

IMG

Baruch College
Investment
Management
Group



L3HARRIS™

L3HARRIS Technologies Inc. (NYSE: LHX)

Current: \$187.71

Target: \$231.96 (+24%)

Time Horizon: 12-18 Months

Industry Director: Michael Betancur

Analysts: Bricen Fisher, Nirmal Malhotra, Ray Hatton

Junior Analyst: Baani Dhiman

Company Overview



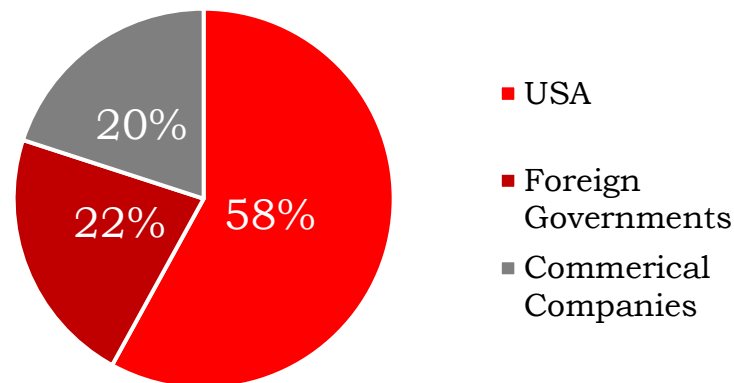
Business Description

- ▶ L3HARRIS is an aerospace and defense company headquartered out of Melbourne, FL
- ▶ L3HARRIS provides military and commercial grade equipment internationally
 - ▶ Specializes in Integrated Mission Systems, Space & Airborne Systems, Aviation Systems, and Communication Systems
- ▶ Serving customers in +100 countries internationally with +48,000 employees in 45 countries worldwide

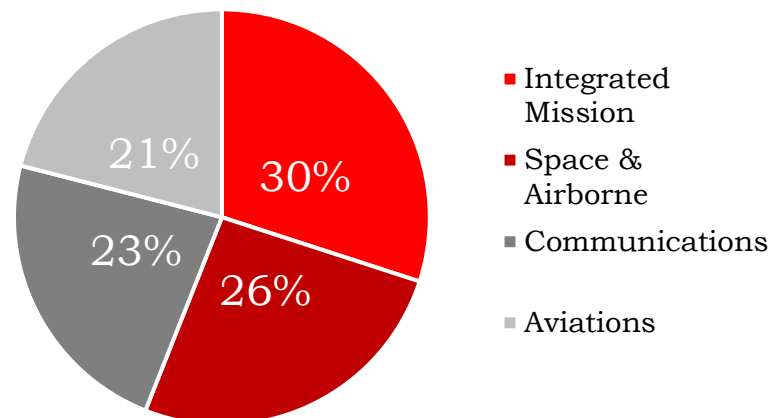
Business Highlights

- ▶ L3 Technology and Harris Corporation had a merger in July 2019 creating L3HARRIS
 - ▶ \$185M in cost synergies in 2020 with expectations of \$300M of cost synergies in 2021
- ▶ L3HARRIS historically has been generous to its shareholders
 - ▶ Shareholder buybacks up to ~\$2.2B in 2020 from ~\$1.7B in 2019 ; Annual dividend of \$3.40 per share
- ▶ L3HARRIS consistently innovates
 - ▶ Total revenue ~18B in 2019
 - ▶ ~3.8% of revenue spent on R&D or around \$684m

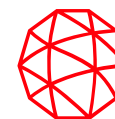
Customer Breakdown



Revenue Breakdown



Segment Overview



L3HARRIS™

Integrated Mission



- ▶ Leader in market
 - ▶ Provides ELINT and COMINT targeting systems
 - ▶ Provides Electronic integration systems for naval platforms
 - ▶ Provides Electronic and Optical sensor systems
- ▶ Contracts with USA, Australia, Canada, United Kingdom, Singapore, Taiwan and many other countries
- ▶ Revenue up organically by 6.2% YOY in 3Q20
- ▶ Operating income increased 21% YOY in 3Q20

Space & Airborne



- ▶ LHX provides solutions for space, avionics, electronic warfare, and intel & cyber
- ▶ Contracts with
 - ▶ USA, Australia, Egypt Iraq, and United Kingdom
 - ▶ Commercial contracts with Boeing, Lockheed Martin, and Northrop Grumman
- ▶ Provides parts for prominent fighters including but not limited to F-35, F-16, F-22, B-2 KF-X, F/A-18, and P-8
- ▶ Revenue up organically by 6.8% YOY in 3Q20

Communication



- ▶ LHX provides solutions for
 - ▶ Tactical Comms
 - ▶ Public Safety
 - ▶ Broadband Communications
 - ▶ Integrated Vision
- ▶ Consistent innovation in SWaP (Size, Weight, and Power)
- ▶ Expected growth from replacing legacy communication systems
- ▶ Strong lifecycle support
- ▶ Revenue up organically by 6.7% YOY in 3Q20
- ▶ Operating income increased 17% YOY in 3Q20

Aviation

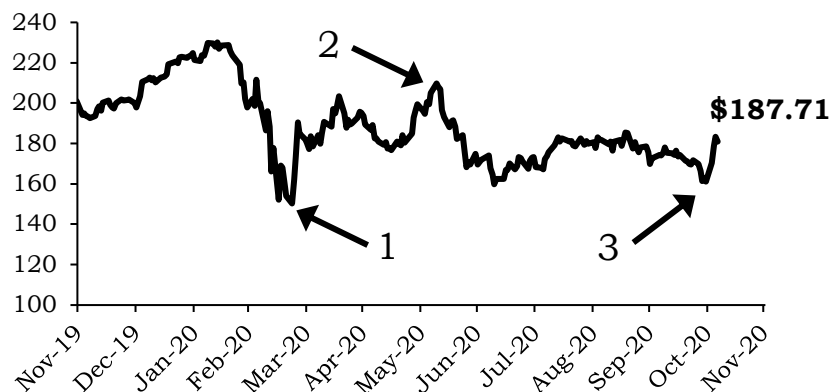


- ▶ LHX provides solutions for
 - ▶ Defense Aviation
 - ▶ Mission Networks
 - ▶ Commercial and Military Training
 - ▶ Commercial Aviation
- ▶ Contracts with USA and Commercial Contracts with Delta, Qantas, British Airways, and Airbus
- ▶ FAA ADS-B Systems
- ▶ Planned expansion in India and Australia
- ▶ Revenue down organically by 4.1% YOY in 3Q20
- ▶ Operating income down 19% YOY in 3Q20

