



# 2023 FOURTH QUARTER EARNINGS PRESENTATION

January 26, 2024

# Forward-Looking Statements; Non-GAAP Measures



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, statements about 2024 guidance, 2024 supplemental information and other statements regarding the business growth outlook and financial performance guidance 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 those included in our Q4 earnings release or other filings with the SEC, which are available on our investor relations webpage at [www.l3harris.com/investors](http://www.l3harris.com/investors). The forward-looking statements 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. Persons reading this presentation are cautioned not to place undue reliance on forward-looking statements.

This presentation also contains non-GAAP financial measures (“NGFMs”) within the meaning of Regulation G promulgated by the SEC, including segment operating income and margin, free cash flow, organic revenue, non-GAAP EPS and effective tax rate on non-GAAP earnings, each of which is defined in our our Q4 earnings release. A reconciliation of each NGFM for 2023 is available in our Q4 earnings release. A reconciliation of forward-looking NGFMs to comparable GAAP measures is not available without unreasonable effort because of inherent difficulty in forecasting and quantifying the comparable GAAP measures and the applicable adjustments and other amounts that would be necessary for such a reconciliation, as described in our Q4 earnings release.

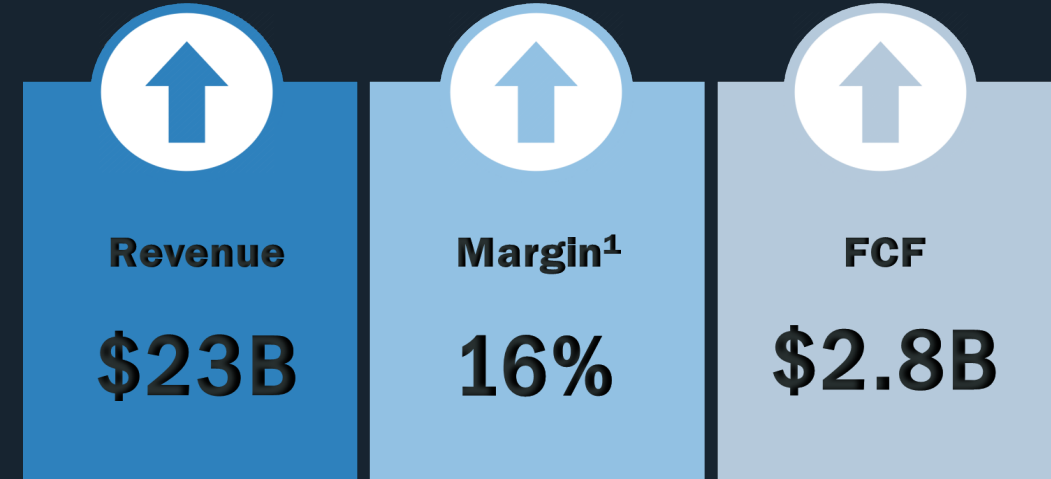


# REAFFIRMING COMMITMENT TO DRIVE SHAREHOLDER VALUE

## STRONG FOUNDATION FOR GROWTH

- ⊕ Strengthened leadership team and Board of Directors
- ⊕ Portfolio focused on national security and technology
- ⊕ Driving profitable growth through program excellence and LHX NeXt
- ⊕ Capital deployment priorities: fund the business, pay down debt and return excess cash to shareholders

## 2026 FINANCIAL FRAMEWORK



1) NGFM - reference the 4Q23 earnings release for a reconciliation to comparable 2023 GAAP measure. A reconciliation of forward-looking NGFMs to comparable GAAP measures is not available without unreasonable effort.

# 2023 HIGHLIGHTS AND 2024 GUIDANCE



## DELIVERING ON 2023 COMMITMENTS

- ⊕ \$22.8B orders, 1.18x book-to-bill driving record backlog of \$33 billion, setting the stage for continued growth
- ⊕ Delivered solid revenue growth, up 14% year-over-year, up 6% organic<sup>1</sup>
- ⊕ Segment operating margin<sup>1</sup> of 14.8%; \$12.36 Non-GAAP earnings per share (EPS)<sup>1</sup>
- ⊕ Free cash flow<sup>1</sup> (FCF) of \$2.0B
- ⊕ Closed two acquisitions: Tactical Data Links and Aerojet Rocketdyne, strengthening LHX national security-focused portfolio

## INITIATING 2024 GUIDANCE

- ⊕ Guidance aligned with Investor Day framework
- ⊕ Revenue: \$20.7B to \$21.3B
- ⊕ Segment operating margin<sup>1</sup>: ~15%
- ⊕ Non-GAAP EPS<sup>1</sup>: \$12.40 to \$12.80
- ⊕ FCF<sup>1</sup>: ~\$2.2B, up ~10%

1) NGFM - reference the 4Q23 earnings release for a reconciliation to comparable 2023 GAAP measure. A reconciliation of forward-looking NGFMs to comparable GAAP measures is not available without unreasonable effort.

