

Third Quarter Earnings Call

October 27, 2016

Financial Data Charts



This presentation consists of L-3 Communications Corporation general capabilities and administrative information that does not contain controlled technical data as defined within the International Traffic in Arms (ITAR) Part 120.10 or Export Administration Regulations (EAR) Part 734.7-11.

Forward-Looking Statements

Certain of the matters discussed in these slides, including information regarding the company's 2016 financial guidance and 2017 preliminary outlook are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than historical facts, may be forward-looking statements, such as "may," "will," "should," "likely," "projects," "financial guidance," "expects," "anticipates," "intends," "plans," "believes," "estimates," and similar expressions are used to identify forward-looking statements. The Company cautions investors that these statements are subject to risks and uncertainties many of which are difficult to predict and generally beyond the Company's control that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. Some of the factors that could cause actual results to differ include, but are not limited to, the following: our dependence on the defense industry; backlog processing and program slips resulting from delayed awards and/or funding from the Department of Defense (DoD) and other major customers; the U.S. Government fiscal situation; changes in DoD budget levels and spending priorities; U.S. Government failure to raise the debt ceiling; our reliance on contracts with a limited number of customers and the possibility of termination of government contracts by unilateral government action or for failure to perform; the extensive legal and regulatory requirements surrounding many of our contracts; our ability to retain our existing business and related contracts; our ability to successfully compete for and win new business, or, identify, acquire and integrate additional businesses; our ability to maintain and improve our operating margin; the availability of government funding and changes in customer requirements for our products and services; the outcome of litigation matters (see Notes to our annual report on Form 10-K and quarterly reports on Form 10-Q); results of audits by U.S. Government agencies and of ongoing governmental investigations, including the Aerospace Systems segment; our significant amount of debt and the restrictions contained in our debt agreements and actions taken by rating agencies that could result in a downgrade of our debt; our ability to continue to recruit, retain and train our employees; actual future interest rates, volatility and other assumptions used in the determination of pension benefits and equity based compensation, as well as the market performance of benefit plan assets; our collective bargaining agreements; our ability to successfully negotiate contracts with labor unions and our ability to favorably resolve labor disputes should they arise; the business, economic and political conditions in the markets in which we operate; global economic uncertainty; the DoD's Better Buying Power and other efficiency initiatives; events beyond our control such as acts of terrorism; our ability to perform contracts on schedule; our international operations including currency risks and compliance with foreign laws; our extensive use of fixed-price type revenue arrangements; the rapid change of technology and high level of competition in which our businesses participate; risks relating to technology and data security; our introduction of new products into commercial markets or our investments in civil and commercial products or companies; our ability to predict the level of participation in and the related costs of our voluntary return program for certain EoTech holographic weapons sight products, and our ability to change and terminate the voluntary return program at our discretion; the impact on our business of improper conduct by our employees, agents or business partners; goodwill impairments and the fair values of our assets; and ultimate resolution of contingent matters, claims and investigations relating to acquired businesses, and the impact on the final purchase price allocations.

Our forward-looking statements speak only as of the date of these slides or as of the date they were made, and we undertake no obligation to update forward-looking statements. For a more detailed discussion of these factors, also see the information under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our most recent report on Form 10-K for the year ended December 31, 2015 and any material updates to these factors contained in any of our future filings.

As for the forward-looking statements that relate to future financial results and other projections, actual results will be different due to the inherent uncertainties of estimates, forecasts and projections and may be better or worse than projected and such differences could be material. Given these uncertainties, you should not place any reliance on these forward-looking statements.

Select Financial Data - - Third Quarter

(in Millions, except per share amounts)

	<u>3Q16</u>	<u>3Q15</u>	<u>vs. 3Q15</u>
Net Sales	\$2,505	\$2,564	-2%
Organic Growth (Decline)	(2.5)%	-	n.m.
Segment Operating Margin	8.6%	10.7%⁽¹⁾	-210 bps
Segment Operating Income	\$215	\$275⁽¹⁾	-22%
Interest Expense and Other	\$35⁽²⁾	\$40⁽³⁾	-13%
Effective Income Tax Rate Provision	16.1%	33.0%	n.m.
Minority Interest Expense⁽⁴⁾	\$3	\$3	-
Diluted Shares	78.8	81.2	-3%
Diluted EPS from Continuing Operations	\$1.88	\$1.54	22%
Adjusted Diluted EPS from Continuing Operations⁽⁵⁾	\$1.88	\$2.03	-7%
Net Cash from Operating Activities from Continuing Operations	\$210	\$288	-27%
Free Cash Flow⁽⁵⁾	\$163	\$236	-31%

Notes: (1) 3Q15 excludes after-tax losses of: (i) \$35 million (\$34 million after income taxes), or \$0.42 per share for goodwill impairment charges and (ii) \$9 million (\$6 million after income taxes), or \$0.07 per share, related to business divestitures.