Financial Overview



52 Week Price Change



Financial Highlights

1. LHX sells EOTech business to American Holoptics

- ▶ This business produces holographic sighting systems, magnified optics, and accessories for commercial markets. Financials not enclosed

2. Aviation suppliers expected to lose \$60B

- ▶ Rise of COVID-19 caused a decrease in travel, reducing need for new or replacement equipment

3. LHX beat 3Q20 EPS estimates by 4.4%

- ▶ Revenue was down slightly 0.8% by estimates but 0.7% up YOY

Enterprise Value Walkthrough

\$ in Millions	
Share Price	\$181.04
Shares Outstanding	210.1
Equity Value	38,038.7
Cash & Short-Term Investments	1,341.0
Total Debt	7,666.0
Preferred Equity	NA
Minority Interest	126.0
Enterprise Value	44,489.7

Key Metrics

Market Cap	\$38.04 Bn
52 Week Range	\$142.01 - \$230.99
EV/EBITDA	10.3x
LTM Gross Profit Margin	28.2%
LTM P/E	15.99x
Beta	0.75

Industry Overview



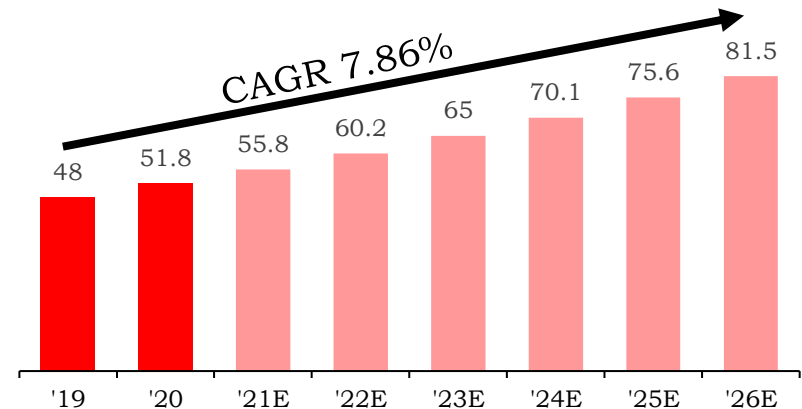
Aircraft Defense

- ▶ Aircraft Defense market size is poised to grow at a 3.25% CAGR through 2025 reaching \$42.87B globally
- ▶ Innovation around pre-existing & new market fighters internationally such as the F-35 is driving demand in aircraft defense
 - ▶ Lockheed Martin requires parts from L3HARRIS including but not limited to cockpit displays, smart weapons rack, infrastructure components, and other classified parts

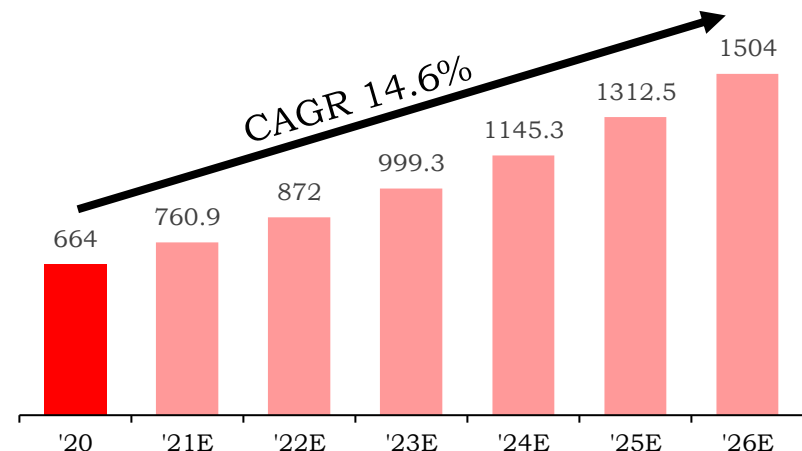
Maritime Defense

- ▶ Maritime Defense market size is expected to grow at a 8.51% CAGR through 2025 reaching \$29.91B internationally
- ▶ Unmanned vehicles are rapidly increasing in demand with the US Navy forecasting ~1.2B in spending in 2021
- ▶ L3HARRIS's has been awarded a \$281 million US Navy contract to develop unmanned vehicles
 - ▶ Huntington Ingalls is interested in this market but is not directly working with the government to produce unmanned vehicle

Avionics Market Size (\$B)



UUV Market Size (\$M)



Investment Rationale



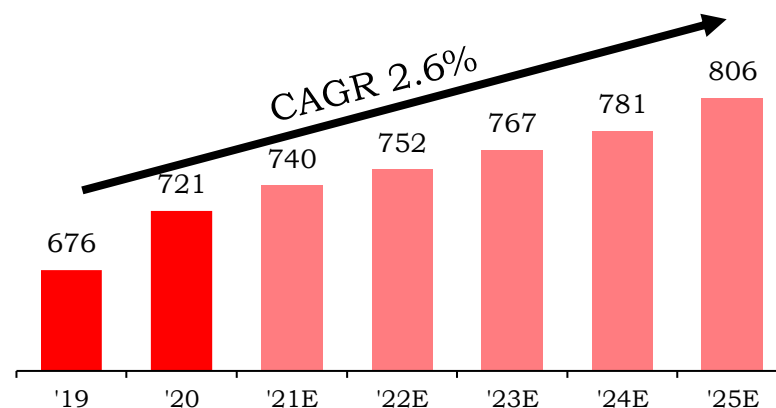
► Creates sure free cash flow & steady growth even in flat spending environment

- Its product portfolio is geared around strategic priorities, like space and electronic warfare with +48% spending increase to \$4.4 billion in 2023
- LHX has stable, predictable revenues due to their record Backlog and stable spending seen in 2020
- Space defense budget request are +15% to \$14.1 billion, & the cyber request is +10% to \$9.6 billion for 2021's defense spending budget
- Biden isn't planning major defense cuts & Trumps budget proposal was \$740 billion, +\$19 billion YoY