# DELIVERING ON 2023 FINANCIAL COMMITMENTS



**\$22.8B**

Orders

**1.18x**

Book-to-Bill

**\$33B**

Total Backlog

**\$19.4B**

Revenue

**\$2.9B**

Segment Operating  
Income<sup>1</sup>

**14.8%**

Segment Operating  
Margin<sup>1</sup>

**\$12.36**

Non-GAAP EPS<sup>1</sup>

**\$2.0B**

Free Cash Flow<sup>1</sup>

**\$868M**

Dividends

**\$518M**

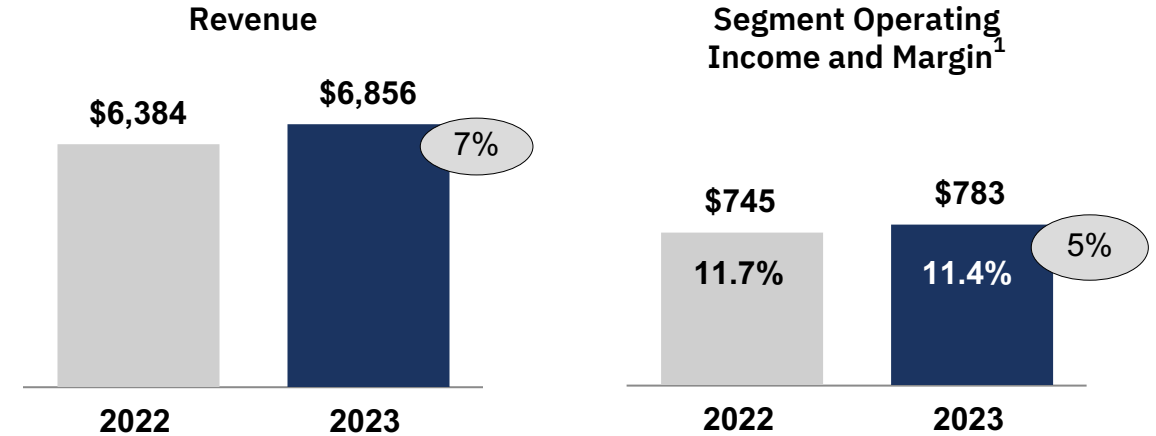
Share Repurchase

1) NGFM - reference the 4Q23 earnings release for a reconciliation to comparable GAAP measure.

# SPACE & AIRBORNE SYSTEMS



(\$ millions)



## 2023 DRIVERS

### Revenue: Increased 7%

- + Space Systems
- + Mission Networks
- + Intelligence & Cyber

### Margin: down 30 bps

- Estimate at Completion (EAC) performance
- Mix

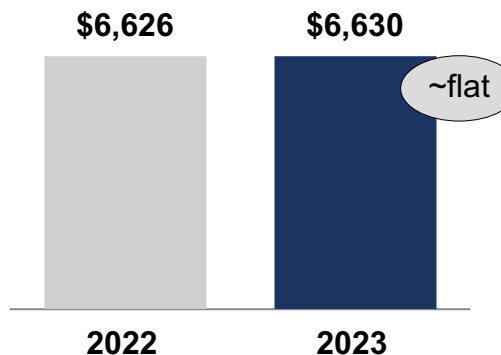
1) NGFM - reference the 4Q23 earnings release for a reconciliation to comparable GAAP measure.

# INTEGRATED MISSION SYSTEMS

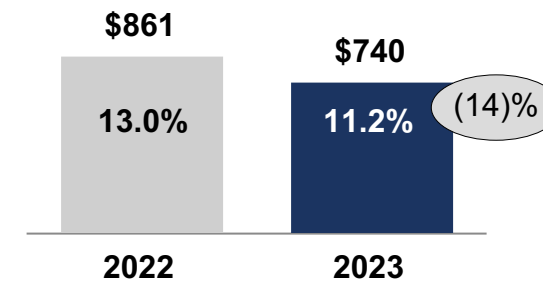


(\$ millions)

