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Industrials

## **L3HARRIS Technologies Inc. Assumptions**

### **Revenue Growth**

A blessing of L3Harris was their recent merger, however this made modeling a bit more technical in breaking down their inputs. As a recent merger, their fiscal reporting date and calendar date shifted. So what we did was broke down their quarters to add up to an annual year. In addition, we broke down revenue into their segments as reported on their 10k: ISR Systems, Electronics, Aerospace, Communications, and Sensors. Our model has a steady growth rate of 7-8% for revenues at a conservative rate. Our hardcodes we kept moderately undervalued to try to reflect a more realistic and transparent implied value price. In fact, 3 out of their 4 most recent quarters were announced with a revenue of \$13,534 for 2020. So we were able to make a stronger prediction to the 2020 expected value. Furthermore, L3Harris is committed to investing 4% of their revenue into their research and development. LHX is well positioned in high growth industries and so our number, reflecting the overall industry, is responsible. Finally, L3Harris has been generating strong increased revenue in 3 of their 4 segments, something we don't see in competitors.

### **COGS**

COGS are projected to remain steady at around 65%. Our assumptions in our metrics was built around the cost of products within the industry and placing a conservative number here. However, we can foresee a better COGS number as LHX is well positioned to cut margins even further through extensive government contracts among large demand and distributors.

### **SG&A**

SG&A is expected to remain the same across the board at 18%. Management has made an emphasis that they will continue to increase cost-efficiency but will focus on other areas within their business. Our SG&A margin is expected to steadily increase over our model up to 2025.

### **Other Deductions**

Other deductions are expected to remain constant at 1% as a conservative measure.

### **Income Tax Rate**

The income tax rate is expected to remain constant at 21%, the industry average.

### **Depreciation & Amortization**

Vertiv management has not disclosed any information regarding D&A, so as a conservative measure it is held constant at around 2%.

### **Working Cap Changes**

All working capital changes are fully broken down in the working capital schedule which can be found in Appendix.