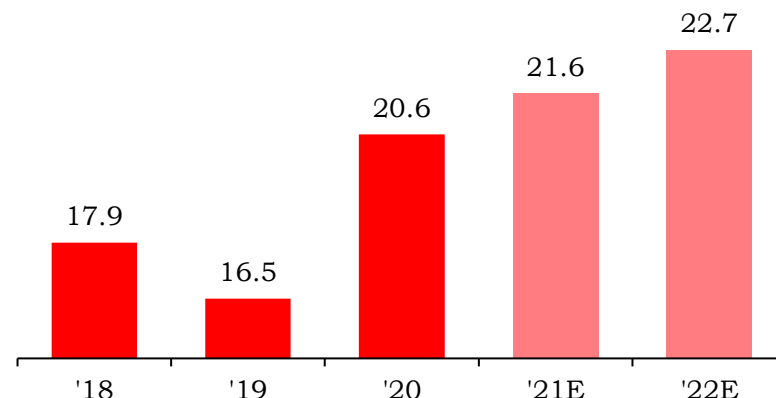
► Expanding margins while consistently growing revenue and backlog

- Revenue grew organically across the board at ~6% save aviation due to weak growth in the industry
- Integrated Mission Systems increased operating margin +3% from 12.6% to 15.7%, creating an operating income boost of roughly 30%
- L3 and Harris merger has allowed has realized \$500 million in cost synergies one year ahead of schedule continuing aggressive cost optimization
- Backlog grew 3% to \$20.6 billion providing support in uncertain times of spending. LHX's book-to-bill ratio of 1.1x shows LHX booking more orders than delivered

Defense Spending in the US (\$B)



LHX Backlog (\$B)



Investment Rationale



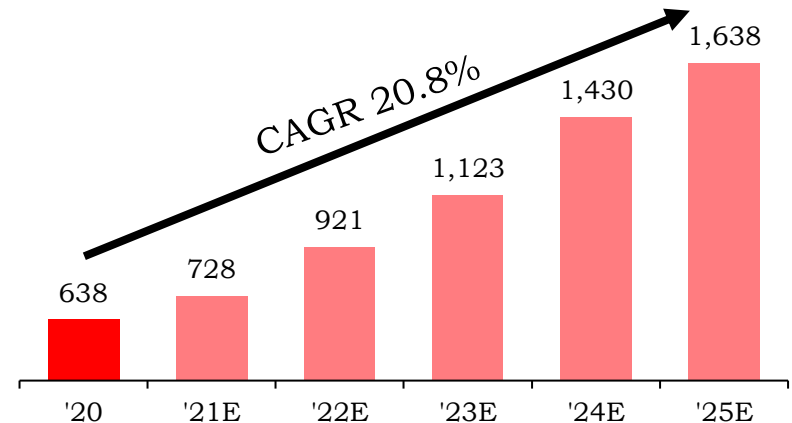
► Substantial growth in Integrated Mission Systems under electro-optical & maritime markets

- ENVG-B goggles detect 80% of targets at 150m, +50% higher than the current use 3rd Generation NVG at only 30% of targets being detected at 150m
- In late October, LHX awarded \$442 million at ~88,000 units with 77,000 expected for all 3rd-Gen replacement
- Autonomous Underwater Vehicle market to grow from \$638 million to \$1.6 billion in 2025 at a CAGR of 20.8% used for anti-submarine warfare & pipeline monitoring
- DOD requests a 10x budget increase on unmanned vessels & +50% more for robotics development totaling \$3.7 billion on unmanned systems & \$900 million on AI

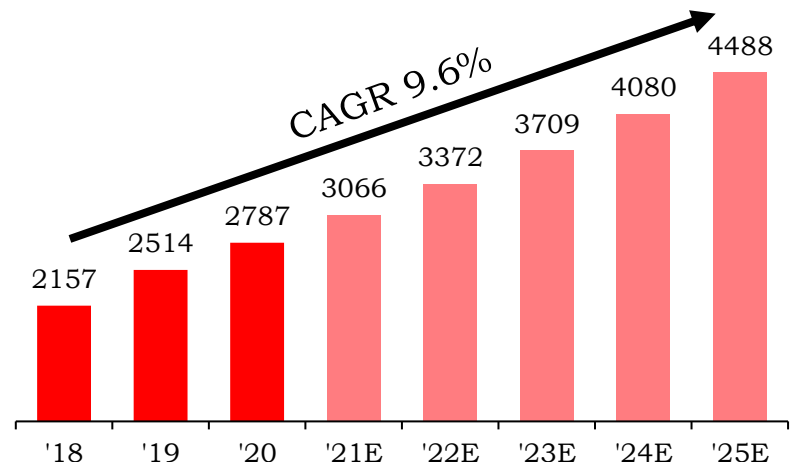
► Fastly growing space-based warfare threat creates revenues for LHX's Space segment

- Space Force tracks +26,000 satellites & growing rapidly. Sorting threats in more crowded space environment is becoming increasingly difficult
- As Space Force matures, spending will grow \$2.6 billion over the next five yrs. Procurement spending will nearly double from \$2.4 to \$4.7 billion in 2025
- Developing end-to-end satellite defense system under \$193 million fixed-price contract, likely to increase along with Space Force spending and need for defense
- LHX Achieved 25% life-cycle cost reduction & improved performance for Air Force Space Command support

AUV Market (\$M)



Satellites in Orbit



Investment Rationale



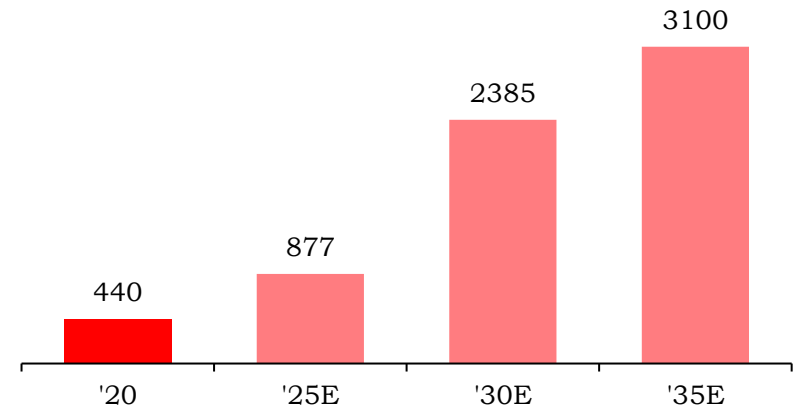
► Geopolitical and security challenges drive growth across the board

