



# FISCAL 2016 THIRD QUARTER EARNINGS CALL PRESENTATION

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# Forward-looking statements



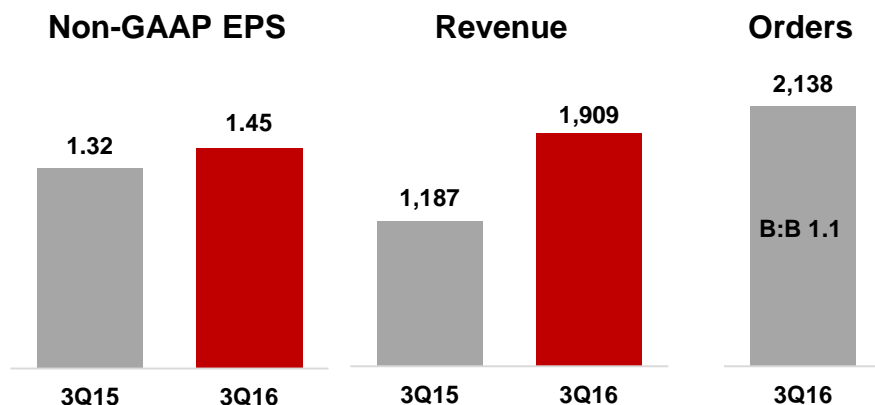
Statements in this presentation that are not historical facts are forward-looking statements that reflect management's current expectations, assumptions and estimates of future performance and economic conditions. Such statements are made in reliance on the safe harbor provisions of Section 27A of the 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, expected integration charges, intangible amortization, synergy savings, depreciation/amortization, free cash flow, tax rate, segment and other guidance for fiscal 2016; potential contract opportunities and awards; the potential value and timing of contract awards; and other statements regarding outlook or that are not historical facts. 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, future trends and forward-looking statements could be affected by many factors, risks and uncertainties, 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); 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; the level of returns on defined benefit plan assets and changes in interest rates; risks inherent with large long-term fixed-price contracts, particularly the ability to contain cost overruns; changes in estimates used in accounting for the company's programs; financial and government and regulatory risks relating to international sales and operations; effects of any non-compliance with laws; 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 uncertain economic conditions and future geo-political events; strategic acquisitions and divestitures and the risks and uncertainties related thereto, including the company's ability to manage and integrate acquired businesses (including achieve estimated synergy savings and realize other expected benefits), the actual amount and timing of integration and other acquisition-related charges and potential disruption to relationships with employees, suppliers and customers, including the U.S. Government, and to the company's business generally; performance of the company's subcontractors and suppliers; potential claims related to infringement of intellectual property rights or environmental remediation or other contingencies, litigation and legal matters and the ultimate outcome thereof; risks inherent in developing new and complex technologies and/or that may not be covered adequately by insurance or indemnity; changes in the company's effective tax rate; increased indebtedness and significant unfunded pension liability and potential downgrades in the company's credit ratings; unforeseen environmental matters; natural disasters or other disruptions affecting the company's operations; sustained weakness or volatility in oil or natural gas prices or negative expectations about future prices or volatility; changes in the regulatory framework that applies to, or of satellite bandwidth constraints on, the company's managed satellite and terrestrial communications solutions; 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; the company's ability to attract and retain key employees, maintain reasonable relationships with unionized employees and manage escalating costs of providing employee health care; and potential tax, indemnification and other liabilities and exposures related to Exelis' spin-off of Vectrus, Inc. and Exelis' spin-off from ITT Corporation. Further information relating to these and other factors that may impact the company's results, future trends 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.

# 3Q16 summary

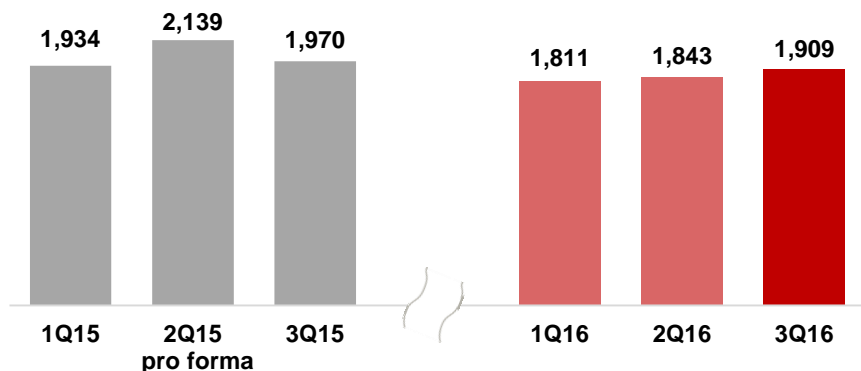


(\$million, except per share amounts)