## Revenue



## Segment Operating Income and Margin<sup>1</sup>



## 2023 DRIVERS

### Revenue: ~flat

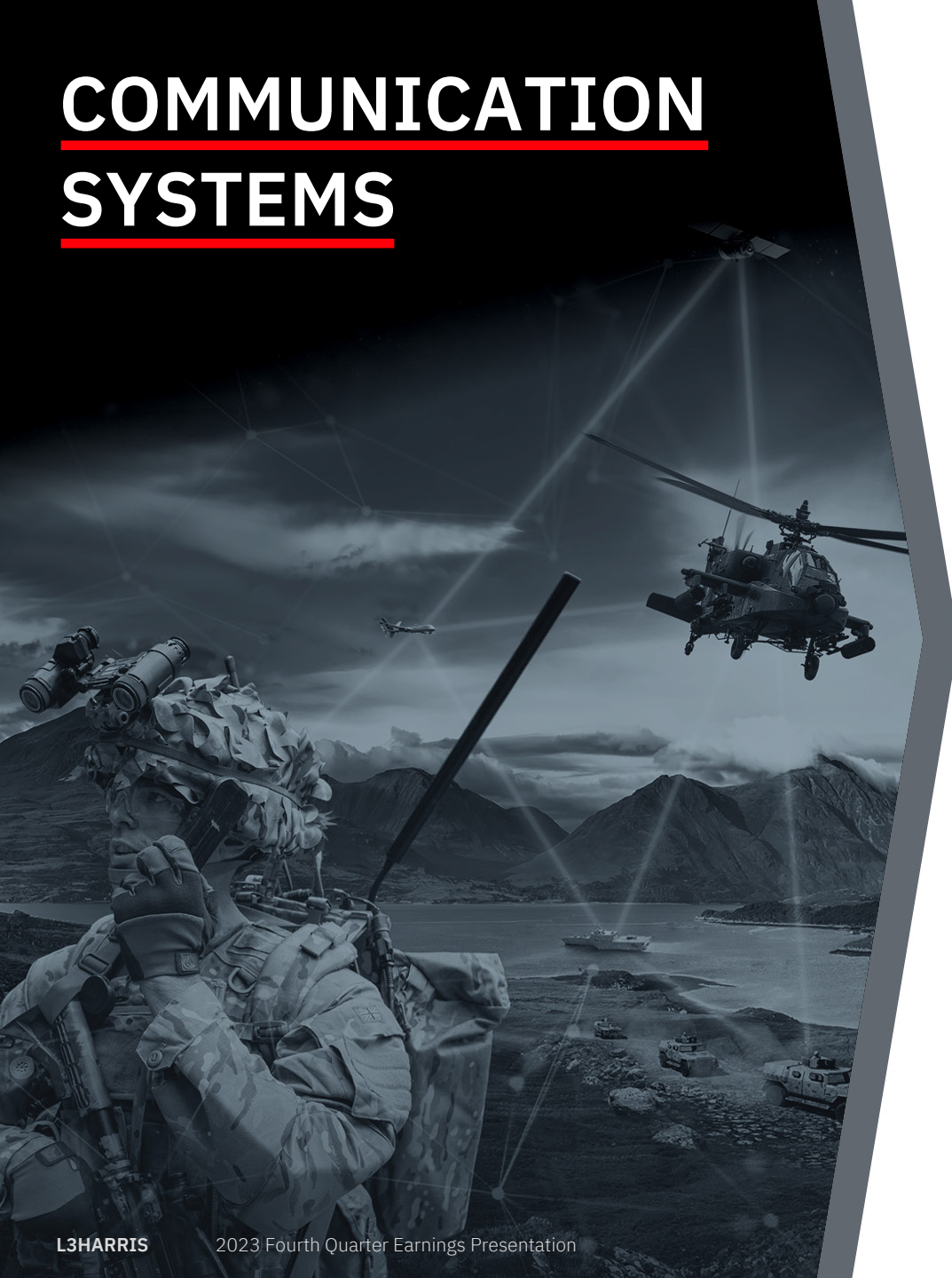
- Intelligence, Surveillance & Reconnaissance (ISR)
- + Electro-Optical
- + Maritime
- + Commercial Aviation Solutions

### Margin: down 180 bps

- Unfavorable net EAC
- Higher domestic ISR mix

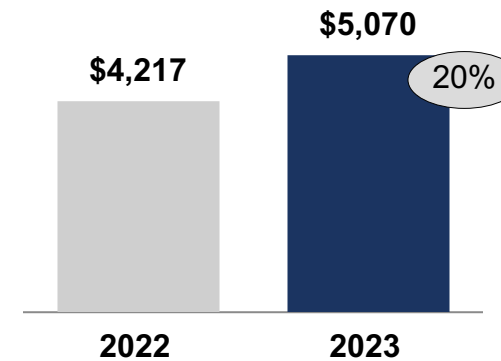
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# COMMUNICATION SYSTEMS