- LHX entered a strategic partnership with Inmarsat to deliver Global Xpress L-TAC satellite communications services to government customers worldwide
- Awarded \$380 million indefinite delivery indefinite quantity contract for WESCAM MX-Series products & services for U.S. surveillance & targeting ops
- LHX is the #1 provider of simulators for USAF with 90% of F-16 simulators in use on +8 training systems
- Over 1,500 aged F-16s & A-10s are being replaced by F-35s with major infrastructure & training from LHX. LHX will continue to capture growth from this transition

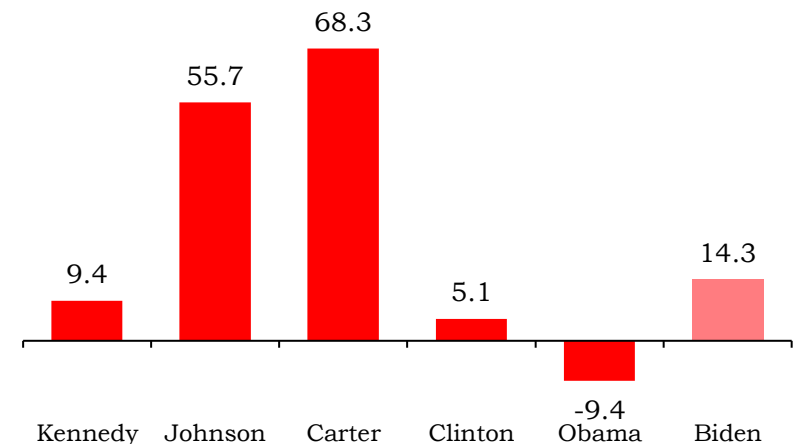
► Leader in winning Government contracts thanks to superior technology

- Secured a 10-yr award as prime mission integrator on major projects generating +\$2 billion in sales
- LHX recently secured a five-year \$97.5M contract from USAF to manage electronic warfare module repairs to eight foreign military customers
- LHX creates sticky revenue where contractual products require continuous maintenance and training. LHX has also seen massive contract procurement in Q3
- L3HARRIS recently secured a \$1.3 billion contract driving revenue over 10 yrs with +10 global agencies

Number of F-35s Active



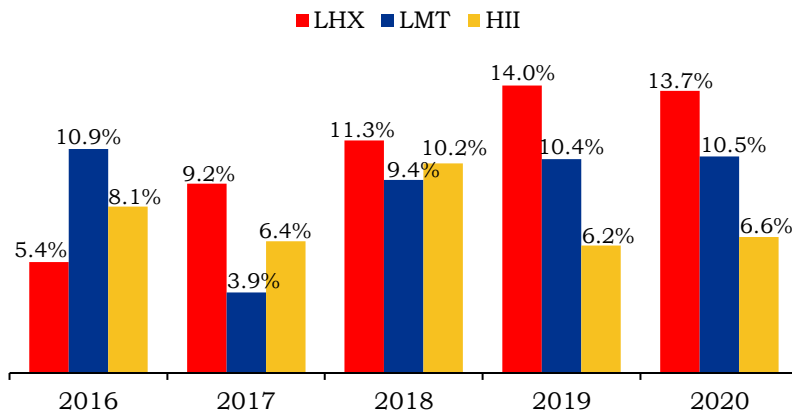
Defense Budget for Democratic Presidents (+%)



Portfolio Placement



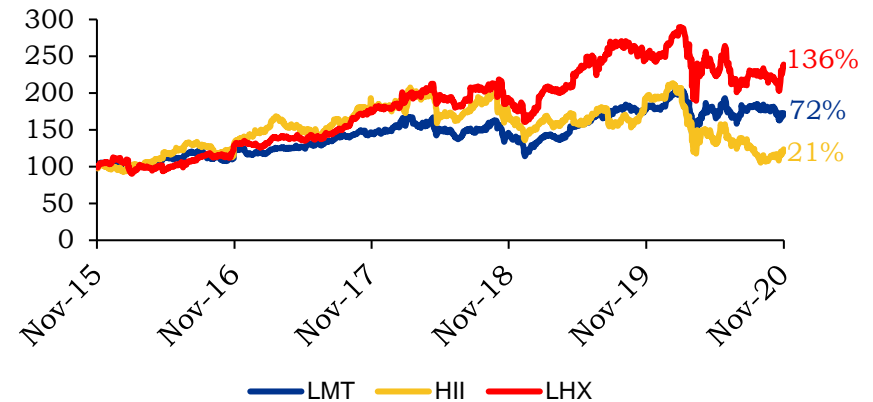
Annual Net Income Margin



Portfolio Allocation

- ▶ Reallocation of portfolio to capture future trends creating an upside potential of over 24%
- ▶ LHX serves to capture growth in future trends in markets that remain untapped by large industry players such as LMT and HII
- ▶ LMT and HII have seen poor performance that has not created alpha in large for the IMG portfolio. LHX will allow IMG to capture the growth from an LMT competitors that is consistently winning over LMT

5 Year Index



Capturing Trends in Growth Markets

- ▶ LHX becoming the 6th largest in the defense market allows continued growth government relations
- ▶ LHX has a history of winning contracts in growing industries like space and maritime at a record of over 55% for 2020
- ▶ LMT and HII remain focused on their main offerings without creating much effort to go outside their focuses (aircraft & ship building) to venture into new growth markets

Competitive Landscape



Mkt Cap	101,684.6
Net Income	6,539
Beta	0.94

- ▶ Operates in the aerospace, defense, arms, security and advanced technology sector globally
- ▶ LMT strongly relies on LHX to improve their avionics system as well being dependent on LHX for their displays in the F-35 Aircrafts
 - ▶ Turkey was dropped from the F-35 program. LMT will have to find a new supplier to replace the over 900 parts Turkey makes
- ▶ Pentagon cancelled LMT's \$928M contract to develop HSCW due to funding priorities
 - ▶ Instead chose \$382M Air Force contract to develop ARRW



Mkt Cap	6,353.2
Net Income	528
Beta	0.95

- ▶ Manufacture and design military grade ships under the three segments: Ingalls Shipbuilding, Newport News Shipbuilding and Technical Solutions
- ▶ HII current gross profit margin is 17.25% vs LHX Gross Profit Margin of 28.2%
- ▶ High employee attrition rate
 - ▶ Despite spending over \$100 million a year in development and training for their employees which is significantly higher than its competitors, employee turnover rate is very high