## Reported 3Q16



## Organic revenue compare



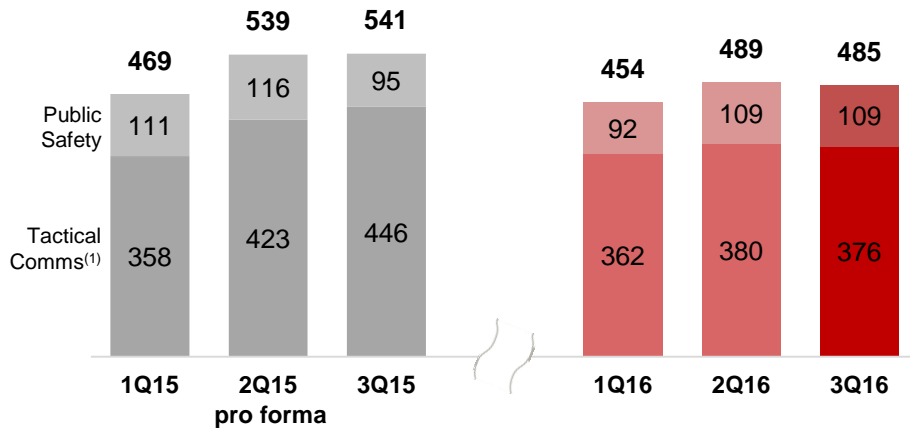
## Highlights

- **Solid 3Q EPS; continuing ramp in synergy savings**
- **3Q orders and revenue sequentially higher despite impact of lower tactical; Harris B:B > 1**
- **\$425m year-to-date FCF supporting expected \$750M for year**
- **Completed Aerostructures sale early 4Q**
  - Used proceeds to pay down debt
  - Part of ongoing strategy to optimize business portfolio
- **Less than 1 year since acquisition, repaid \$683M of term loan debt**

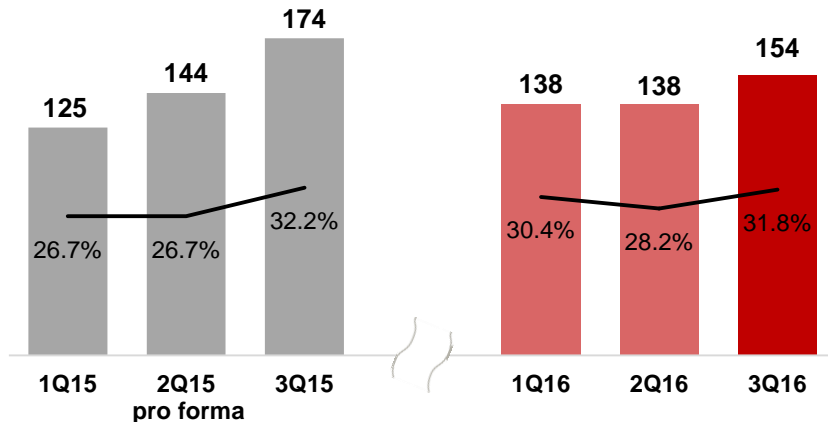
For non-GAAP reconciliations reference the Harris investor relations website.

(\$million)

