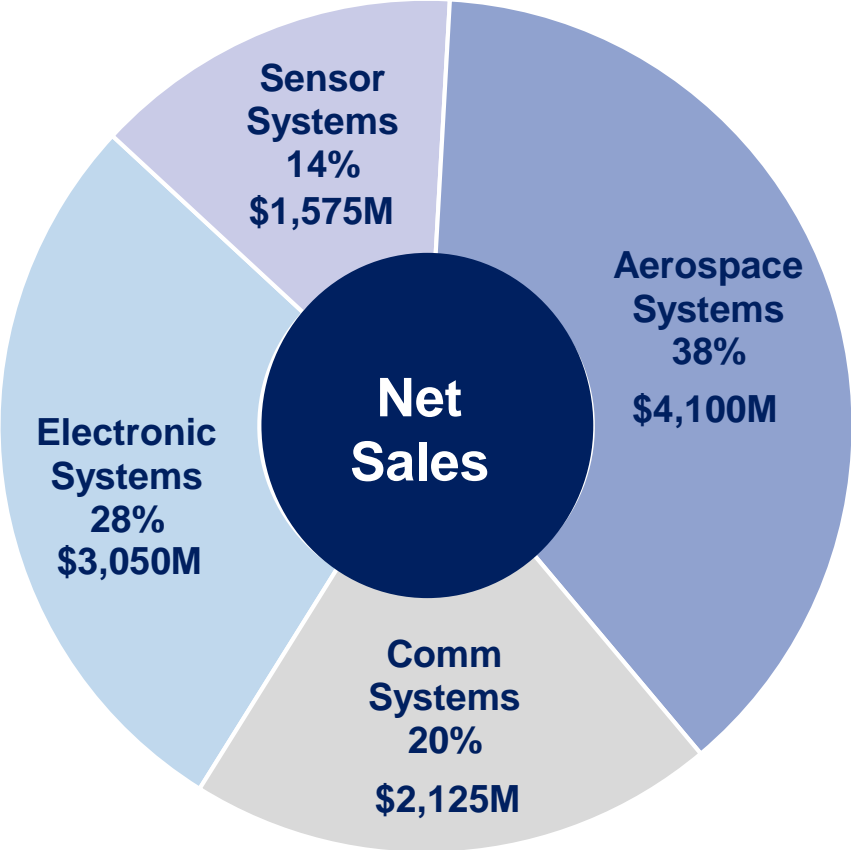
(\$ in Millions)

	<u>3/31/17 Actual</u>	<u>12/31/16 Actual</u>
Cash	<u>\$230</u>	<u>\$363</u>
Debt	\$3,326	\$3,325
Equity	<u>4,802</u>	<u>4,624</u>
Invested Capital	<u>\$8,128</u>	<u>\$7,949</u>
Debt/Invested Capital	40.9%	41.8%
Debt/LTM EBITDA	2.73x	2.74x
Available Revolver	\$1,000	\$1,000

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 (April 27, 2017)		Prior Guidance (January 27, 2017)	
	Net Sales	Operating Margin	Net Sales	Operating Margin
Electronic Systems	\$3,000 to \$3,100	13.2% to 13.4%	\$2,950 to \$3,050	13.2% to 13.4%
Aerospace Systems	\$4,050 to \$4,150	6.9% to 7.1%	\$4,025 to \$4,125	6.9% to 7.1%
Communication Systems	\$2,075 to \$2,175	10.5% to 10.7%	\$2,075 to \$2,175	10.5% to 10.7%
Sensor Systems	\$1,525 to \$1,625	12.7% to 12.9%	\$1,475 to \$1,575	12.6% to 12.8%
Consolidated	\$10,750 to \$10,950	10.3%	\$10,625 to \$10,825	10.3%

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

(in Millions)

	1Q17 <u>Actual</u>	1Q16 <u>Actual</u>	2017 <u>Guidance</u>	2016 <u>Actual</u>
Net cash from operating activities from continuing operations	\$ 85	\$ 112	\$ 1,085	\$ 1,097
Less: Capital expenditures	(42)	(35)	(225)	(216)
Add: Dispositions of property, plant and equipment	1	7	5	21
Free cash flow from continuing operations	<u>\$ 44</u>	<u>\$ 84</u>	<u>\$ 865</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	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
LTM EBITDA from continuing operations	\$ 1,219	\$ 1,214
Debt	\$ 3,326	\$ 3,325
Debt/LTM EBITDA	2.73x	2.74x

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

bps	Basis Points
CapEx, Net	Capital expenditures, net of disposition of property, plant and equipment
CAS	Cost Accounting Standards - U.S. Government
D&A	Depreciation and Amortization
EBITDA	Earnings Before Interest Taxes Depreciation Amortization
EPS	Earnings Per Share
FAS	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
LTM	Last Twelve Months
USG	United States Government



Technologies