

# ***2014 Investor Conference Company Overview***

**March 25, 2014**



**Michael T. Strianese**  
Chairman, President and  
Chief Executive Officer

# L-3 Vision

- **Provide innovative solutions for our customers**
- **Expand our leading market positions**
- **Perform with excellence, integrity and accountability**
- **Increase value for all stakeholders**



# State of Affairs Improving

- DoD base budget bottoming FY13-15... then grows even with sequester
- DoD procurement drivers unchanged
  - Better buying power
  - Drawdowns
  - Sequestration constraints
- Today's solutions are:
  - Less ambitious and less exquisite
  - Focused on rapid response
  - COTs based
  - Focused on lower price



# Company Update



# Strategy and Priorities

- **Build strong businesses with durable discriminators and #1 or #2 market positions**
- **Grow market share**
  - innovative and affordable solutions
  - contract performance and collaboration
  - excellent customer relationships
  - expand platform content
- **Invest in IRAD and M&A**
- **Proactively size businesses**
- **Attract & retain key employees**
- **Maintain strong internal controls/ethics**





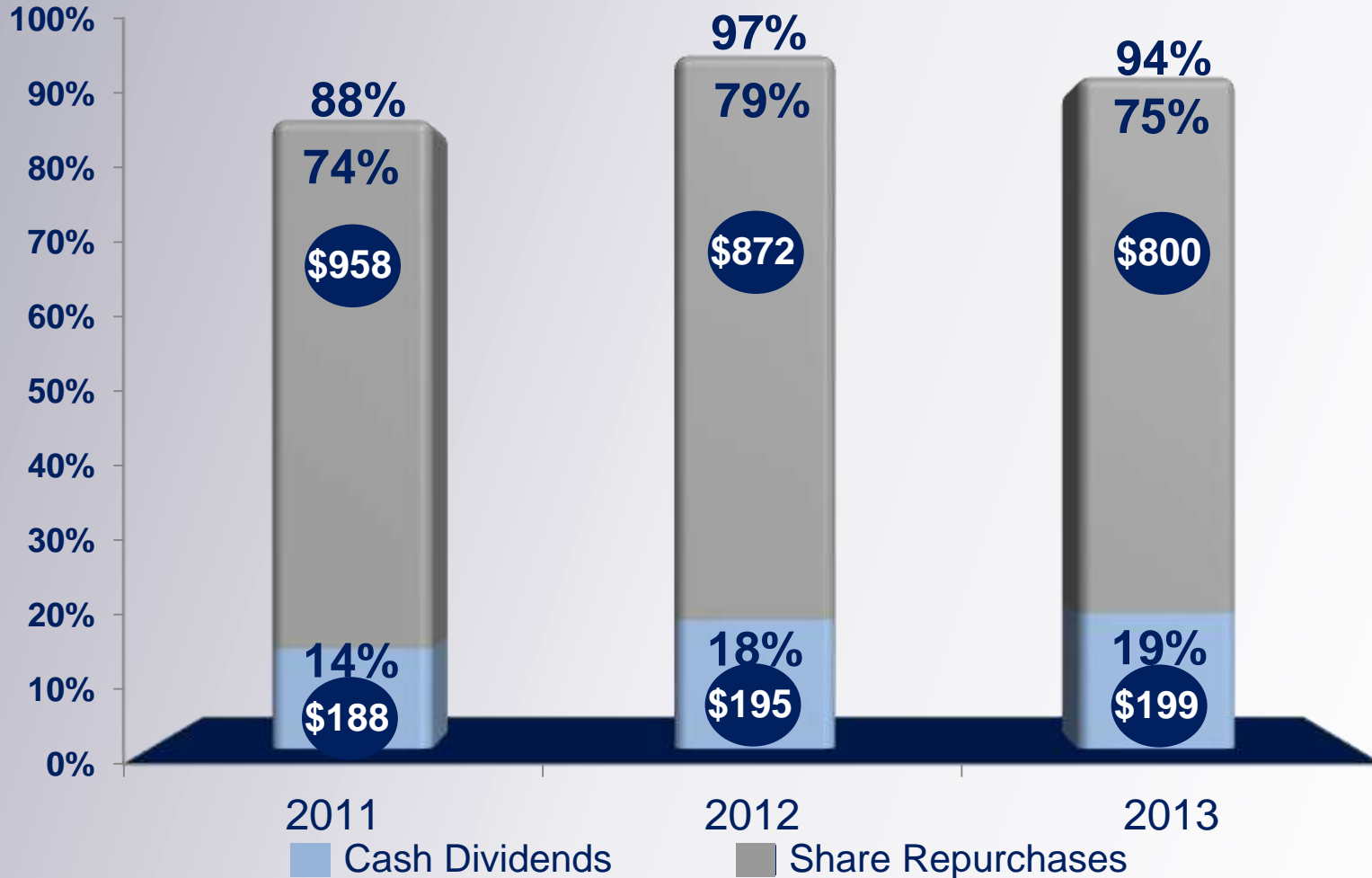
# 2013 Accomplishments

- **Solid program performance**
- **Adjusting to USG/DoD sequestration**
- **Exceeded financial plan**
- **Gained market share in every segment**
- **Grew international & commercial sales 11%**
- **Robust free cash flow ~ \$1 billion**



# Cash Returned to Shareholders

(\$ in Millions)