## Organic revenue



## Operating income and margin

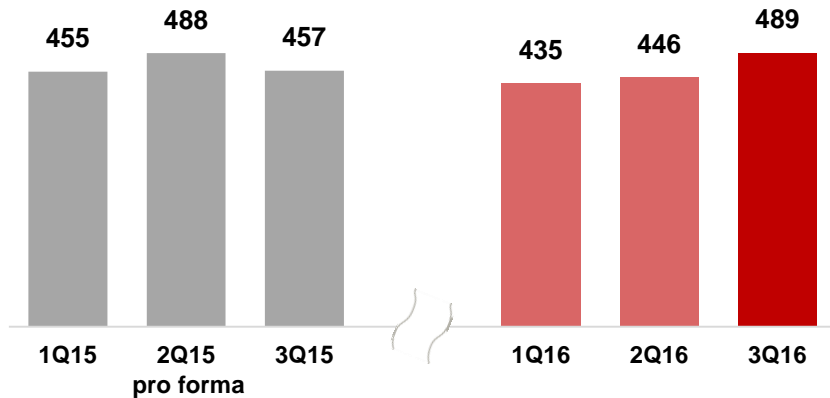


- **Segment revenue down 10%**
- **Tactical Comms<sup>(1)</sup> revenue down 16%; B:B of .8**
  - Higher Europe and Central Asia revenue more than offset by lower Middle East revenue for both legacy Harris and Exelis
  - HRS legacy down 15%; B:B of .83; backlog \$411M; \$2.9B international pipeline
  - \$12.7B IDIQ contract for Army multi-channel manpack radios
  - \$390M SOCOM protest resolved favorably
  - Selected as preferred supplier for \$600M Australia phase 3 modernization
- **Public Safety revenue up 15%; B:B of .5**

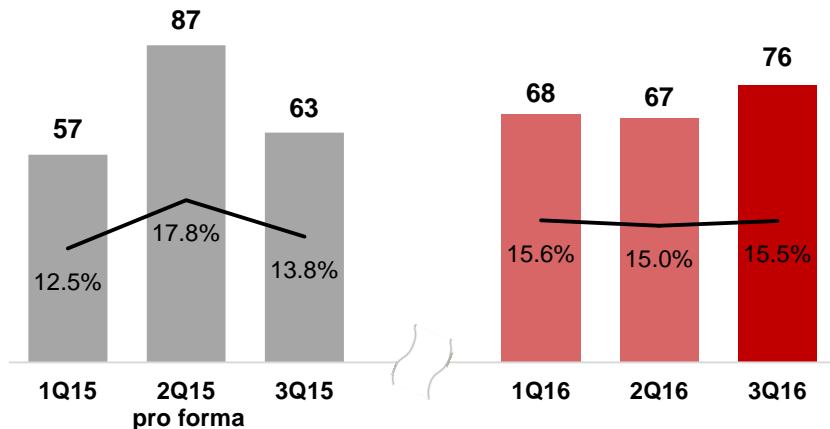
<sup>(1)</sup> Tactical Communications includes legacy Exelis night vision and communications products. For non-GAAP reconciliations reference the Harris investor relations website.

(\$million)

## Organic revenue



## Operating income and margin

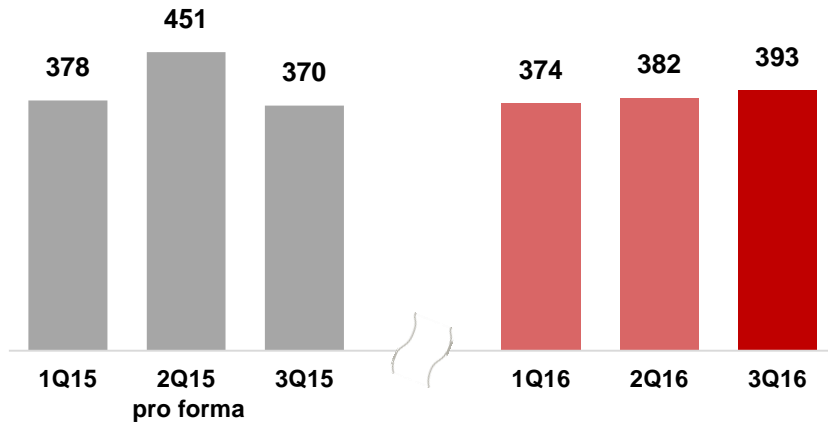


- **Segment revenue up 7%**
  - Higher revenue from a number of new classified programs, including Space Superiority
- **Orders strength w/ B:B > 1**
  - \$329M classified orders
  - \$37M for 18-meter reflector for JCSAT-17
  - \$51M under \$316M follow-on weather payload contract for 4th and 5th satellites for NASA's JPSS
- **Following 3Q, \$81M space superiority follow-on contracts with \$26M order**
  - Supports U.S. missile warning, missile defense and space surveillance missions for the SENSOR program