(2) Interest Expense and Other for 3Q16 is comprised of: (i) interest expense of \$41 million, and (ii) interest and other income, net.

(3) Interest Expense and Other for 3Q15 is comprised of: (i) interest expense of \$43 million, and (ii) interest and other income, net.

(4) Minority Interest Expense represents net income from continuing operations attributable to noncontrolling interests.

(5) Non-GAAP Measurement. See pages 20 - 22 for a reconciliation of these GAAP to Non-GAAP Measurements.

n.m. = not meaningful

Segment Results - - Third Quarter

(in Millions)

Segment	3Q16 Net Sales	Sales Growth vs. 3Q15	3Q16 Operating Margin	Margin Change vs. 3Q15 (bps)
Electronic Systems	\$ 989	0%	12.0%	-20
Aerospace Systems	1,012	-5%	5.5%	-410
Communication Systems	504	-1%	7.9%	-240
Total Segments	\$ 2,505	-2%	8.6%	-210

Select Financial Data - - Year to Date September

(in Millions, except per share amounts)

	2016	2015	vs 2015
Net Sales	\$7,522	\$7,595	-1%
Organic Growth (Decline)	1%	(4)%	n.m.
Segment Operating Margin	9.5%	8.4% ⁽¹⁾	+110 bps
Segment Operating Income	\$714	\$635 ⁽¹⁾	12%
Interest Expense and Other	\$115 ⁽²⁾	\$113 ⁽³⁾	2%
Effective Income Tax Rate Provision	21.7%	22.9%	-120 bps
Minority Interest Expense ⁽⁴⁾	\$10	\$11	-9%
Diluted Shares	78.7	82.7	-5%
Diluted EPS from Continuing Operations	\$5.83	\$4.14	41%
Adjusted Diluted EPS from Continuing Operations ⁽⁵⁾	\$5.83	\$4.76	22%
Net Cash from Operating Activities from Continuing Operations	\$579	\$597	-3%
Free Cash Flow ⁽⁵⁾	\$468	\$464	1%

Notes: (1) 2015 year-to-date results exclude of: (i) \$35 million (\$34 million after income taxes), or \$0.40 per share for goodwill impairment charges and (ii) \$29 million (\$18 million after income taxes), or \$0.22 per share, related to business divestitures.

(2) Interest Expense and Other for 2016 is comprised of: (i) interest expense of \$125 million, (ii) interest and other income, net, and (iii) a debt retirement charge of \$5 million.

(3) Interest Expense and Other for 2015 is comprised of: (i) interest expense of \$124 million, and (ii) interest and other income.

(4) Minority Interest Expense represents net income from continuing operations attributable to noncontrolling interests.

(5) Non-GAAP Measurement. See pages 20 - 22 for a reconciliation of these GAAP to Non-GAAP Measurements.

n.m. = not meaningful

Segment Results - - Year to Date September

(in Millions)

Segment	2016 Net Sales	Sales Growth vs. 2015	2016 Operating Margin	Margin Change vs. 2015 (bps)
Electronic Systems	\$ 2,887	-5%	11.7%	+20
Aerospace Systems	3,165	3%	7.3%	+260
Communication Systems	1,470	1%	9.7%	+20
Total Segments	\$ 7,522	-1%	9.5%	+110

2016 Consolidated Financial Guidance

(in Millions, except per share amounts)

	USG/DoD +3% International -12% Commercial -1%	Guidance (Oct. 27, 2016)	USG/DoD +1% International -13% Commercial +3%	vs. 2015	Prior Guidance (July 28, 2016)
Net Sales		\$10,250 to \$10,350		-2%	\$10,150 to \$10,250
Organic Growth (Decline)		-0.3%		+210 bps	-1.2%
Segment Operating Margin		9.6%		+110 bps	9.8%
Segment Operating Income		\$989		11%	\$1,000
Interest Expense and Other		\$157		3%	\$157
Effective Tax Rate		23.5%		+230 bps	26.4%
Minority Interest Expense		\$14		\$(1)	\$13
Diluted Shares		78.8		-4%	78.2
Diluted EPS		\$7.85 to \$7.95		14%	\$7.65 to \$7.85
Free Cash Flow		\$825		-6%	\$825

