



HARRIS[®]

***Fiscal 2015 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 on 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, free cash flow, tax rate and other guidance for fiscal 2015; potential contract opportunities and awards; the potential value and timing of contract awards; the value of opportunity pipelines; and statements regarding outlook, including expected growth, 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 the company's relationship with the U.S. Government or a change or reduction 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); the potential impact of a security breach, through cyber attack or otherwise, or other significant disruptions of the company's IT networks and systems or those the company operates for customers; risks inherent with large long-term fixed-price contracts, particularly the ability to contain cost overruns; financial and government and regulatory risks relating to international sales and operations; the continued effects of the general weakness in the global economy and U.S. Government's budget deficits and national debt and sequestration; the company's ability to continue to develop new products that achieve market acceptance; the consequences of future geo-political events; strategic acquisitions and the risks and uncertainties related thereto, including the company's ability to manage and integrate acquired businesses; performance of the company's subcontractors and suppliers; potential claims that the company is 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 the company's effective tax rate; the potential impact of natural disasters or other disruptions on the company's operations; the potential impact of changes in the regulatory framework that applies to, or of satellite bandwidth constraints on, the company's managed satellite and terrestrial communications solutions; 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.

- **EPS of \$1.32... solid operating results plus benefit from lower taxes**
- **Revenue down 1%**
- **Good execution and lower costs while still investing in higher R&D... R&D up 3% to 5.3% of revenue**
- **Higher revenue in Government Communications Systems, international tactical radios, and commercial CapRock**
- **International revenue up 5% to 31% of revenue**
- **Improving U.S. budget environment on horizon**

2Q fiscal 2015 results



(\$million, except per share amounts)	<u>2Q 2014</u>	<u>2Q 2015</u>
Orders	\$ 1,473	\$ 1,112
<i>% increase</i>		-24%
Revenue	1,223	1,206
<i>% increase</i>		-1%
Income from continuing operations	137	140
<i>% increase</i>		2%
Operating margin	18.2%	17.5%
Earnings per share from continuing operations	1.27	1.32
<i>% increase</i>		4%

(\$million)	<u>2Q 2014</u>	<u>2Q 2015</u>
Orders	\$ 512	\$ 356
Tactical Communications	387	263
Public Safety and Professional Communications	125	93
Revenue	455	432
Tactical Communications	320	316
Public Safety and Professional Communications	135	116
Operating income	142	125
<i>Operating margin</i>	31.3%	28.9%

- **Segment revenue down 5% – higher international revenue offset by weak U.S. tactical and public safety markets**
- **International continued to show strength – higher revenue, good orders, and solid opportunities firming up in \$2.5B opportunity pipeline**
- **Significant wins – \$50M new customer in Middle East, \$38M Australia follow-on, \$15M Marine Corps supporting continued modernization**
- **U.S. tactical market experiencing pick-up in procurement – bids submitted on Rifleman Radio, \$390M Next Generation Handheld portion of a potential \$900M SOCOM STC program, and Air Force Platform Engineering and Integration for Tactical and Strategic System (PEITSS) IDIQ**

(\$million)	2Q 2014	2Q 2015
Revenue	\$ 433	\$ 454
<i>% increase</i>		5%
Operating income	66	78
<i>Operating margin</i>	15.4%	17.1%

- 5 consecutive quarters of y/y revenue growth
- Customer diversification and leveraging strong core franchises in space and intelligence, avionics, air traffic management, geospatial imagery, weather.
- 17.1% operating margin – strong program performance and favorable product mix
- Strategic classified wins – \$23M new customer for space situational awareness and \$300M single-award IDIQ to integrate various intelligence systems
- New product introductions: first-to-market 5-meter unfurlable Ka-band reflector antenna for High Throughput Satellites; new light-weight fixed mesh reflector

(\$million)	2Q 2014	2Q 2015
Revenue	\$ 366	\$ 340
<i>% increase</i>		-7%
Operating income	33	28
<i>Operating margin</i>	8.9%	8.4%

- High single-digit growth in CapRock more than offset by wind-down of two major IT Services programs
- Commercial CapRock up 15% – prior year Carnival win and Energy up 8%
- CapRock Energy orders up 23%
- IT Services \$27M order for VA Wi-Fi infrastructure upgrades at 65 medical centers and \$25M classified contract award
- CapRock \$29M OceanRig order for 3 new drill ships and service extension

(\$million)	<u>2Q 2014</u>	<u>2Q 2015</u>
Cash and cash equivalents	\$ 334	\$ 470
Depreciation and amortization	50	54
Capital expenditures	52	38
Cash flow from operations	107	142
Free cash flow	55	104
Effective tax rate	32.6%	26.3%

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

Fiscal 2015 guidance



Guidance	Revenue			EPS and op margin		
	FY 14	Previous FY15	Revised FY15	FY 14	Previous FY15	Revised FY15
Harris Corporation	\$ 5.01B	-1 to -3%	-1 to -3%	\$5.00	\$ 4.75 – 5.00	\$ 4.95 – 5.05
Other information						
RF Communications	1.83B	flat to -3%	flat to -2%	30.7%	30% – 31%	30% – 31%
Government Communications	1.80B	flat to +2%	+2 to +4%	15.4%	~15%	15% – 15.5%
Integrated Network Solutions	1.46B	-7 to -8%	~ -10%	8.0%	7% – 8%	~7%
Free cash flow as % of net income				125%	~100%	~100%
Tax rate				32.2%	~32.5%	30.5% – 31%
Reference non-GAAP reconciliation on the Harris investor relations website.						