***Increased dividend for 10th consecutive year***



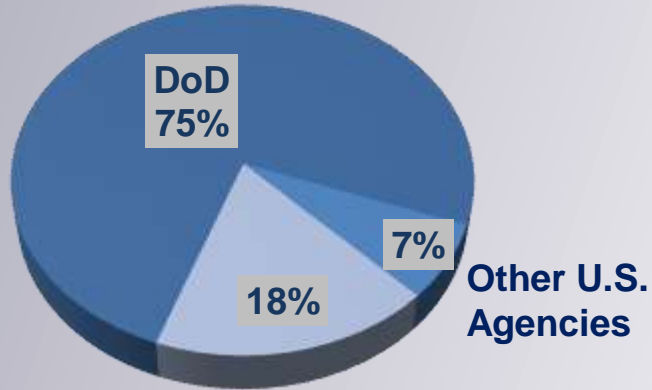
# 2014 Status





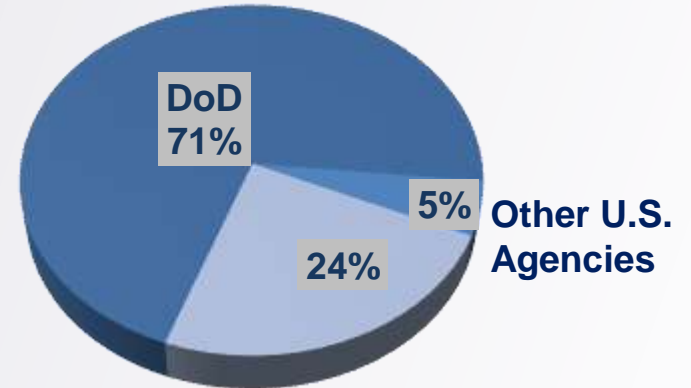
# Sales Mix Shifting

**2011**



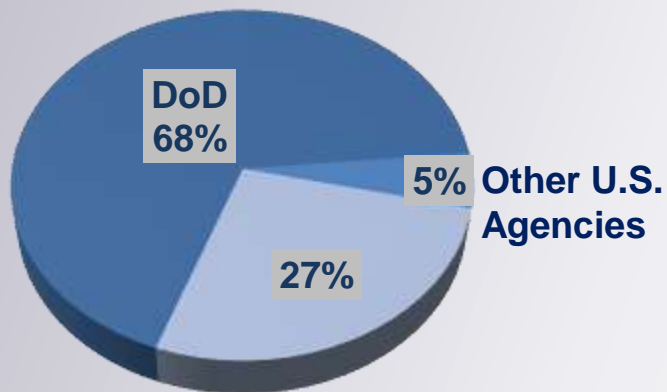
**International & Commercial**

**2012**



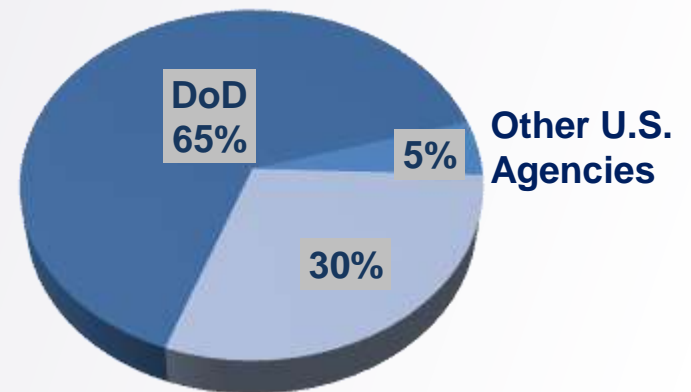
**International & Commercial**

**2013**



**International & Commercial**

**2014 Estimate**



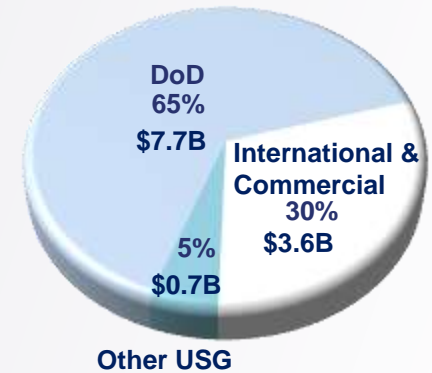
**International & Commercial**



# US Government Markets

- Geopolitical threats vs. fiscal constraints... deficit improving...debt ceiling extended to next March
- Defense down-cycle began 2011
  - BBP initiatives and drawdowns continue
