

J.P. Morgan Aviation, Transportation & Industrials Conference

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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 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; 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; the outcome of litigation matters; results of audits by U.S. Government agencies and of ongoing governmental investigations, including the Aerospace Systems segment; our ability to predict the level of participation in, and the related costs of, our voluntary refund program for certain EoTech holographic weapons sight products, and our ability to change and terminate the voluntary refund 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 the ultimate resolution of contingent matters, claims and investigations relating to acquired businesses, and the impact on the final purchase price allocations.

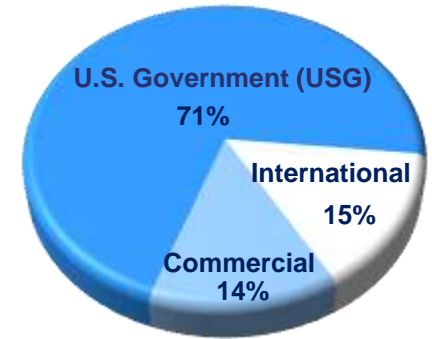
Our forward-looking statements speak only as of the date of these slides or as of the date they were made, and we undertake no obligation to update forward-looking statements. For a more detailed discussion of these factors, also see the information under the captions "Risk Factors" and "Management's 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.

L-3 at a Glance

- **Aerospace & defense company**
- **Prime: ISR systems, aircraft sustainment, simulation & training, night vision & I², S&DS**
- **Supplier: electronic and communication systems**
- **Attributes:**
 - broad/diverse technologies, contracts
 - efficient capital structure... IG credit
 - high earnings-to-cash flow conversion
- **Objectives: satisfy customers... increase margins... grow operating income, EPS and cash flow**

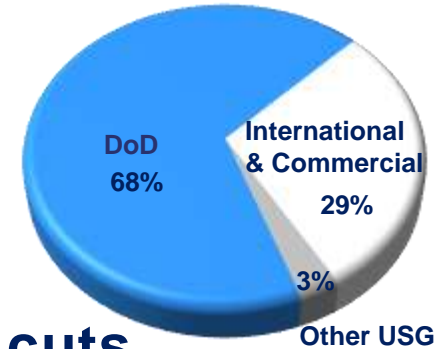
2016 Sales Estimate



U.S. Government Markets

- **Geopolitical conditions support military spending**
- **DoD budget growing FY16**
 - Congress reduced first 5 years of sequester cuts
 - drawdowns ending, BBP continues
 - constraints remain... anticipate LSD growth, OCO relief
- **Select L-3 capabilities: protected communications, ISR, power systems, readiness support, SOF**

