Raytheon

Second Quarter 2018 Conference Call

July 26, 2018

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Raytheon

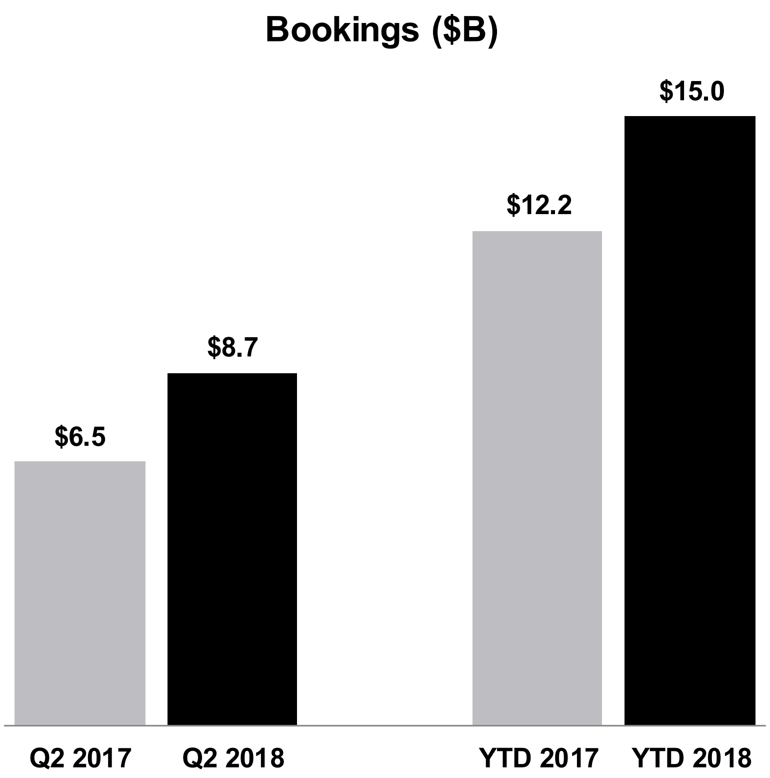
Forward-Looking Statements

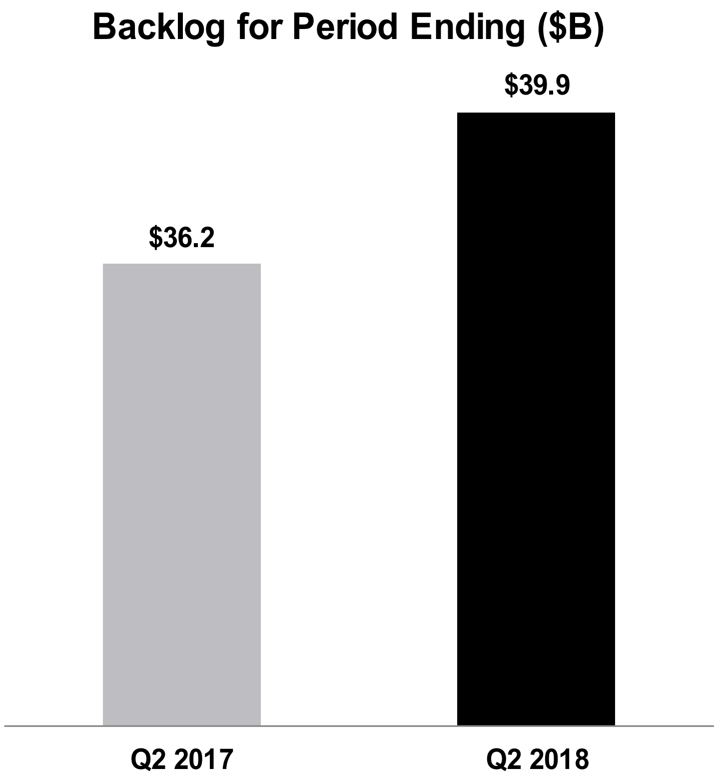
This presentation contains forward-looking statements, including information regarding the Company's financial outlook, future plans, objectives, business prospects and anticipated financial performance. These forward-looking statements are not statements of historical facts and represent only the Company's current expectations regarding such matters. These statements inherently involve a wide range of known and unknown risks and uncertainties. The Company's actual actions and results could differ materially from what is expressed or implied by these statements. Specific factors that could cause such a difference include, but are not limited to: the Company's dependence on the U.S. government for a significant portion of its business and the risks associated with U.S. government sales, including changes or shifts in defense spending due to budgetary constraints, spending cuts resulting from sequestration, a government shutdown, or otherwise, uncertain funding of programs, potential termination of contracts and performance under undefinitized contract awards; difficulties in contract performance; the resolution of program terminations; the ability to procure new contracts; the risks of conducting business in foreign countries; the unpredictability of timing of international bookings; the ability to comply with extensive governmental regulation, including export and import requirements such as the International Traffic in Arms Regulations and the Export Administration Regulations, anti-bribery and anti-corruption requirements including the Foreign Corrupt Practices Act, industrial cooperation agreement obligations, and procurement and other regulations; the ability to obtain timely U.S. government approvals for international contracts; changes in government procurement practices; the impact of