Notes: (1) The revisions to our Current Guidance compared to our Prior Guidance primarily include:

- An increase in estimated sales for Aerospace Systems primarily related to higher pass-through volume in the Vertex Aerospace sector.
- A decrease in Electronic Systems operating margin primarily due to a charge in Warrior Systems for a settlement in principle of the EoTech HWS class action litigation, subject to court approval, partially offset by an improvement in contract performance across several business areas.
- A reduction in the effective tax rate from 26.4% to 23.5%, primarily due to the tax benefits recorded in the 2016 third quarter.
- An increase in diluted share count from 78.2 to 78.8 million shares primarily as a result of an \$85 million reduction in our share repurchases estimate from \$750 million to \$665 million.

(2) Diluted EPS growth is calculated based on a comparison to 2015 adjusted diluted EPS.

(3) Interest Expense and Other is comprised of: (i) interest expense of \$168 million, (ii) interest and other income, net, and (iii) a debt retirement charge of \$5 million.

(4) Minority Interest Expense represents net income from continuing operations attributable to noncontrolling interests.

(5) See pages 20 - 22 for Reconciliation of GAAP to Non-GAAP Measurements.

2016 Segment Guidance

(in Millions)

Segment	Net Sales	Midpoint Sales vs. 2015	Segment Operating Margin	Midpoint Margin vs. 2015 (bps)
Electronic Systems	\$4,125 to \$4,175	-3%	12.0% to 12.1%	+55
Aerospace Systems	\$4,150 to \$4,200	0%	7.0% to 7.1%	+215
Comm Systems	\$1,950 to \$2,000	-3%	10.0% to 10.1%	+45
Total Segments	\$10,250 to \$10,350	-2%	9.6%	+110

Note: Estimated net pension expense (FAS, net of CAS) for 2016 vs. 2015 is expected to decrease \$45 million, increasing estimated 2016 operating margin by 40 basis points (bps) (\$15 million or 40 bps for Electronic Systems, \$17 million or 40 bps for Aerospace Systems and \$13 million or 70 bps for Communication Systems).

2017 Consolidated Preliminary Outlook

Net sales growth	1% to 2%*
Operating margin	10.0% (10.3%**)
Interest Expense and Other	\$154 million
Effective Tax rate	27.5%
Minority Interest Expense	\$14 million
Diluted EPS	\$8.25
Free cash flow	\$850 million

Note: The 2017 consolidated preliminary outlook for operating income includes an increase in net pension expense (net FAS/CAS) of approximately \$29 million for 2017 compared to 2016. The 2017 preliminary pension expense estimate assumes a weighted average discount rate of 3.91%, compared to 4.66% for 2016 and a weighted average asset return of approximately 8% in 2016, consistent with our planned weighted average asset return in 2016. The preliminary outlook also assumes share repurchases for 2017 of \$600 million. However, the amount of 2017 share repurchases could be reduced to pay for potential future business acquisitions.

* Net sales growth represents the estimated organic sales growth rate for 2017.