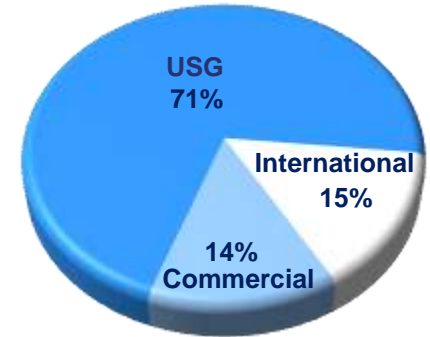
2016 Sales Estimate



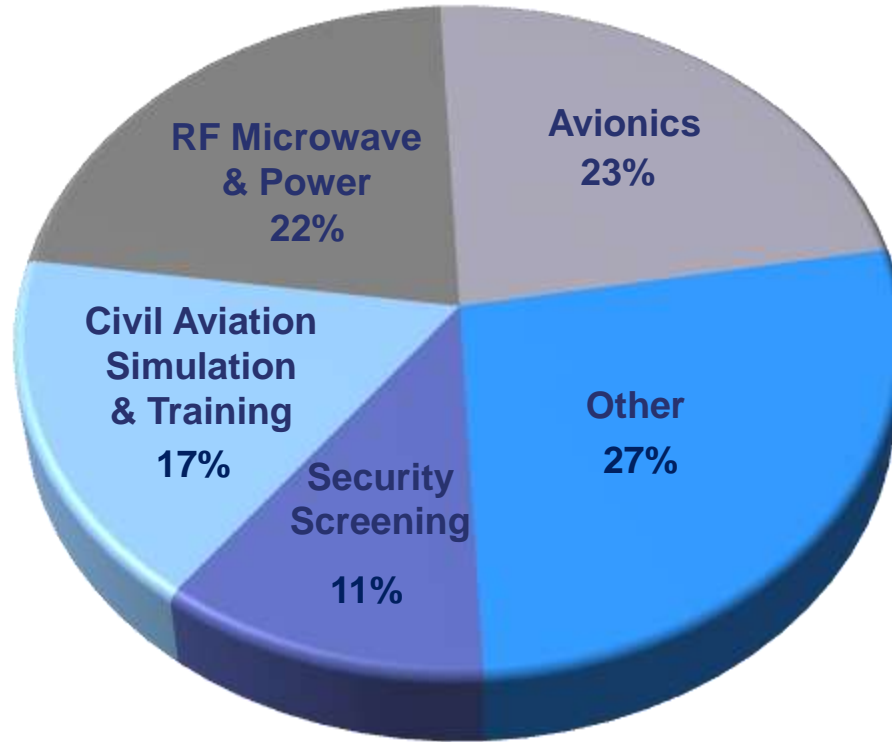
International & Commercial Markets

- **International - - large addressable market**
 - **ISR systems, simulators, communication systems, night vision, sensors**
 - **near-term softness in long-term growth market**
- **Commercial - - favorable long-term fundamentals**
 - **avionics, security screening, training & simulation, RF microwave & power**

2016 Sales Estimate



Commercial Sales Mix



2016 Sales Estimate \$1.4 Billion

Segment Trends

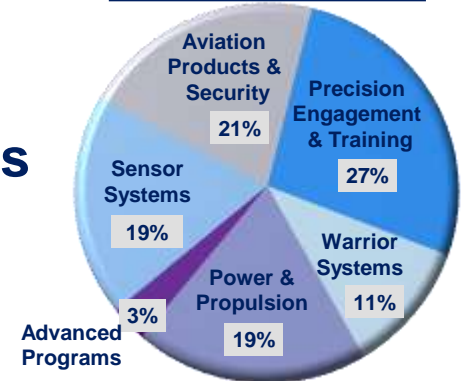


Electronic Systems

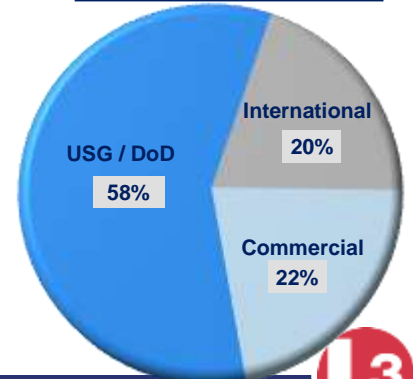
- Diverse, discriminating products
- Strengthening positions with R&D, acquisitions and divestitures
- Highest segment margin and expanding

(\$ in Millions)	2014	2015	2016 Estimate
Net Sales	\$4,645	\$4,269	\$4,200
Organic Growth	-1%	-2%	2%
Operating Margin	11.5%	11.5%	12.5%
Operating Income	\$533	\$489	\$525