  - Congress has reduced FY13-15 sequester cuts
  - OCO increased ~\$40B/year FY14 and FY15...mostly O&M
  - FY15 \$26B OGS...FY16-19 base budget \$115B > sequester
- Non-DoD agencies - - smaller bill payers than DoD
- Market share opportunities

## 2014 Sales Estimate



# International & Commercial Markets

- **International - - growing...large addressable market**

- **ISR systems, simulators, aircraft modifications, communication systems, NVE, sensors...gaining market share**

- **Targeting UK, Canada, Saudi, Australia, UAE, South Korea, others**

**2014 Sales Estimate**



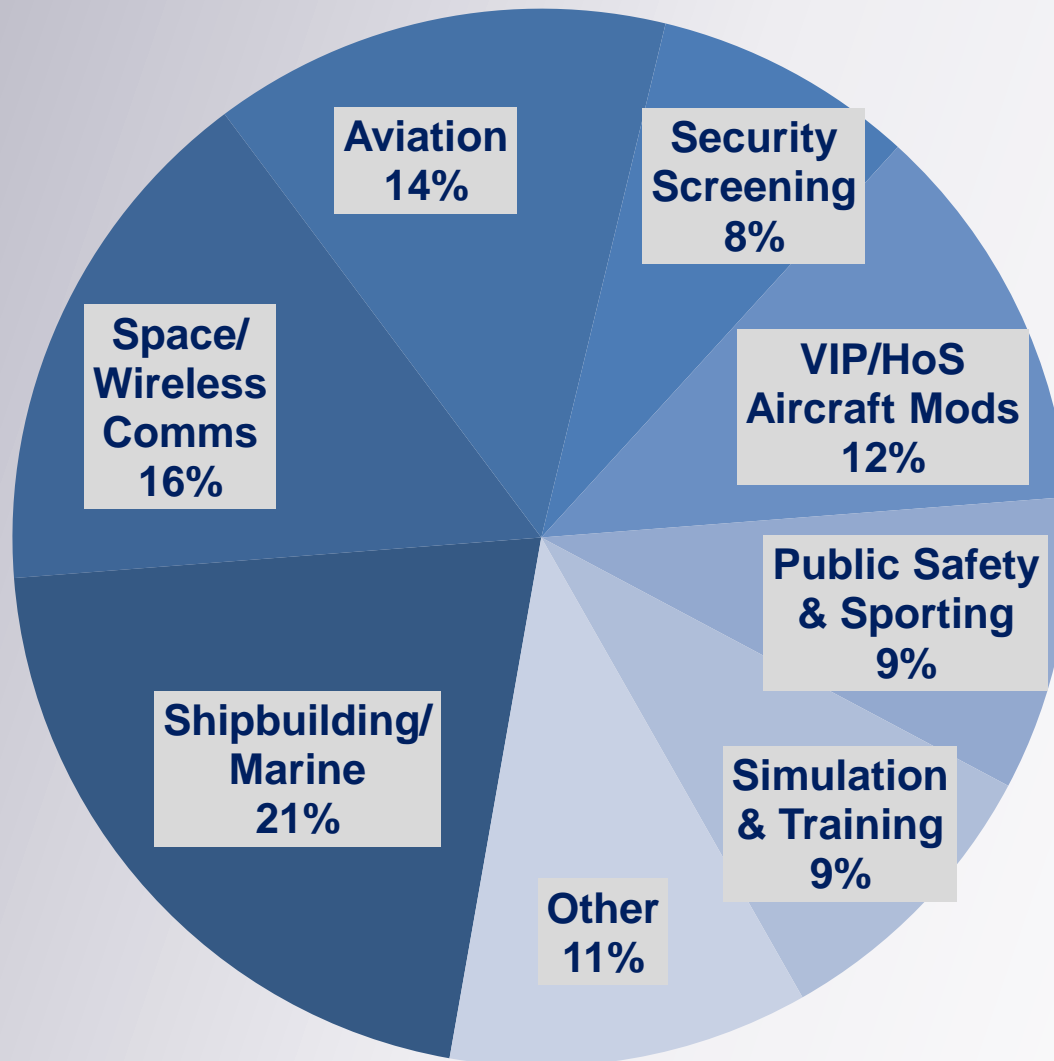
- **Commercial - - growing...favorable fundamentals**