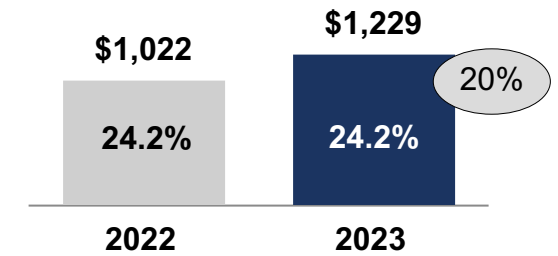


(\$ millions)

## Revenue



## Segment Operating Income and Margin<sup>1</sup>



## 2023 DRIVERS

### Revenue: Increased 20%

- + Tactical Data Links (TDL) acquisition
- + Broadband Communications
- + Tactical Communications
- + Public Safety

### Margin: flat

1) NGFM - reference the 4Q23 earnings release for a reconciliation to comparable GAAP measure.



# AEROJET ROCKETDYNE



(\$ millions)

## Revenue

\$1,052

2023

## Segment Operating Income and Margin

\$122

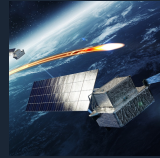
11.6%

2023

## 2023 DRIVERS

Results are attributed to program execution across missile and space programs for the 5-month post-acquisition period

# KEY AWARDS



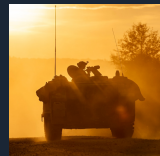
## SPACE & AIRBORNE SYSTEMS

- > Following quarter close, ~\$900 million to design and build 18 satellites for the Space Development Agency's (SDA) Tranche 2 Tracking layer program
- > ~\$135 million for advancing and improving airborne platforms (F-35, F-16, F-18, and B-52)
- > ~\$90 million for SDA Transport Layer Tranche 2 providing communication subsystems for 36 space vehicles



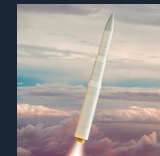
## INTEGRATED MISSION SYSTEMS

- > ~\$400 million for the procurement, modification, and testing of four G550 aircraft for the Compass Call program
- > ~\$250 million in aerial electro-optical WESCAM sensors for U.S. and International customers



## COMMUNICATION SYSTEMS

- > Following quarter close, ~\$480 million indefinite delivery - indefinite quantity (IDIQ) to enhance tactical information systems for the United States Special Operations Command (USSOCOM)
- > ~\$250 million for ENVG-B night-vision system for the U.S. Army
- > ~\$90 million to provide exportable tactical radio products for an international customer



