



**HARRIS<sup>®</sup>** ***Fiscal 2013 Second Quarter  
Earnings Call Presentation***

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# Forward-looking statements



Statements in this presentation that are not historical facts are forward-looking statements that reflect management's current expectations, assumptions and estimates of future performance and economic conditions. Such statements are made in reliance upon the safe harbor provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements in this presentation include but are not limited to: earnings, revenue, operating margin and other guidance for fiscal 2013; potential contract opportunities and awards; the potential value of contract awards; statements regarding outlook, including expected revenue, orders and cash flow. The company cautions investors that any forward-looking statements are subject to risks and uncertainties that may cause actual results and future trends to differ materially from those matters expressed in or implied by such forward-looking statements. The company's consolidated results and the forward-looking statements could be affected by many factors, including but not limited to: the loss of our relationship with the U.S. government or a shift in U.S. government funding; potential changes in U.S. government or customer priorities and requirements (including potential deferrals of awards, terminations, reductions of expenditures, changes to respond to the priorities of Congress and the Administration, budgetary constraints, debt ceiling implications, sequestration and cost-cutting initiatives); risks inherent with large long-term fixed-price contracts, particularly the ability to contain cost overruns; the potential impact of a security breach, through cyber attack or otherwise, or other significant disruptions of our IT networks and systems or those we operate for customers; financial and government and regulatory risks relating to international sales and operations; the continued effects of the general downturn and weakness in the global economy and U.S. government's budget deficits and national debt and potential sequestration; our ability to continue to develop new products that achieve market acceptance; the consequences of future geopolitical events; strategic acquisitions and the risks and uncertainties related thereto, including our ability to manage and integrate acquired businesses; performance of our subcontractors and suppliers; potential claims that we are infringing the intellectual property rights of third parties; the successful resolution of patent infringement claims and the ultimate outcome of other contingencies, litigation and legal matters; risks inherent in developing new technologies; changes in our effective tax rate; the potential impact of natural disasters or other disruptions on our operations; the potential impact of changes in the regulatory framework that applies to, or of satellite bandwidth constraints on, our managed satellite and terrestrial communications solutions; the timing and impact of anticipated dispositions of the company's Cyber Integrated Solutions operation and Broadcast Communications business; the timing and amount of anticipated gains, losses, impairments and charges related to such dispositions; and changes in future business or other market conditions that could cause business investments and/or recorded goodwill or other long-term assets to become impaired. Further information relating to factors that may impact the company's results and forward-looking statements are disclosed in the company's filings with the SEC. The forward-looking statements contained in this presentation are made as of the date of this presentation, and the company disclaims any intention or obligation, other than imposed by law, to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

- **Solid results in challenging, uncertain government spending environment**
- **While revenue down 2%, non-GAAP EPS up \$.01, GAAP EPS up \$.07, and orders up 30%**
- **Government Communications revenue up 4% with 14.9% op margin**
- **Executing in core businesses, driving operational excellence, lowering costs, and reducing capital intensity**
- **Tracking above productivity target of \$75 million**
- **Lowering costs but not at expense of R&D...up 15%**
- **Guidance reflects greater budget uncertainty and slower spending**

Reference non-GAAP reconciliation on the Harris investor relations website.

# 2Q fiscal 2013 financial results



(\$million, except per share amounts)	<u>2Q 2012</u>	<u>2Q 2013</u>
<b>Orders</b>	\$ 1,041	\$ 1,358
<i>% increase</i>		30%
<b>Revenue</b>	1,310	1,287
<i>% increase</i>		(2)%
<b>Income from continuing operations</b>	136	142
<b>Non-GAAP income from continuing operations</b>	142	142
<i>% increase</i>		0%
<b>Operating margin</b>	17.7%	17.7%
<b>Non-GAAP operating margin</b>	18.4%	17.7%
<b>Earnings per share from continuing operations</b>	1.18	1.25
<b>Non-GAAP earnings per share from continuing operations</b>	1.24	1.25
<i>% increase</i>		1%
Reference non-GAAP reconciliation on the Harris investor relations website.		

(\$million)	2Q 2012	2Q 2013
<b>Orders</b>	\$ 268	\$ 402
Tactical Communications	183	287
Public Safety and Professional Communications	85	115
<b>Revenue</b>	526	486
Tactical Communications	391	337
Public Safety and Professional Communications	135	149
<b>Operating income</b>	172	151
<i>Operating margin</i>	32.8%	31.1%

- **Segment revenue down 8% – Tactical down 14% and Public Safety up 10%**
- **In Tactical, growth in international partially offsets decline in U.S.**
- **Strong segment operating margin of 31.1% – decline from prior year due to Public Safety revenue growth**
- **Continued focus on reducing costs to offset lower Tactical revenue**
- **Investing for the future – Tactical R&D up 10%**

(\$million)	2Q 2012		2Q 2013	
<b>Revenue</b>	\$	385	\$	396
<i>% increase</i>				3%
<b>Operating income</b>		20		32
Non-GAAP operating income		29		32
<i>Non-GAAP operating margin</i>		7.6%		8.2%

Reference non-GAAP reconciliation on the Harris investor relations website.

- Revenue up 3% – CapRock up 9% and Healthcare up 21%
- Orders up 11% – CapRock up 21% and Healthcare more than double
- Strength in CapRock and Healthcare partially offset by weakness in IT Services
- CapRock orders and revenue growth across all three markets – energy, maritime, and government
- Continued success in lowering costs and improving operating performance

(\$million)	2Q 2012	2Q 2013
<b>Revenue</b>	\$ 422	\$ 439
<i>% increase</i>		4%
<b>Operating income</b>	63	66
<i>Operating margin</i>	14.9%	14.9%

- Revenue up 4% and strong operating margin of 14.9%
- Operating margin driven by excellent operating performance and award fees, favorable program/product mix, and CAS 403 settlement
- Awards totaling \$242 million from several classified customers
- Awarded position on 5-year, \$10 billion GTACS IDIQ contract

(\$million)	<u>2Q 2012 *</u>	<u>2Q 2013</u>
Cash and cash equivalents	\$ 387	\$ 328
Depreciation and amortization	66	55
Capital expenditures	41	39
Cash flow from operations	199	159
Free cash flow	159	120
Effective tax rate	34.4%	30.8%

\* Non-GAAP (reference non-GAAP reconciliation on the Harris investor relations website)



# Fiscal 2013 guidance



Segment guidance	Revenue			EPS and op margin (non-GAAP)		
	FY12	Previous FY13	Revised FY13	FY12	Previous FY13	Revised FY13
Harris Corporation	\$ 5.45B	0 – 2% growth	2 – 4% lower	\$ 5.20	\$ 5.10 – 5.30	\$ 5.00 – 5.20
RF Communications	2.14B	3 – 4% lower	7 – 9% lower	32.8%	30% – 31%	~30%
Integrated Network Solutions	1.57B	4 – 5% growth	0 – 1% lower	8.2%	8% – 11%	9% – 10%
Government Communications	1.83B	2 – 3% growth	1 – 2% growth	14.0%	~14%	~14.5%
<b>Other guidance</b> (\$ in millions)				<b>FY12</b>	<b>Previous FY13</b>	<b>Revised FY13</b>
Cash flow from operations				\$ 853	\$ 825 – 875	\$ 800 – 850
Depreciation and amortization				260	255 – 265	255 – 265
Capital expenditures				234	210 – 230	200 – 210
Free Cash Flow				619	595 – 665	590 – 650
Tax rate				33%	~33%	~32%

Reference non-GAAP reconciliation on the Harris investor relations website for fiscal 2012 and 2013.