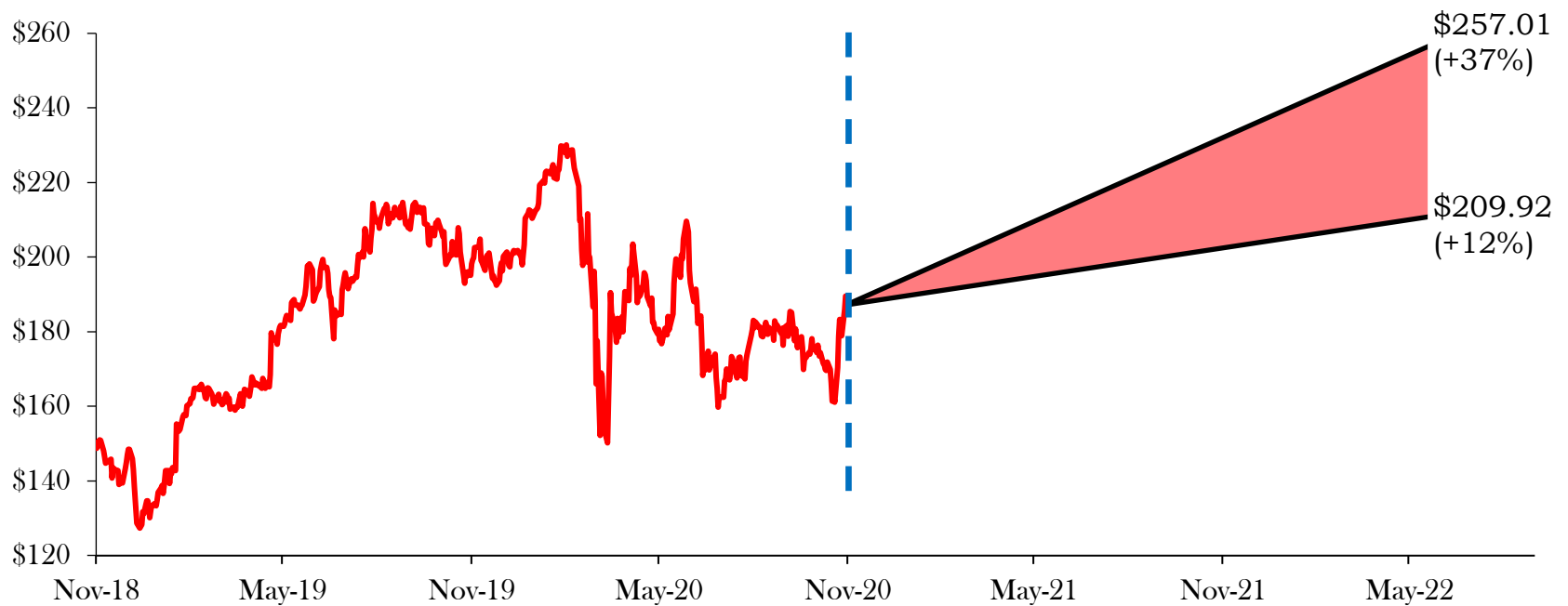
Mkt Cap	87,907.7
Net Income	(2,511)
Beta	0.79

- ▶ Operates in the aerospace and defense manufacturing sector
 - ▶ RTX is the result of the merger between United Technologies Corporation and Raytheon Company in April 2020
- ▶ RTX was kicked off the Dow Jones index on Aug 31 because of its low share price (\$64.99) and replaced by Honeywell (\$196.99)
- ▶ Their EPS fell 2% on average annually with sales rising only 1% for the past three years
- ▶ RTX has an 8.35% ROE VS a 28% ROE for LHX

Valuation



LHX Stock Price Growth Potential



Public Comparables



Company	Market Cap (USD)	TEV (USD)	TEV/EBITDA			P/E			Debt / LTM EBITDA
			LTM	2021E	2022E	LTM	2021E	2022E	
Lockheed Martin Corporation	\$98,601	\$107,724	11.1x	10.1x	9.6x	15.1x	13.5x	12.7x	1.3x
Northrop Grumman Corporation	49,453	60,524	12.7x	11.3x	10.7x	20.2x	12.4x	11.5x	3.4x
General Dynamics Corporation	38,965	50,868	9.1x	9.8x	9.1x	12.2x	11.8x	10.8x	2.4x
BAE Systems plc	17,118	19,451	7.7x	5.4x	5.1x	10.9x	9.4x	8.6x	2.5x
Textron Inc.	8,633	10,173	9.5x	7.9x	6.8x	31.7x	13.9x	11.6x	3.8x
Huntington Ingalls Industries, Inc.	6,054	7,699	6.9x	9.9x	8.9x	11.5x	13.2x	11.3x	2.0x
Mercury Systems, Inc.	4,030	3,802	25.9x	18.4x	16.5x	47.0x	46.0x	36.8x	NM
25th Percentile			7.7x	7.9x	6.8x	11.5x	11.8x	10.8x	1.9x
75th Percentile			12.7x	11.3x	10.7x	31.7x	13.9x	12.7x	3.5x
Mean			11.8x	10.4x	9.5x	21.2x	17.2x	14.8x	2.6x
Median			9.5x	9.9x	9.1x	15.1x	13.2x	11.5x	2.4x
L3Harris Technologies, Inc.	\$36,840	\$45,110	9.81x	10.98x	10.38x	30.90x	16.39x	14.78x	1.51x

DCF



Discounted Cash Flow Analysis							
L3Harris Technologies, Inc.							
(\$ 'mm)							
Fiscal Year Ending Dec 31	2019A	2020E	2021E	2022E	2023E	2024E	2025E
Revenue	\$12,856	\$24,426	\$26,283	\$28,280	\$30,175	\$32,197	\$34,354
(-) COGS	(9,088)	(16,366)	(17,189)	(18,495)	(19,735)	(21,057)	(22,468)
Gross Profit	3,768	8,061	9,094	9,785	10,441	11,140	11,886
(-) Op. Ex	(2,634)	(4,519)	(5,099)	(5,486)	(5,854)	(6,053)	(6,459)
Operating Income	1,134	3,542	3,995	4,299	4,587	5,087	5,428
(-) Tax Effect	(146)	(744)	(839)	(903)	(963)	(1,068)	(1,140)
NOPAT	988	2,798	3,156	3,396	3,623	4,019	4,288
(+) D&A	258	366	394	424	453	483	515
(-) CapEx	(136)	(244)	(631)	(679)	(724)	(773)	(824)
(Inc) / Dec in NWC	94	(753)	(184)	(206)	(195)	(208)	(51)
Free Cash Flow	1,204	2,167	2,736	2,935	3,157	3,521	3,928
PV of Cash Flow			\$2,631	\$2,680	\$2,735	\$2,895	\$3,066