2016 Sector Sales



End Market Sales

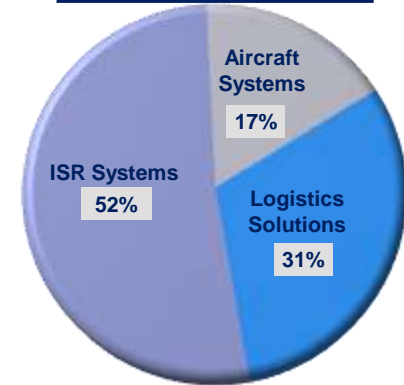


Aerospace Systems

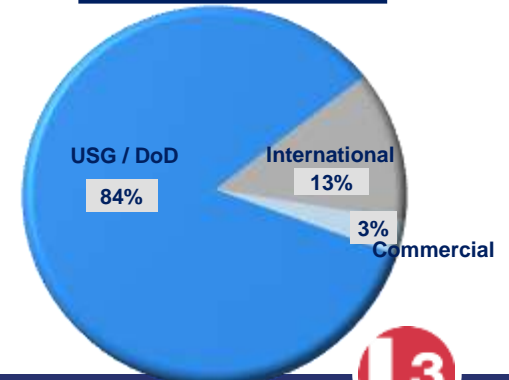
- Sales headwinds... drawdown, legacy DoD programs, procurement cycles
- Investing in ISR missionization, aircraft sustainment and SLEP
- Volume, mix, BBP impacting margins

(\$ in Millions)	2014	2015	2016 Estimate
Net Sales	\$4,321	\$4,156	\$3,950
Organic Growth	-5%	-4%	-5%
Operating Margin	6.5%	4.9%	6.6%
Operating Income	\$283	\$205	\$261

2016 Sector Sales



End Market Sales

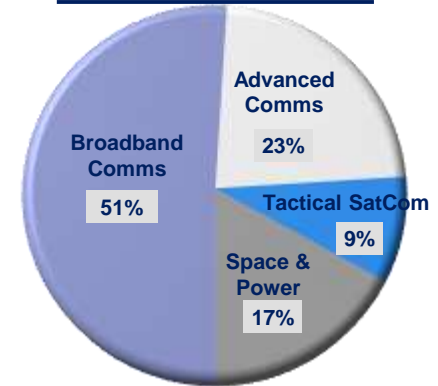


Communication Systems

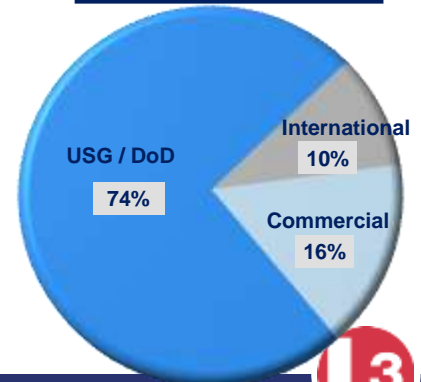
- Solid, long-lived positions... investing in protected, A2/AD communications
- DoD sales stabilizing... International/Commercial near-term pressures
- Manufacturing productivity and consolidation synergies improving margins

(\$ in Millions)	2014	2015	2016 Estimate
Net Sales	\$2,020	\$2,041	\$1,900
Organic Growth	-9%	-2%	-7%
Operating Margin	9.7%	9.6%	10.4%
Operating Income	\$196	\$196	\$198

2016 Sector Sales



End Market Sales



2016 Financial Guidance

(\$ in Millions, except per share amounts)

	Consolidated (January 28, 2016)	vs. 2015
Net Sales	\$9,950 to \$10,150	-4%
Organic Growth	-2.5%	n.c.
Segment Operating Margin	9.8%	+130 bps
Segment Operating Income	\$985	11%
Interest Expense and Other	\$162	6%
Effective Tax Rate	28.0%	+680 bps
Diluted Shares	77.5	-5%
Diluted EPS	\$7.40 to \$7.60	9%
Free Cash Flow	\$825	-3%

USG/DoD	-2%
International	-14%
Commercial	+8%

Notes: (1) Comparisons are to 2015 adjusted diluted EPS and free cash flow from continuing operations.
 (2) See Reconciliation of GAAP to Non-GAAP Measurements and Definitions.