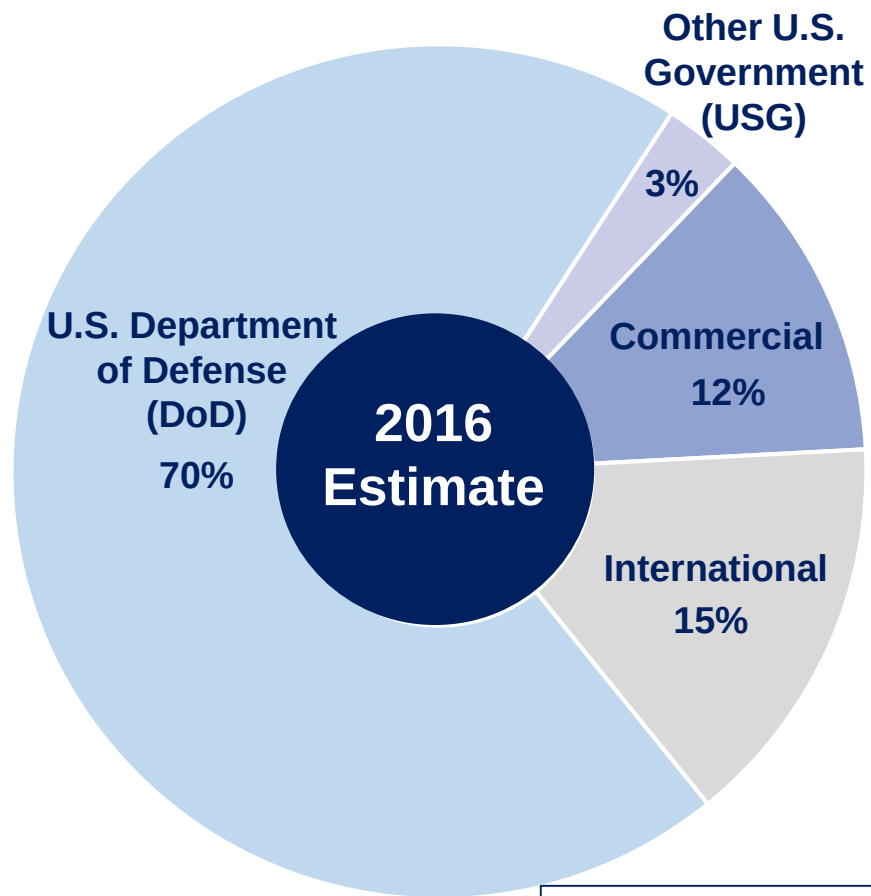
** Represents operating margin before an expected increase in pension expense.

2017 Segment Preliminary Outlook

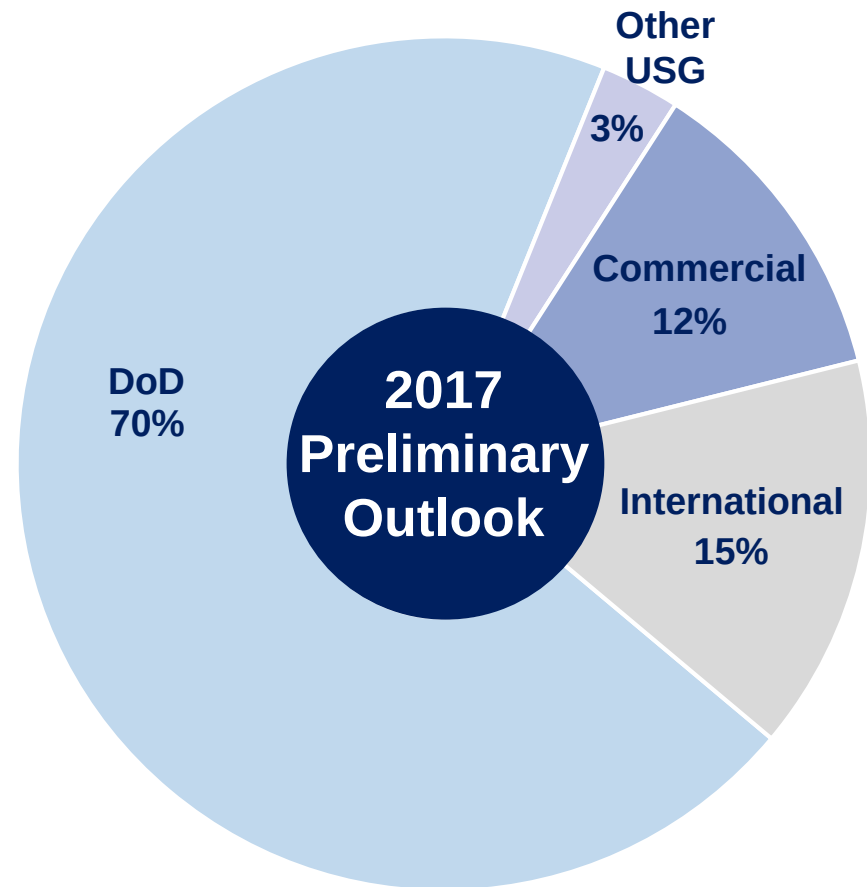
<u>Segment</u>	<u>Net Sales Growth</u>	<u>Operating Margin</u>
Electronic Systems	3% to 4%	~12.8% (13.0%*)
Aerospace Systems	-1% to -2%	~6.8% (7.1%*)
Communication Systems	4% to 5%	~10.3% (10.7%*)

* Represents operating margin before an expected increase in pension expense.