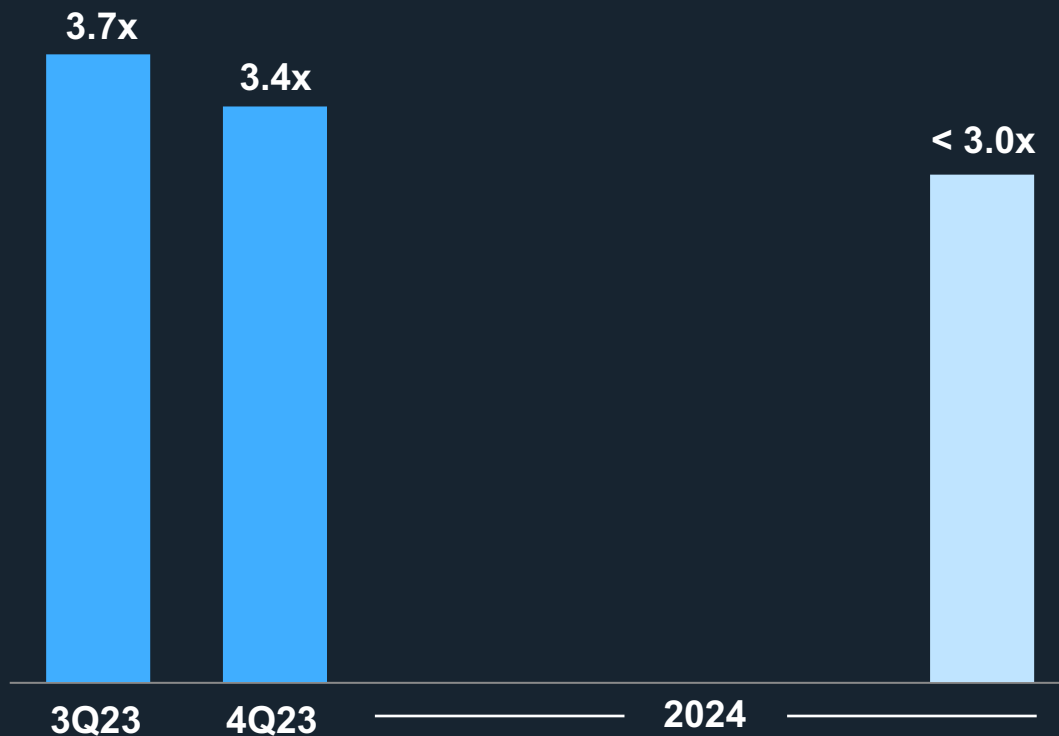
## AEROJET ROCKETDYNE

- > ~\$470 million for a long standing production contract for missile defense
- > ~\$70 million to provide Javelin rocket motors to support U.S. and allied warfighters
- > ~\$30 million for the production, testing, and delivery of RS-25 flight engines



# MAKING PROGRESS TOWARD DEBT LEVERAGE TARGET

## DRIVING TO <3.0x LEVERAGE



## CAPITAL ALLOCATION PRIORITIES

- ⊕ Invest in the business
  - Capex: ~2.0% of revenue
- ⊕ Debt pay down to <3.0x
- ⊕ Pay cash dividend
  - Increased 22 consecutive years
  - Target payout: 35% - 40% of FCF
- ⊕ Return 100% excess cash after de-levering
  - \$3.8B repurchase authorization today

# 2024 GUIDANCE



## Consolidated

<b>Revenue</b> <hr/> <b>\$20.7B - \$21.3B</b>	<b>Segment operating margin<sup>1</sup></b> <hr/> <b>~15%</b>
<b>Non-GAAP EPS<sup>1</sup></b> <hr/> <b>\$12.40 - \$12.80</b>	<b>FCF<sup>1</sup></b> <hr/> <b>~\$2.2B</b>

## Segment

	Revenue	Operating Margin <sup>1</sup>
<b>SAS</b>	\$6.9B - \$7.1B	mid-high 11%
<b>IMS</b>	\$6.4B - \$6.6B	low-mid 11%
<b>CS</b>	\$5.3B - \$5.4B	low-mid 24%
<b>AR</b>	\$2.4B - \$2.5B	high 11%

1) NGFM - a reconciliation of forward-looking NGFMs to comparable GAAP measures is not available without unreasonable effort.

# 2024 SUPPLEMENTAL INFORMATION



FAS/CAS operating adjustment	~\$40 million
Non-service FAS pension income	~\$260 million
Net FAS/CAS pension*	~\$300 million
Net interest expense*	~\$650 million
Effective tax rate on non-GAAP earnings <sup>1</sup>	13.0% - 13.5%
Average diluted shares	Flat - up slightly
Capital expenditures	~2% sales

\*Interest expense is expected to increase ~\$100 million versus the prior year, from higher debt that funded the acquisitions of AR and TDL in 2023. The company expects pension income to decrease ~\$120 million year-over-year primarily due to lower CAS pension recovery.

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# 2023 LEVERAGE RECONCILIATION



	<b>Fiscal Year 2023</b>
(In millions)	
Short-term debt	\$ 1,602
Current portion of long-term debt, net	363
Long-term debt, net	<u>11,160</u>
Total debt	<u>13,125</u>
Less cash and cash equivalents	560
Net debt (A)	<u>\$ 12,565</u>
Net income	\$ 1,227
Adjustments:	
Income taxes	23
Net interest expense	543
Depreciation and amortization	<u>1,166</u>
EBITDA	<u>\$ 2,959</u>
Significant and/or non-recurring items included in net income income above <sup>1</sup> :	
Additional cost of revenue related to the fair value step-up in inventory sold <sup>1</sup>	30
Merger, acquisition, and divestiture-related expenses <sup>1</sup>	174
Sale of asset group and business divestiture-related (gains), net <sup>1</sup>	51
Impairment of goodwill and other assets <sup>1</sup>	374
LHX NeXt implementation costs <sup>1</sup>	115
Gain on sale of property, plant and equipment	<u>(27)</u>
Total significant and/or non-recurring items included in net income income above	<u>\$ 717</u>
Adjusted EBITDA (B)	<u>\$ 3,676</u>
Net Debt to Adjusted EBITDA ratio (A) / (B)	<u>3.4x</u>

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