DCF Output



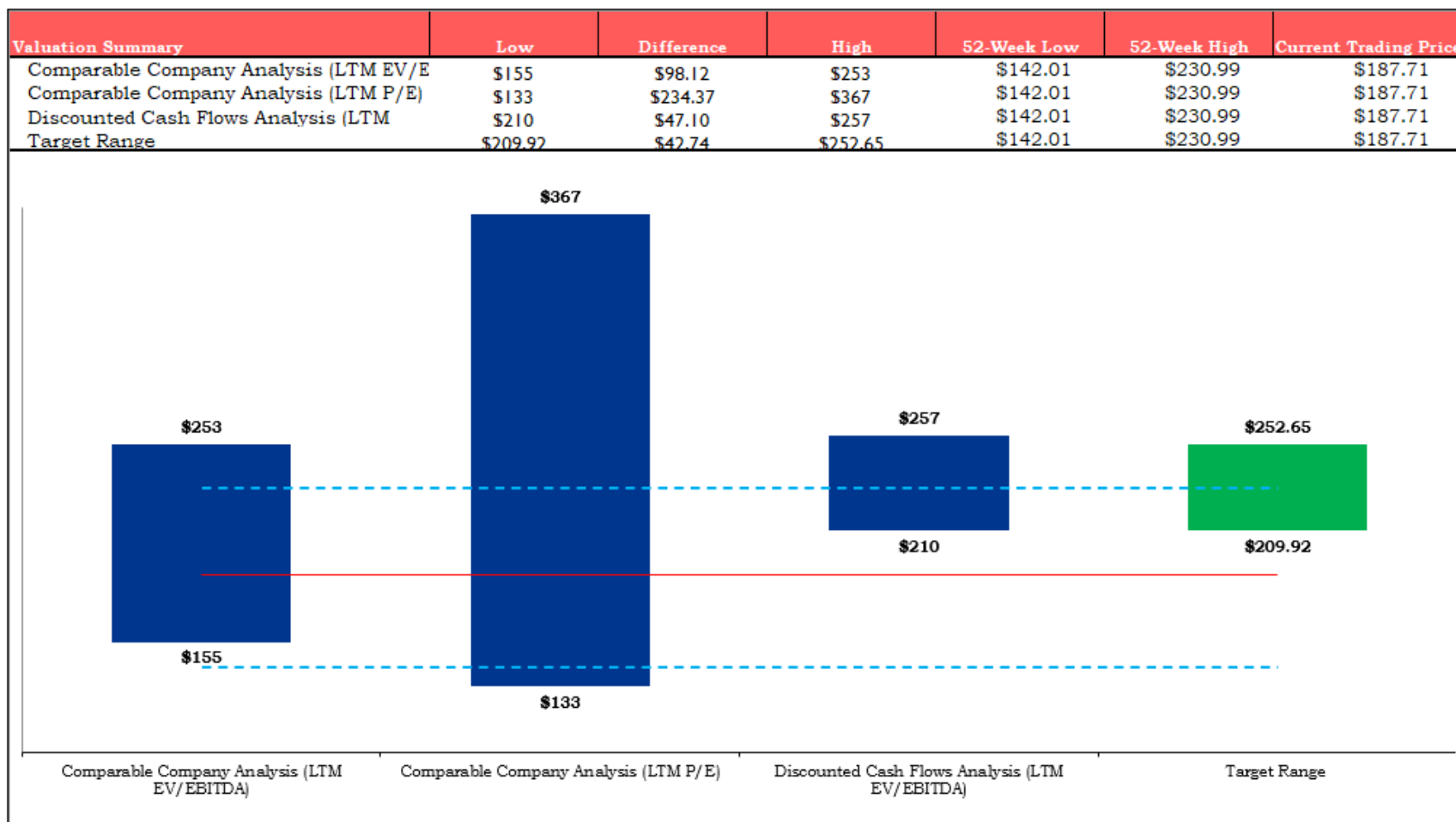
L3HARRIS™

WACC	
Risk Free Rate	0.98%
Levered Beta	0.74
Market Risk Premium	5.8%
Cost of Equity	5%
Pre-Tax Cost of Debt	6.5%
After-Tax Cost of Debt	5.7%
% Equity	73.5%
% Debt	26.5%
WACC	5.4%

Implied Share Price	
Sum of Free Cash Flow	\$ 14,008
Exit Multiple (TEV/EBITDA LTM)	9.5x
Terminal Value	\$ 56,506.34
Discounted Terminal Value	\$ 43,531
Implied Enterprise Value	\$ 57,538
Less: Net Debt	7,666
Less: Noncontrolling Interest	0
Implied Equity Value	\$ 49,872.41
Diluted Shares Outstanding	215
Implied Share Price	\$ 231.96

Sensitivity Analysis										
	Exit Multiple									
	9.1x	9.2x	9.3x	9.4x	9.5x	9.6x	9.7x	9.8x	9.9x	
Weighted Average Cost of Capital	1.4%	\$265	\$267	\$270	\$273	\$275	\$278	\$280	\$283	\$286
	2.4%	254	256	259	261	263	266	268	271	273
	3.4%	243	245	248	250	252	255	257	259	262
	4.4%	233	235	237	240	242	244	246	249	251
	5.4%	223	226	228	230	232	234	236	238	240
	6.4%	214	217	219	221	223	225	227	229	231
	7.4%	206	208	210	212	214	216	218	220	222
	8.4%	198	200	202	204	205	207	209	211	213
	9.4%	190	192	194	196	198	199	201	203	205