Cash Sources and Uses

(\$ in Millions)

	<u>2016</u> <u>Estimate</u>	<u>2015</u>
Beginning cash	<u>\$ 207</u>	<u>\$ 442</u>
Free cash flow from continuing operations	825	850
Discontinued operations	(15)	49
Divestitures	538	318
Acquisitions	(27)	(320)
Dividends	(217)	(214)
Share repurchases	(750)	(740)
Debt repayments	(300)	(296)
Other, net	64	118
Ending cash	<u><u>\$ 325</u></u>	<u><u>\$ 207</u></u>

Note: See Reconciliation of GAAP to Non-GAAP Measurements and Definitions.



Capitalization and Leverage

(\$ in Millions)

	12/31/16 Estimate	12/31/15	12/31/14
Cash	\$325	\$207	\$442
Debt	\$3,345	\$3,642	\$3,939
Equity	4,350	4,429	5,360
Invested Capital	\$7,695	\$8,071	\$9,299
Debt/Invested Capital	43.5%	45.1%	42.4%
Debt/EBITDA	2.79x	3.14x	3.01x
Available Revolver	\$1,000	\$1,000	\$1,000

Notes: (1) Equity includes non-controlling interests (minority interests).

(2) Debt/EBITDA includes discontinued operations. See Reconciliation of GAAP to Non-GAAP Measurements and Definitions.



Summary

- DoD budget upcycle beginning
- Affordable solutions/technologies aligned with customer priorities
- Focusing on expanding margin... growing EPS and cash flow
- Disciplined capital allocation



Q & A



Supplemental Data



2016 Segment Guidance

(\$ in Millions)

Segment	Net Sales	Midpoint Sales vs. 2015	Organic Growth	Segment Operating Margin	Midpoint Margin vs. 2015 (bps)
Electronic Systems	\$4,150 to \$4,250	-2%	2%	12.4% to 12.6%	+100
Aerospace Systems	\$3,900 to \$4,000	-5%	-5%	6.5% to 6.7%	+170
Comm Systems	\$1,850 to \$1,950	-7%	-7%	10.3% to 10.5%	+80
Total Segment	\$9,950 to \$10,150	-4%	-2.5%	9.8%	+130

Note: Estimated net pension expense (FAS, net of CAS) for 2016 vs. 2015 is expected to decrease \$40 million, increasing estimated 2016 operating margin by 40 basis points (bps) (\$10 million or 20 bps for Electronic Systems, \$18 million or 50 bps for Aerospace Systems and \$12 million or 60 bps for Communication Systems).



Free Cash Flow

(\$ in Millions)

	<u>2016</u> Estimate	<u>2015</u>
Net income from continuing operations	\$ 590	\$ 297
Impairment/divestiture charges	-	415
Depreciation & amortization	213	210
Deferred income taxes	65	(66)
401K common stock match	110	110
Stock-based employee compensation (SBC)	51	46
Excess income tax benefit (SBC)	(25)	(26)
Working capital/other items	26	58
Capital expenditures, net	(205)	(194)
Free cash flow	<u>\$ 825</u>	<u>\$ 850</u>



Reconciliation of GAAP to Non-GAAP Measurements (1 of 4)

(\$ in Millions)

	<u>2016</u> <u>Guidance</u>	<u>2015</u> <u>Actual</u>
Net cash from operating activities from continuing operations	\$ 1,030	\$ 1,042
Less: Capital expenditures	(215)	(197)
Add: Dispositions of property, plant and equipment	10	3
Income tax payments attributable to discontinued operations	-	2
Free cash flow from continuing operations	<u>\$ 825</u>	<u>\$ 850</u>
Free cash flow from discontinued operations	(15)	49
Free cash flow	<u><u>\$ 810</u></u>	<u><u>\$ 899</u></u>



Reconciliation of GAAP to Non-GAAP Measurements (2 of 4)

(\$ in Millions, except per share amounts)