End Customer Sales Mix



DoD Armed Services	
Air Force	29%
Army	17%
Navy	16%
Other	8%
Total	70%



Cash Flow

(in Millions)

	<u>3Q16 Actual</u>	<u>3Q15 Actual</u>	<u>9M16 Actual</u>	<u>9M15 Actual</u>	<u>2016 Guidance</u>	<u>2015 Actual</u>
Net income from continuing operations*	\$ 151	\$ 128**	\$ 469	\$ 353**	\$ 635	\$ 297 **
Impairment/divestiture charges	-	44	-	64	-	415
Depreciation & amortization	51	51	153	155	210	210
Deferred income taxes	19	19	48	5	65	(66)
401K common stock match	34	30	92	87	109	110
Stock-based employee compensation	15	12	34	35	45	46
Amortization of pension and OPEB net losses	12	17	37	50	50	67
Working capital/other items	(72)	(12)	(254)	(150)	(84)	(9)
Capital expenditures, net	(47)	(53)	(111)	(135)	(205)	(194)
Free cash flow	<u>\$ 163</u>	<u>\$ 236</u>	<u>\$ 468</u>	<u>\$ 464</u>	<u>\$ 825</u>	<u>\$ 876</u>

* Before deduction for net income attributable to noncontrolling interests.

** Includes after tax charges of \$6 million for 3Q15, \$18 million for 9M15 and \$20 million for 2015 related to business divestitures, and after tax charges related to goodwill impairments of \$34 million for 3Q15 and 9M15, and \$264 million for 2015.

Supplemental Cash Flow Data

(in Millions)

	<u>3Q16 Actual</u>	<u>3Q15 Actual</u>	<u>9M16 Actual</u>	<u>9M15 Actual</u>	<u>2016 Guidance</u>	<u>2015 Actual</u>
Cash interest payments	\$ 37	\$ 37	\$ 120	\$ 127	\$ 162	\$ 182
Income tax payments, net ⁽¹⁾	34	45	81	106	120	122
FAS pension expense	23	36	71	105	97 ^{(2) (3)}	139
CAS pension cost ⁽⁴⁾	29	27	83	81	111	108
Pension contributions	29	50	49	80	100	97

(1) Excludes income tax payment attributable to discontinued operations.

(2) FAS pension expense represents pension expense determined using U.S. GAAP and assumes a 2015 year-end weighted average discount rate of 4.66% (vs. 4.14% for 2015) and a 2016 weighted average pension asset return of ~8%.

(3) Estimated 2017 Pension Expense Sensitivity: A 25 bps increase/decrease in 12/31/16 discount rate would increase/decrease 2017 pension expense by ~\$16 million and increase/decrease the 12/31/16 unfunded obligation by ~\$150 million. A 100 bps increase/decrease in the 2016 expected asset return would increase/decrease 2017 pension expense by ~\$5 million and increase/decrease the 12/31/16 unfunded obligation by ~\$26 million.

(4) CAS pension cost represents estimated allowable and reimbursable pension cost under U.S. Government procurement regulations (determined using Cost Accounting Standards or CAS) on L-3's U.S. Government contracts.

Depreciation, Amortization and Capital Expenditures

(in Millions)

Segment	2016				2015			
	D&A		CapEx, Net		D&A		CapEx, Net	
	3Q16	9M16	3Q16	9M16	3Q15	9M15	3Q15	9M15
Electronic Systems	\$ 26	\$ 78	\$ 29	\$ 68	\$ 26	\$ 81	\$ 33	\$ 75
Aerospace Systems	13	40	10	28	13	37	13	38
Comm Systems	12	35	8	15	12	37	7	22
Consolidated	<u>\$ 51</u>	<u>\$153</u>	<u>\$ 47</u>	<u>\$111</u>	<u>\$ 51</u>	<u>\$155</u>	<u>\$ 53</u>	<u>\$135</u>

D&A = Depreciation and Amortization

CapEx, Net = Capital expenditures net of dispositions of property, plant and equipment

Cash Sources and Uses

(in Millions)