Football Field Analysis



Potential Risks

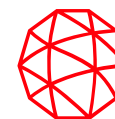


- ▶ Due to the pandemic & severe decline in global air traffic, the commercial aviation market downturned and demand for flight training, simulators, etc. significantly reduced
 - ▶ *Mitigant:* CEO Brown says supply-chain disruptions have been minimal. L3HARRIS also identified business units with 8-10% of revenues that “don’t strategically fit with the company” planning their divestures. In May, L3HARRIS sold its airport security & automation business for \$1B increasing cash on hand to cope with losses during the pandemic
- ▶ The Paris Agreement 2016 rolled out new environmental changes that could affect the product line of L3Harris and Biden has claimed we will go back into it
 - ▶ *Mitigant:* L3HARRIS has signed a virtual power purchase agreement with Lightsource and plans to reduce its greenhouse gas emissions by almost 30% by 2026. They will accept renewable energy certificates from the solar project to reduce GHG emissions from operations. This agreement is the equivalent of removing 110,000 metric tons of CO2 per year
 - ▶ *Mitigant:* Despite Biden’s election, the Senate is projected to be a republican majority therefore it is not likely to happen
- ▶ Aerospace and Defense is a harsh industry for companies to compete for independency
 - ▶ *Mitigant:* L3HARRIS strives on the internal synergies between Harris Corp and L3 Technologies in order to proficiently excel with the combination of two different expertise and domains. They are 1 year ahead of schedule and plan to accumulate 500M in gross cost synergies and 300M in net cumulative savings for 2021
 - ▶ *Mitigant:* Won a 1.2B Space Force contract and 900M Air Force training technology award since the merger’s close in July 2019 providing more visibility for future growth

Q&A

Appendix

Appendix



L3HARRIS™

In Millions	2016A	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E	2025E
<i>From Income Statement</i>										
Total Revenue	\$5,952	\$5,976	\$6,431	\$12,856	\$24,426	\$26,283	\$28,280	\$30,175	\$32,197	\$34,354
Revenue (Growth Rate)		0%	8%	100%	90%	8%	8%	7%	7%	7%
(-) COGS	(3,831)	(3,894)	(4,230)	(9,088)	(16,366)	(17,189)	(18,495)	(19,735)	(21,057)	(22,468)
COGS (% of Sales)	64%	65%	66%	71%	67%	65%	65%	65%	65%	65%
Gross Profit	2,121	2,082	2,201	3,768	8,061	9,094	9,785	10,441	11,140	11,886
(-) Selling, General, & Admin Exp.	(1,080)	(1,087)	(1,206)	(2,586)	(4,397)	(4,731)	(5,090)	(5,432)	(5,602)	(5,978)
SG&A(% of Sales)	18%	18%	19%	20%	18%	18%	18%	18%	17%	17%
(-) Other Deductions	0	0	(47)	(48)	(122)	(368)	(396)	(422)	(451)	(481)
Other Deductions (% of Sales)	0%	0%	1%	0%	1%	1%	1%	1%	1%	1%
EBIT	1,041	995	948	1,134	3,542	3,995	4,299	4,587	5,087	5,428
(-) Interest Expense	(178)	(167)	(174)	(217)	(184)	(179)	(179)	(179)	(179)	(179)
EBT	863	828	774	917	3,358	3,816	4,120	4,408	4,909	5,249
(-) Income Tax Expense	(267)	(294)	(136)	(146)	(744)	(839)	(903)	(963)	(1,068)	(1,140)
Income Tax Rate	(31%)	(36%)	(18%)	(16%)	21%	21%	21%	21%	21%	21%
NOPAT	774	701	812	988	2,798	3,156	3,396	3,623	4,019	4,288
(+) Depreciation and Amortization	216	311	259	258	366	394	424	453	483	515
D&A (% of Sales)	4%	5%	4%	2%	2%	2%	2%	2%	2%	2%
(-) CapEX	(152)	(113)	(160)	(136)	(244)	(631)	(679)	(724)	(773)	(824)
CapEx (% of Sales)	3%	2%	2%	1%	1%	2%	2%	2%	2%	2%
(-) Change in Working Cap	NM	NM	NM	94	(753)	(184)	(206)	(195)	(208)	(51)
Free Cash Flow	\$838	\$899	\$911	\$1,204	\$2,167	\$2,736	\$2,935	\$3,157	\$3,521	\$3,928
Discount Factor						125%	225%	325%	425%	525%
Stub						1	1	1	1	1
PV of Cash Flow						\$2,631	\$2,680	\$2,735	\$2,895	\$3,066

Appendix



WORKING CAPITAL SCHEDULE								
Fiscal Year Ending December 31								
	2018A	2019A	2020E	2021E	2022E	2023E	2024E	2025E
Accounts receivable								
Beginning of period	\$2,685	\$2,135	\$3,401	\$7,084	\$7,622	\$8,201	\$8,751	\$9,337
Increases / (decreases)	(550)	1,266	3,683	538	579	549	586	454
End of period	2,135	3,401	7,084	7,622	8,201	8,751	9,337	9,791
AR as % of sales	33%	26%	29%	29%	29%	29%	29%	29%
Days sales outstanding (DSO)	121 days	97 days	106 days	106 days	106 days	106 days	106 days	104 days
Inventory								
Beginning of period	3,573	2,212	3,351	4,910	5,157	5,549	5,920	6,317
Increases / (decreases)	(1,361)	1,139	1,559	247	392	372	397	423
End of period	2,212	3,351	4,910	5,157	5,549	5,920	6,317	6,740
Inventory as % of COGS	52%	37%	30%	30%	30%	30%	30%	30%
Other Current Assets								
Beginning of period	890	973	1,095	1,964	2,063	2,219	2,368	2,527
Increases / (decreases)	83	122	869	99	157	149	159	169
End of period	973	1,095	1,964	2,063	2,219	2,368	2,527	2,696
Inventory as % of COGS	23%	12%	12%	12%	12%	12%	12%	12%
Accounts payable								
Beginning of period	1,882	2,117	3,732	6,546	6,876	7,398	7,894	8,423
Increases / (decreases)	235	1,615	2,814	329	523	496	529	564
End of period	2,117	3,732	6,546	6,876	7,398	7,894	8,423	8,987
AP as % of COGS	50%	41%	40%	40%	40%	40%	40%	40%
Days payables outstanding (DPO)	173 days	117 days	115 days	143 days	141 days	141 days	141 days	141 days
Accrued expenses & Other								
Beginning of period	1,320	1,267	2,270	4,641	4,994	5,373	5,733	6,117
Increases / (decreases)	(53)	1,003	2,371	353	380	360	384	410
End of period	1,267	2,270	4,641	4,994	5,373	5,733	6,117	6,527
Accrued expenses as % of sales	20%	18%	19%	19%	19%	19%	19%	19%
Taxes Payable								
Beginning of period	205	69	72	244	263	283	302	322
Increases / (decreases)	(136)	3	172	19	20	19	20	22
End of period	\$69	\$72	\$244	\$263	\$283	\$302	\$322	\$344
Tax effect as a % of sales	1%	1%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
NWC	\$1,867	\$1,773	\$2,526	\$2,709	\$2,915	\$3,110	\$3,319	\$3,369
(Inc) / Dec in NWC		\$94	(\$753)	(\$184)	(\$206)	(\$195)	(\$208)	(\$51)