competition; the ability to develop products and technologies, and the impact of associated investments and costs; the ability to recruit and retain qualified personnel; the impact of potential security and cyber threats, and other disruptions; the risk that actual pension returns, discount rates or other actuarial assumptions, including the long-term return on asset assumption, are significantly different than the Company's current assumptions; the risk of cost overruns, particularly for the Company's fixed-price contracts; dependence on component availability, subcontractor and partner performance and key suppliers; risks of a negative government audit; risks associated with acquisitions, investments, dispositions, joint ventures and other business arrangements; the ability to grow in the government and commercial cybersecurity markets; risks of an impairment of goodwill or other intangible assets; the impact of financial markets and global economic conditions; the use of accounting estimates in the Company's financial statements, including with respect to the provisional impact of the Tax Cuts and Jobs Act of 2017; the outcome of contingencies and litigation matters, including government investigations; the risk of environmental liabilities; and other factors as may be detailed from time to time in the Company's public announcements and Securities and Exchange Commission filings. The Company undertakes no obligation to make any revisions to the forward-looking statements contained in this release and the attachments or to update them to reflect events or circumstances occurring after the date of this release, including any acquisitions, dispositions or other business arrangements that may be announced or closed after such date.

Second Quarter 2018 Highlights

- Strong bookings of $8.7 billion; book-to-bill ratio of 1.31
- Net sales of $6.6 billion, up 5.5 percent
- EPS from continuing operations of $2.78, up 47.1 percent
- Operating cash flow from continuing operations of $1.2 billion
- Updated full-year 2018 guidance