	<u>3Q16 Actual</u>	<u>3Q15 Actual</u>	<u>9M16 Actual</u>	<u>9M15 Actual</u>	<u>2016 Guidance</u>	<u>2015 Actual</u>
Beginning cash	\$ 352	\$ 353	\$ 207	\$ 442	\$ 207	\$ 442
Free cash flow from continuing operations	163	236	468	464	825	876
Free cash flow from discontinued operations	-	26	(56)	52	(56)	49
Divestitures	(14)	4	561	308	556	318
Acquisitions	-	-	(27)	(260)	(110)	(320)
Dividends	(54)	(52)	(166)	(163)	(220)	(214)
Share repurchases	(50)	(259)	(326)	(605)	(665)	(740)
Senior notes redemption	-	-	(298)	-	(298)	(296)
Other, net	14	15	48	85	71	92
Ending cash	<u>\$ 411</u>	<u>\$ 323</u>	<u>\$ 411</u>	<u>\$ 323</u>	<u>\$ 310</u>	<u>\$ 207</u>

Note: See pages 20 - 22 for Reconciliation of GAAP to Non-GAAP Measurements.

Capitalization and Leverage

(in Millions)

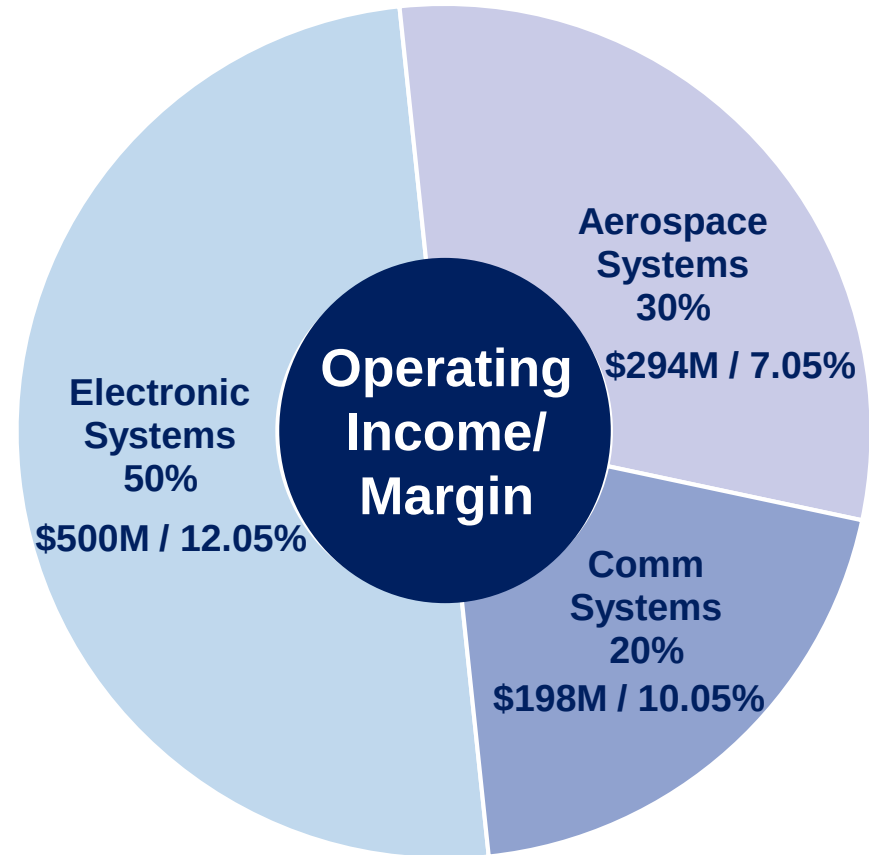
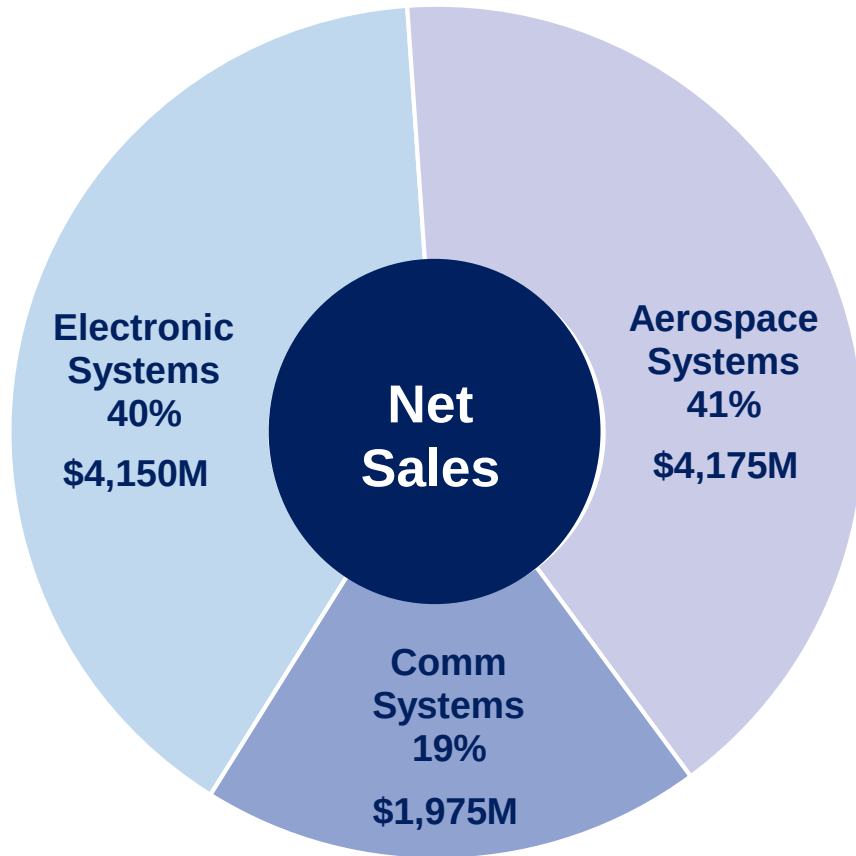
	9/23/16 Actual	12/31/15 Actual	12/31/14 Actual
Cash	\$ 411	\$ 207	\$ 442
Debt	\$ 3,331	\$ 3,624	\$ 3,912
Shareholders' Equity	4,640	4,429	5,360
Invested Capital	\$ 7,971	\$ 8,053	\$ 9,272
Debt/Invested Capital	41.8%	45.0%	42.2%
Debt/LTM EBITDA	2.83x	3.29x	3.19x
Available Revolver	\$ 1,000	\$ 1,000	\$ 1,000