Appendix



Income Statement				
Income Sheet as of:				
Units	2016 Millions	2017 Millions	2018 Millions	2019 Millions
Revenues				
Revenue from Product Sales and Rentals, Services	5,952.0	5,976.0	6,431.0	12,856.0
Total Revenues	5,952.0	5,976.0	6,431.0	12,856.0
Expenses				
Cost of Products, Sales, Rentals, and Services	(3,831.0)	(3,894.0)	(4,230.0)	(9,088.0)
COGS	(3,831.0)	(3,894.0)	(4,230.0)	(9,088.0)
Engineering, Selling and administrative Expenses	(1,080.0)	(1,087.0)	(1,206.0)	(2,586.0)
Interest Expense	(178.0)	(167.0)	(174.0)	(217.0)
Interest Income	2.0	2.0	2.0	13.0
Non Operating Income (Loss)	0	0	47.0	48.0
Earnings before Taxes	876.0	920.0	983.0	1,493.0
Taxes and Other Expenses				
Provision for Income Tax	(267.0)	(294.0)	(136.0)	(146.0)
Earnings of Discontinued Operations	56.0	(120.0)	0	(2.0)
Net Income (Loss)	665.0	506.0	847.0	1,333.0

Appendix



L3HARRIS™

Balance Sheet				
Balance Sheet as of:				
Units	2016 Millions	2017 Millions	2018 Millions	2019 Millions
Current Assets				
Cash and Cash Equivalents	1,434.0	1,596.0	1,379.0	2,689.0
Accounts Receivables	3,466.0	2,685.0	2,135.0	3,401.0
Inventories	3,822.0	3,573.0	2,212.0	3,351.0
Other Current Assets	578.0	422.0	454.0	1,095.0
Total Current Assets	10,527.0	9,208.0	9,237.0	18,202.0
Non Current Assets				
Property, Plant and Equipment, Net	3,827.0	3,567.0	2,678.0	2,977.0
Deferred Income Taxes	2,071.0	1,639.0	484.0	490.0
Goodwill	23,134.0	21,483.0	21,492.0	51,461.0
Other Intangible Asset, Net	5,745.0	4,365.0	3,898.0	17,746.0
Others	924.0	890.0	973.0	1,534.0
Total Assets	47,305.0	41,152.0	39,662.0	97,192.0
Current Liabilities				
Accounts Payable	2,071.0	1,882.0	2,117.0	3,732.0
Accrued Expenses and Other Liabilities	1,545.0	1,320.0	1,267.0	2,270.0
Income Taxes Payable	82.0	205.0	69.0	72.0
Total Current Liabilities	7,514.0	7,317.0	7,774.0	12,601.0
Non Current Liabilities				
Long-term Debt Net	16,613.0	14,041.0	13,620.0	19,176.0
Deferred Income Taxes	21.0	108.0	272.0	2,744.0
Other Long-term Liabilities	2,121.0	2,071.0	2,034.0	2,681.0
Shareholders' Equity				
Additional Paid in Capital				
Accumulated Deficit	(495.0)	(494.0)	(493.0)	(492.0)
Accumulated Other Comprehensive Income	(1,585.00)	(1,241.00)	(864.00)	(2,188.00)
Total Shareholders Equity	12,632.0	11,823.0	13,071.0	52,330.0
Total Liabilities & Shareholders Equity	47,305.0	41,152.0	39,662.0	97,192.0

Appendix



L3HARRIS™

EV/EBITDA Valuation

75th Percentile	
Implied Target Price	
Exit Multiple (EV/EBITDA)	12.7x
Sum of FCF	\$0
Terminal Value	\$70,513
Discounted TV	\$ 54,321
Implied Enterprise Value	54,321
Less Net Debt	0
Implied Equity Value	54,321
Diluted Shares Outstanding	215
Implied Share Price	\$ 252.65

Mean	
Implied Target Price	
Exit Multiple (EV/EBITDA)	11.8x
Sum of FCF	\$0
Terminal Value	\$65,995
Discounted TV	\$50,840
Implied Enterprise Value	50,840
Less Net Debt	0
Implied Equity Value	50,840
Diluted Shares Outstanding	215
Implied Share Price	\$236.47

Median	
Implied Target Price	
Exit Multiple (EV/EBITDA)	9.5x
Sum of FCF	\$0
Terminal Value	\$52,958
Discounted TV	\$ 52,958
Implied Enterprise Value	52,958
Less Net Debt	0
Implied Equity Value	52,958
Diluted Shares Outstanding	215
Implied Share Price	\$246.32

25th Percentile	
Implied Target Price	
Exit Multiple (EV/EBITDA)	7.7x
Sum of FCF	\$0
Terminal Value	\$43,128
Discounted TV	\$ 33,225
Implied Enterprise Value	33,225
Less Net Debt	0
Implied Equity Value	33,225
Diluted Shares Outstanding	215
Implied Share Price	\$ 154.53

P/E Valuation

75th Percentile	
Implied Target Price	
Enterprise Value	45109.7
Net Debt	\$6,425
EPS	11.56
Equity Value	\$78,886
Fully Diluted Shares Outstanding	215
Implied Share Price	\$366.91

Mean	
Implied Target Price	
Enterprise Value	45109.7
Net Debt	\$74
EPS	11.56
Equity Value	\$52,788
Fully Diluted Shares Outstanding	215
Implied Share Price	\$ 245.53

Median	
Implied Target Price	
Enterprise Value	45109.7
Net Debt	\$6,425
EPS	11.56
Equity Value	\$37,477
Fully Diluted Shares Outstanding	215
Implied Share Price	\$174.31

25th Percentile	
Implied Target Price	
Enterprise Value	45109.7
Net Debt	\$6,425
EPS	11.56
Equity Value	\$28,495
Fully Diluted Shares Outstanding	215
Implied Share Price	\$132.54