	2015 Actual
Diluted EPS from continuing operations attributable to L-3 Holdings' common stockholders	\$ 3.44
EPS impact of loss on business divestitures ^(A)	0.25
EPS impact of the goodwill impairment charge ^(B)	3.22
Adjusted diluted EPS from Continuing Operations*	<u>\$ 6.91</u>
(A) Loss on business divestitures	\$ (31)
Tax benefit	11
After-tax impact	<u>(20)</u>
Diluted weighted average common shares outstanding	81.9
Per share impact**	<u>\$ (0.25)</u>
(B) Goodwill impairment charge	\$ (384)
Tax benefit	120
After-tax impact	<u>(264)</u>
Diluted weighted average common shares outstanding	81.9
Per share impact	<u>\$ (3.22)</u>

* Adjusted diluted EPS is diluted EPS attributable to L-3 Holdings' common stockholders, excluding the charges or credits relating to business divestitures and non-cash goodwill impairment charges. Adjusted net income attributable to L-3 is net income attributable to L-3, excluding the charges or credits relating to business divestitures and non-cash goodwill impairment charges. These amounts are not calculated in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The company believes that the charges or credits relating to business divestitures and non-cash goodwill impairment charges affect the comparability of the financial guidance for 2016 to the results of operations for 2015. The company also believes that disclosing net income and diluted EPS excluding the charges or credits relating to business divestitures and non-cash goodwill impairment charges will allow investors to more easily compare the financial guidance for 2016 to the 2015 results. However, these measures may not be defined or calculated by other companies in the same manner.

** Amounts may not recalculate directly due to rounding.



Reconciliation of GAAP to Non-GAAP Measurements (3 of 4)

(\$ in Millions)

	2016 Estimate	2015 Actual	2014 Actual
Cash Flow to EBITDA Reconciliation			
Net cash from operating activities from continuing operations	\$ 1,030	\$ 1,042	\$ 1,071
Income tax payments, net of refunds	190	150	136
Interest payments	150	165	157
Stock based employee compensation	(161)	(156)	(169)
Amortization of pension and post retirement benefit plans net loss	(50)	(67)	(15)
Other non-cash items	-	3	-
Changes in operating assets and liabilities	39	(37)	46
EBITDA from continuing operations	\$ 1,198	\$ 1,100	\$ 1,226
Net cash from operating activities from discontinued operations	\$ (15)	\$ 56	\$ 54
Stock based employee compensation	(1)	(12)	(14)
Changes in operating assets and liabilities	16	16	44
EBITDA from discontinued operations	\$ -	\$ 60	\$ 84
EBITDA	\$ 1,198	\$ 1,160	\$ 1,310
DEBT	\$ 3,345	\$ 3,642	\$ 3,939
DEBT/EBITDA	2.79x	3.14x	3.01x

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.



Reconciliation of GAAP to Non-GAAP Measurements (4 of 4)

Organic Sales Growth: Organic sales growth is defined as the increase or decrease in sales compared to the prior year, excluding the increase or decrease in sales attributable to acquired businesses or business divestitures. Sales from acquired businesses is defined as sales from business acquisitions that are included in L-3's actual results for less than 12 months. Sales from business divestitures is defined as sales from business divestitures that are included in L-3's actual results for the 12 months prior to the divestiture.

Acronym List

<u>Acronym</u>	<u>Definition</u>
A2/AD	Anti-Access/Area Denial
BBP	Better Buying Power
bps	basis points
DoD	Department of Defense
EBITDA	Earnings Before Interest Taxes, Depreciation and Amortization
EPS	Earnings Per Share
I2	Image Intensification
IG	Investment Grade
ISR	Intelligence, Surveillance and Reconnaissance
LSD	Low Single Digits
OCO	Overseas Contingency Operations
R&D	Research & Development
RF	Radio Frequency
S&DS	Security & Detection Systems
SLEP	Service Life Extension Program
SOF	Special Operations Forces