- **Aviation products and simulation & training growing**

- **Shipboard electronics bottoming**

- **SATCOM rebounding**

# Commercial Sales by End Market



**2014 Sales Estimate \$1.8B**



# Business Considerations - - 2014

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- **Focus on gaining market share and expanding margin**
- **Maintaining international and commercial growth**
- **Turning BBP initiatives into opportunities**
- **Resizing businesses for anticipated volumes**



# Segment Re-alignment



# Segment Re-alignment

## Old Segments

## Re-Alignment

## New Segments

Electronic Systems

Electronic Systems  
(Less Microwave Products)

Electronic Systems

Microwave Products

C3ISR

Communication Systems

Communication Systems

ISR Systems

P&LS

Aerospace Systems

NSS

NSS





# Segment Trends



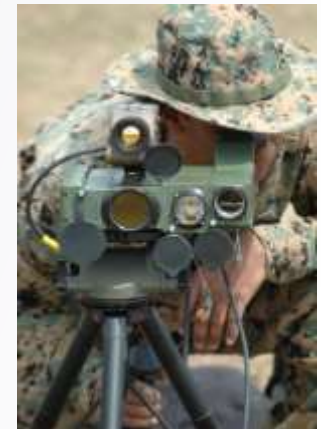
# Aerospace Systems Trends

- Investing in ISR aircraft, Multi-mission aircraft and C-130 upgrades
- Evolving missions and aging fleets creating opportunities
- Leading L-3's international growth
- Pursuing adjacent logistics markets
- Higher productivity, lower pension expense improving margin



# Electronic Systems Trends

- Diverse supplier, mostly FFP...48% international & commercial
- International & commercial growing
- M&A and IRAD to increase positions, expand markets
- Highest core margin...expansion opportunities



# Communication Systems Trends

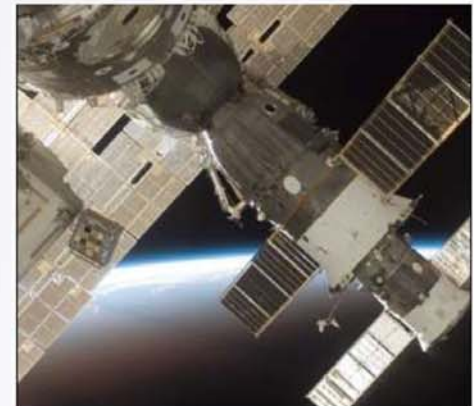
- **Solid, long-term positions**
- **Sequester, drawdown, lower tactical ISR and Army budgets reducing sales**
- **International & Commercial growing... new product introductions**
- **Investing in covert / advanced comms and antennas**
- **Technologies and components for Aerospace Systems and NSS**
- **Margin improving, lower pension expense...synergy opportunities from realignment**





# National Security Solutions Trends

- **Market pressures reducing sales...BBP, sequester, drawdowns**
- **Data Tactics acquisition adds Big Data Analytics capability**
- **Significant competition...gaining market share...won major IDIQs**
- **Developing solutions that integrate Communication Systems and Electronic Systems Technologies**
- **Margin improving**



# Synergy Opportunities

**SPYDR**



WESCAM  
Full- Motion Video



Mission Integration



Narda Microwave-West  
Connectors



Unmanned Systems  
Weapon Launch Tube



Communication Systems-West  
Data Links

**SKY WOLF™**



Aviation Recorders  
AIS Transponders



WESCAM  
Full- Motion Video



Mission Integration



Communication Systems-West  
Data Links and SATCOM



Link Simulation & Training  
Simulation/Training



IFF Transponders



Unmanned Systems  
Monitors

**L-3 product pull-through estimated at ~\$500M for SPYDR and ~\$250M for SkyWolf**



# Summary

- Company is well-positioned
- Technology/solutions align with DoD priorities
- International & Commercial growing
- Strong cash flow
- Adjusting to sequester...gaining market share...DoD budget cycle nearing upturn



***L-3 healthy, agile and focused***