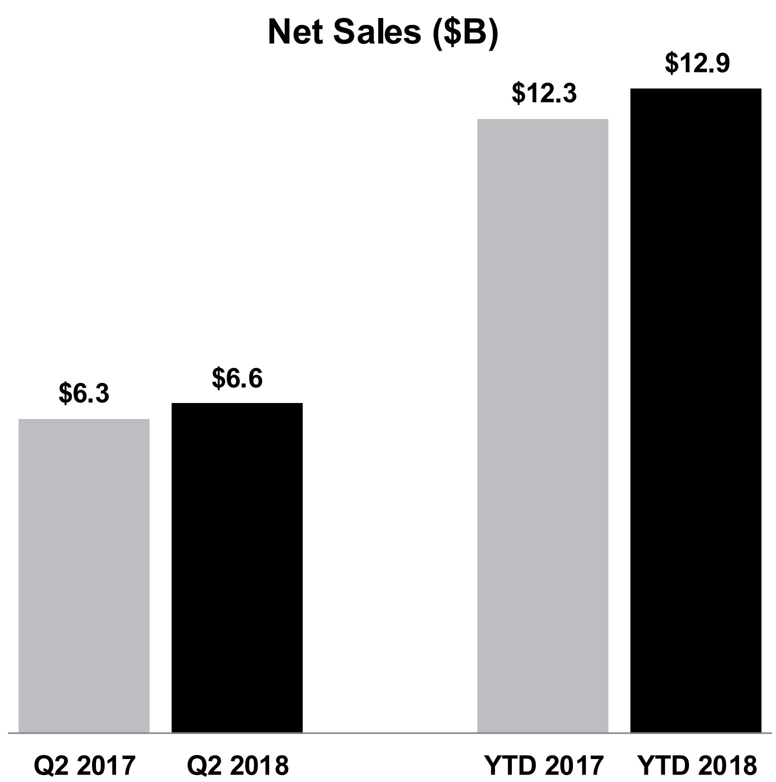
Total Company Bookings and Backlog





Strong book-to-bill ratio of 1.31; record backlog of $39.9B

Total Company Net Sales



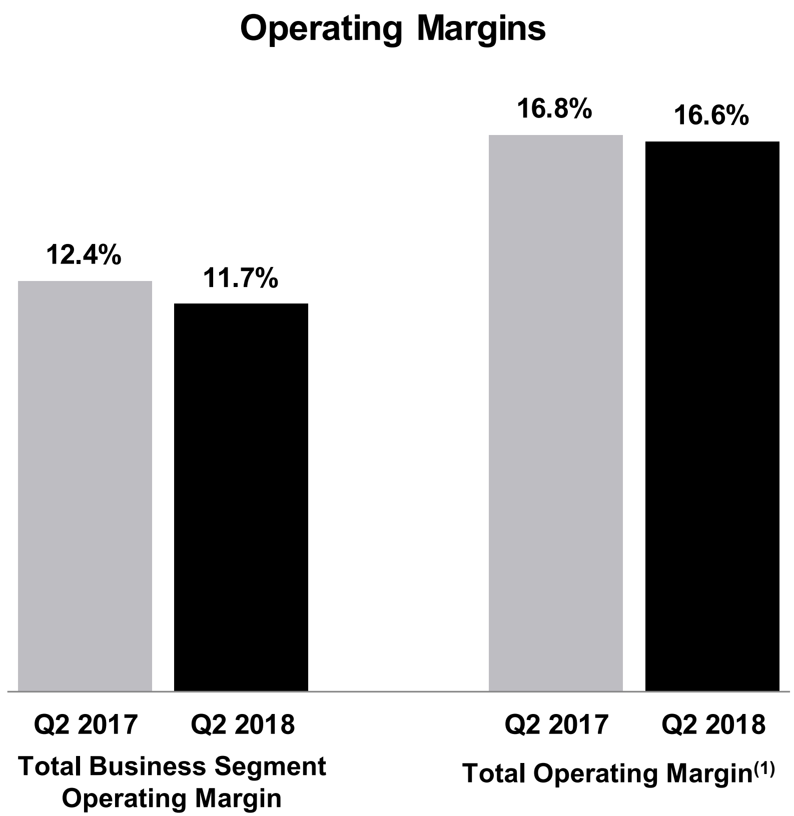
Net Sales ($M)

	Q2 2017	Q2 2018	% Change
IDS	$1,462	$1,514	4%
IIS	1,555	1,687	8%
MS	1,901	2,051	8%
SAS	1,608	1,605	-
Forcepoint™	138	148	7%
Eliminations	(372)	(376)	NM
Total Business Segment	**6,292**	**6,629**	**5.4%**
Deferred Revenue Adjustment	(11)	(4)	NM
Total	**$6,281**	**$6,625**	**5.5%**