Notes: (1) Debt/LTM EBITDA excludes discontinued operations.

(2) See pages 20 - 22 for Reconciliation of GAAP to Non-GAAP Measurements.

Appendix

Segment Mix: 2016 Guidance



Note: Net sales and operating income/margin represent midpoints of the range of segment guidance.

2016 Segment Guidance - - Current vs. Prior

(in Millions)

Segment	Current Guidance (October 27, 2016)		Prior Guidance (July 28, 2016)	
	Net Sales	Operating Margin	Net Sales	Operating Margin
Electronic Systems	\$4,125 to \$4,175	12.0% to 12.1%	\$4,100 to \$4,200	12.0% to 12.2%
Aerospace Systems	\$4,150 to \$4,200	7.0% to 7.1%	\$4,050 to \$4,150	7.0% to 7.2%
Communication Systems	\$1,950 to \$2,000	10.0% to 10.1%	\$1,900 to \$2,000	10.3% to 10.5%
Consolidated	\$10,250 to \$10,350	9.6%	\$10,150 to \$10,250	9.8%

Reconciliation of GAAP to Non-GAAP Measurements (1 of 3)

(in Millions)

	3Q16 <u>Actual</u>	3Q15 <u>Actual</u>	9M16 <u>Actual</u>	9M15 <u>Actual</u>	2017 <u>Outlook</u>	2016 <u>Guidance</u>	2015 <u>Actual</u>
Net cash from operating activities from continuing operations	\$ 210	\$ 288	\$ 579	\$ 597	\$1,060	\$ 1,030	\$ 1,068
Less: Capital expenditures	(51)	(54)	(126)	(137)	(215)	(220)	(197)
Add: Dispositions of property, plant and equipment	4	1	15	2	5	15	3
Income tax payments attributable to discontinued operations	-	1	-	2	-	-	2
Free cash flow from continuing operations	<u>\$ 163</u>	<u>\$ 236</u>	<u>\$ 468</u>	<u>\$ 464</u>	<u>\$ 850</u>	<u>\$ 825</u>	<u>\$ 876</u>
Net cash from operating activities from discontinued operations	\$ -	\$ 29	\$ (56)	\$ 58		\$ (56)	\$ 56
Less: Capital expenditures	-	(2)	-	(4)		-	(5)
Income tax payments attributable to discontinued operations	-	(1)	-	(2)		-	(2)
Free cash flow from discontinued operations	<u>\$ -</u>	<u>\$ 26</u>	<u>\$ (56)</u>	<u>\$ 52</u>		<u>\$ (56)</u>	<u>\$ 49</u>