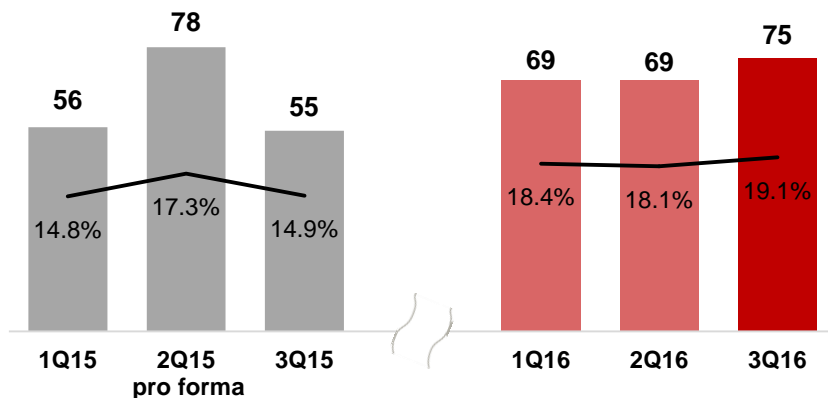
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(\$million)

## Organic revenue



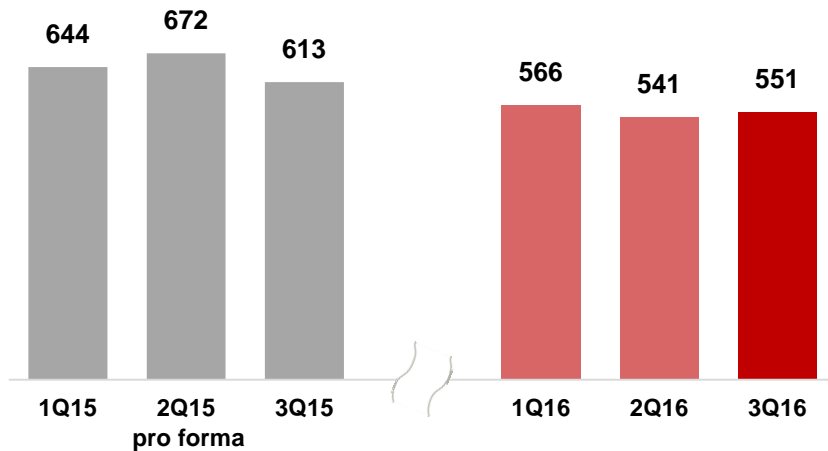
## Operating income and margin



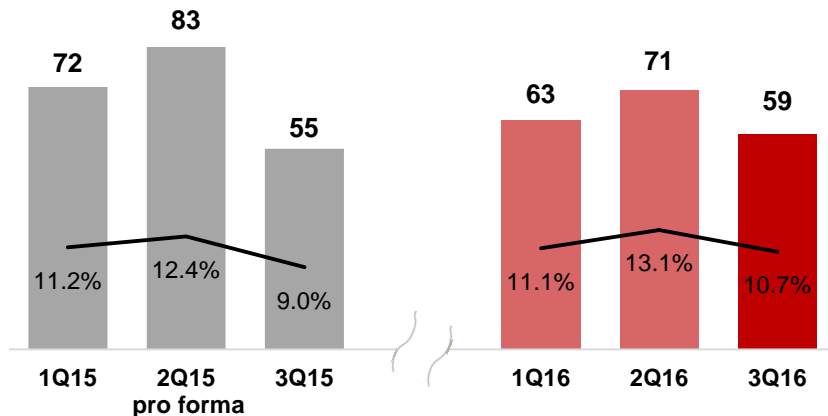
- **Segment revenue up 6%**
  - Higher F-35 ramp and EGON counter IED revenue – partially offset by lower Commercial Broadband Satellite Program terminals revenue
- **Orders strength w/ B:B > 1**
  - \$88M F/A-18 electronic jammers; \$17M electronic warfare sustainment for B-1B
  - \$41M MET program
  - \$29M Sonobouy Launching Systems
  - \$22M SATCOM terminals to the Royal Canadian Navy
- **\$121M F-35 follow-on contracts**
- **Completed Aerostructures sale early 4Q**

(\$million)

## Organic revenue



## Operating income and margin



- **Segment revenue down 10%**
  - Higher FAA NextGen modernization revenue – more than offset by lower IT services and CapRock energy
- **B:B > 1**
  - FAA significant driver; both CapRock energy and maritime > 1
- **\$44M contract for next-gen VoIP communication system for UK Air Traffic Services**
- **\$384M contract ceiling increase for NASA Space Communications Network Services (SCNS) program**
- **Transocean fleet-wide contract renewal for managed satellite communications**

# Fiscal 2016 outlook



(\$million, except per share amounts)