NM = Not Meaningful

Q2 2018 sales increased by 5.5 percent

Total Company Operating Margins

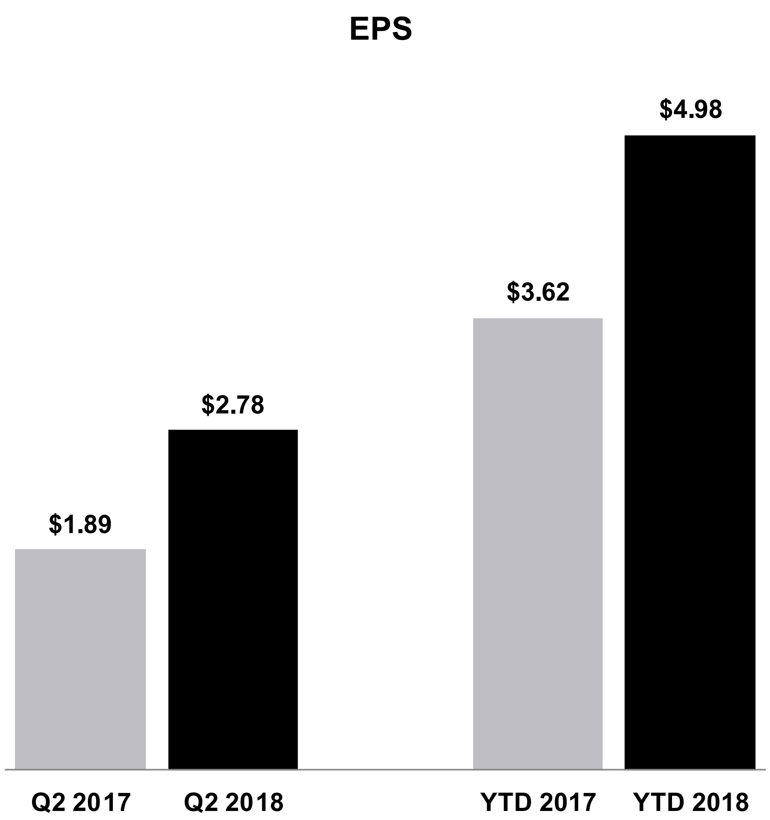


	Q2 2017	Q2 2018	Change
IDS	16.8%	17.3%	50 bps
IIS	7.4%	7.6%	20 bps
MS	12.4%	11.3%	(110) bps
SAS	13.6%	12.8%	(80) bps
Forcepoint	1.4%	(5.4)%	*NM*
Eliminations	($37M)	($41M)	($4M)
Total Business Segment Operating Margin	**12.4%**	**11.7%**	(70) bps
Deferred Revenue Adjustment	($11M)	($4M)	$7M
Amortization of Acquired Intangibles	($31M)	($30M)	$1M
FAS/CAS Operating Adjustment[1]	$315M	$353M	$38M
Corporate	$3M	$3M	-
Total Operating Margin[1]	**16.8%**	**16.6%**	(20) bps

NM = Not Meaningful

(1) *As previously reported, in the first quarter 2018 the company adopted the new retirement benefit standard, Accounting Standards Update 2017-07. As a result, all components of FAS pension and postretirement benefit expense, other than service costs, were reclassified from operating income to non-operating income, with no impact to net income. All 2017 financial results have been recast to reflect this change.*

Earnings Per Share from Continuing Operations



EPS ($)	
Second Quarter 2017	**$1.89**
Operations	0.01
Reduced share count	0.03
Q2 2017 early retirement of debt	0.09
Tax impact from discretionary pension plan contribution	0.33
Tax impact primarily related to 2017 tax reform	0.38
All other	0.05
Second Quarter 2018	**$2.78**

Q2 2018 EPS exceeded guidance

2018 Financial Outlook: Walk

	Net Sales ($B)	Effective Tax Rate	EPS from Continuing Operations	Operating Cash Flow from Cont. Ops. ($B)
Prior Guidance*	**26.5 - 27.0**	**~18.0%**	**$9.70 - $9.90**	**3.6 - 4.0**
Operations	0.2	N/A	0.05	-
$1.25B Discretionary Pension Plan Contribution, net of tax(1)	N/A	(3.1)%	0.33	(1.0)
Pension Plan Annuity Transaction(2)	N/A	(0.3)%	(0.79)	N/A
Other Tax Improvements	N/A	(4.1)%	0.48	-
Current Guidance	**26.7 - 27.2**	**~10.5%**	**$9.77 - $9.97**	**2.6 - 3.0**

N/A = Not Applicable

***** As of April 26, 2018***

Amounts may not add due to rounding

(1) The company will make a $1.25 billion pretax discretionary pension plan contribution by September 15, 2018. As a result, the company recorded a $95 million net tax benefit in the second quarter of 2018, which had a favorable EPS impact of $0.33. In addition, the company expects to have a net unfavorable impact to 2018 operating cash flow from continuing operations of approximately $1.0 billion, consisting of approximately $250 million of lower cash taxes in the second quarter of 2018 and $1.25 billion for the discretionary pension plan contribution in the third quarter 2018. The outlook above reflects this change.