Reconciliation of GAAP to Non-GAAP Measurements (2 of 3)

(in Millions except per share amounts)

	Third Quarter Ended		Year-to-Date Ended	
	9/23/16	9/25/15	9/23/16	9/25/15
Diluted EPS from continuing operations attributable to L-3 Holdings' common stockholders	\$ 1.88	\$ 1.54	\$ 5.83	\$ 4.14
EPS impact of loss on business divestitures ⁽¹⁾	-	0.07	-	0.22
EPS impact of goodwill impairment charges ⁽²⁾	-	0.42	-	0.40
Adjusted diluted EPS from continuing operations	<u>\$ 1.88</u>	<u>\$ 2.03</u>	<u>\$ 5.83</u>	<u>\$ 4.76</u>
Net income from continuing operations attributable to L-3	\$ 148	\$ 125	\$ 459	\$ 342
Loss on business divestitures ⁽¹⁾	-	6	-	18
Goodwill impairment charges ⁽²⁾	-	34	-	34
Adjusted net income from continuing operations attributable to L-3	<u>\$ 148</u>	<u>\$ 165</u>	<u>\$ 459</u>	<u>\$ 394</u>
⁽¹⁾ Loss on business divestitures		\$ (9)		\$ (29)
Tax benefit		3		11
After-tax impact		(6)		(18)
Diluted weighted average common shares outstanding		81.2		82.7
Per share impact		<u>\$ (0.07)</u>		<u>\$ (0.22)</u>
⁽²⁾ Goodwill impairment charges		\$ (35)		\$ (35)
Tax benefit		1		1
After-tax impact		(34)		(34)
Diluted weighted average common shares outstanding		81.2		82.7
Per share impact (may not calculate due to rounding)		<u>\$ (0.42)</u>		<u>\$ (0.40)</u>

Reconciliation of GAAP to Non-GAAP Measurements (3 of 3)

(in Millions)

Cash Flow to EBITDA Reconciliation	3Q16 LTM	4Q15 LTM	4Q14 LTM
Net cash from operating activities from continuing operations	\$ 1,050	\$ 1,068	\$ 1,088
Income tax payments, net of refunds	99	124	120
Interest payments, net of interest income	149	145	138
Stock based employee compensation	(160)	(156)	(169)
Amortization of pension and post retirement benefit plans net loss	(54)	(67)	(15)
Other non-cash items	(10)	3	-
Changes in operating assets and liabilities	103	(17)	64
LTM EBITDA from continuing operations	<u>\$ 1,177</u>	<u>\$ 1,100</u>	<u>\$ 1,226</u>
Debt	\$ 3,331	\$ 3,624	\$ 3,912
Debt/EBITDA	2.83x	3.29x	3.19x

Note: EBITDA is defined as consolidated operating income (excluding impairment losses incurred on goodwill and identifiable intangible assets and losses related to business divestiture transactions), plus consolidated depreciation and amortization. The Debt to EBITDA ratio is presented because we believe it to be a useful indicator of our debt capacity and our ability to service our debt. EBITDA is not a substitute for net cash from operating activities as determined in accordance with generally accepted accounting principles in the United States of America. EBITDA is not a complete net cash flow measure because EBITDA is a financial measure that does not include reductions for cash payments for our obligation to service our debt, fund our working capital and capital expenditures and pay our income taxes. Rather, EBITDA is one potential indicator of our ability to fund these cash requirements. We believe that the most directly comparable GAAP financial measure to EBITDA is net cash from operating activities. The table above presents a reconciliation of net cash from operating activities to EBITDA.

Glossary of Acronyms

CAS	Cost Accounting Standards - U.S. Government
EBITDA	Earnings Before Interest Taxes Depreciation Amortization
EPS	Earnings Per Share
FAS	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
HWS	Holographic Weapons Sights
LTM	Last Twelve Months
OPEB	Other Post Employment Benefits