Guidance	Previous Fiscal 16		Revised Fiscal 16	
	\$ pre-tax	EPS	\$ pre-tax	EPS
Revenue	\$ 7,600 - 7,680		~\$ 7,500	
GAAP EPS from continuing operations		\$ 2.80 – 2.90*		~\$ 2.80*
Non-cash write-down of goodwill and other assets	367	\$ 2.63	367	\$ 2.63
Acquisition-related				
Net liability reduction for certain post-employment benefit plans	(101)	\$ (0.50)	(101)	\$ (0.50)
Integration costs	100 - 105	~\$ 0.53*	~105	~\$ 0.53*
Inventory step-up costs	~10	~\$ 0.05*	~10	~\$ 0.05*
Restructuring and other charges	35	\$ 0.19	35	\$ 0.19
Non-GAAP EPS from continuing operations		\$ 5.70 – 5.80*		~\$ 5.70*
<b>Other information</b>				
Synergy savings		\$ 70 - 75		\$ 80 - 85
Amortization of Exelis acquisition intangibles		~133		~132
CHQ expense (Non-GAAP)		70 - 75		60 - 65
Net interest expense		~185		~185
Effective tax rate - GAAP		~45%		~45%
Effective tax rate - non-GAAP		~32.5%		~31.0%
Average diluted share count		~125.0 M		~124.9 M
Capital expenditures		~200		~175
Free cash flow		~750		~750
* Amounts could change as a result of any further actions related to the Exelis acquisition				

For non-GAAP reconciliations reference the Harris investor relations website.



# Fiscal 2016 segment outlook



(\$million)

Other information	Revenue			Non-GAAP segment operating margin		
	FY15 pro forma	Previous FY16	Revised FY16	FY15 pro forma	Previous FY16	Revised FY16
Harris Corporation	\$8,085	down 5 to 6%	down ~7%			
Communication Systems	\$ 2,125	down 2 to 3%	down 8 to 9%	29.0%	29.5% – 30.5%	~29.5%
Space & Intelligence Systems	\$ 1,883	up 0 to 2%	up 0 to 2%	13.7%	15.0% – 15.5%	15.0% – 15.5%
Electronic Systems*	\$ 1,586	down 2 to 3%	down 3 to 4%*	14.4%	18% – 19%	18% – 19%
Critical Networks	\$ 2,540	down ~14%	down ~14%	10.9%	11% – 12%	11% – 12%

\*Guidance revision related to Aerostructures sale in early 4Q16 – equivalent to previous organic expectations of down 2 to 3%.

For non-GAAP reconciliations reference the Harris investor relations website.

(\$million)

## Harris legacy tactical history

	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	FY13	FY14	FY15	YTD FY16
<b>Orders</b>	<b>254</b>	<b>287</b>	<b>297</b>	<b>498</b>	<b>225</b>	<b>387</b>	<b>285</b>	<b>232</b>	<b>288</b>	<b>263</b>	<b>286</b>	<b>402</b>	<b>378</b>	<b>215</b>	<b>251</b>	<b>1,336</b>	<b>1,129</b>	<b>1,238</b>	<b>845</b>
<b>Revenue</b>	<b>307</b>	<b>337</b>	<b>276</b>	<b>335</b>	<b>305</b>	<b>319</b>	<b>335</b>	<b>348</b>	<b>276</b>	<b>317</b>	<b>356</b>	<b>366</b>	<b>296</b>	<b>314</b>	<b>302</b>	<b>1,256</b>	<b>1,307</b>	<b>1,315</b>	<b>912</b>
DoD	149	159	130	139	146	112	73	131	77	99	89	122	98	75	81	577	461	387	254
International	158	179	146	196	159	208	262	217	200	218	267	243	199	238	221	678	847	928	658
<b>Ending backlog</b>	<b>609</b>	<b>558</b>	<b>579</b>	<b>742</b>	<b>663</b>	<b>730</b>	<b>680</b>	<b>564</b>	<b>575</b>	<b>521</b>	<b>451</b>	<b>487</b>	<b>569</b>	<b>470</b>	<b>419</b>	<b>742</b>	<b>564</b>	<b>487</b>	<b>419</b>

## Aerostructures financials

	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16
Orders	19.5	63.6	8.5	3.4	8.0	23.2	17.2
Sales	22.7	24.5	19.2	20.2	19.4	18.0	21.0