(2) Some of the company's pension plans purchased a group annuity contract to transfer $923 million of outstanding pension benefit obligations related to certain U.S. retirees and beneficiaries of the company's previously discontinued operations. This transaction closed on July 17, 2018. In connection with this transaction, the company will recognize an unfavorable non-cash, non-operating pension settlement charge of $288 million pretax, $228 million after tax, in the third quarter 2018 primarily related to the accelerated recognition of actuarial losses in those plans. This will have an estimated unfavorable EPS impact of $0.79 in the third quarter and full-year 2018. The outlook above reflects this change.

2018 Financial Outlook

	Current		Prior*
Net Sales ($B)	26.7 - 27.2	**	26.5 - 27.0
Deferred Revenue Adjustment ($M)	(10)		(10)
Amortization of Acquired Intangibles ($M)	(118)		(118)
FAS/CAS Operating Adjustment ($M)	1,416		1,416
Retirement Benefits Non-service Expense, non-operating ($M)(1)	(1,246)	**	(958)
Interest Expense, Net ($M)	(180) - (185)		(180) - (185)
Diluted Shares (M)	~287	**	287 - 289
Effective Tax Rate(2)	~10.5%	**	~18.0%
EPS from Continuing Operations(1), (3)	$9.77 - $9.97	**	$9.70 - $9.90
Operating Cash Flow from Cont. Ops. ($B)(3)	2.6 - 3.0	**	3.6 - 4.0

***As of April 26, 2018**
**** Denotes changes from prior guidance**

(1) Some of the company's pension plans purchased a group annuity contract to transfer $923 million of outstanding pension benefit obligations related to certain U.S. retirees and beneficiaries of the company's previously discontinued operations. This transaction closed on July 17, 2018. In connection with this transaction, the company will recognize an unfavorable non-cash, non-operating pension settlement charge of $288 million pretax, $228 million after tax, in the third quarter 2018 primarily related to the accelerated recognition of actuarial losses in those plans. This will have an estimated unfavorable EPS impact of $0.79 in the third quarter and full-year 2018. The outlook above reflects this change.

(2) The company decreased its effective tax rate to reflect a) the discretionary pension plan contribution, which had a favorable impact to the 2018 effective tax rate of 310 bps, b) the pension plan annuity transaction, which had a favorable impact to the 2018 effective tax rate of 30 bps, and c) other tax improvements, which had a favorable impact to the 2018 effective tax rate of 410 bps. The outlook above reflects this change.

(3) The company will make a $1.25 billion pretax discretionary pension plan contribution by September 15, 2018. As a result, the company recorded a $95 million net tax benefit in the second quarter of 2018, which had a favorable EPS impact of $0.33. In addition, the company expects to have a net unfavorable impact to 2018 operating cash flow from continuing operations of approximately $1.0 billion, consisting of approximately $250 million of lower cash taxes in the second quarter of 2018 and $1.25 billion for the discretionary pension plan contribution in the third quarter 2018. The outlook above reflects this change.

2018 Financial Outlook: By Business

	Current Net Sales ($B)		Prior Net Sales ($B)	Current Operating Margins (%)		Prior Operating Margins (%)
IDS	6.0 - 6.2		6.0 - 6.2	16.7 - 16.9%	**	16.4 - 16.6%
IIS	6.2 - 6.4	**	6.1 - 6.3	7.7 - 7.9%	**	7.6 - 7.8%
MS	8.5 - 8.7	**	8.4 - 8.6	12.6 - 12.8%	**	13.1 - 13.3%
SAS	6.5 - 6.7		6.5 - 6.7	12.5 - 12.7%	**	12.3 - 12.5%
Forcepoint	>$650M		>$650M	6.0 - 8.0%		6.0 - 8.0%
Eliminations	(1.4) - (1.5)		(1.4) - (1.5)	($145M) - ($150M)		($145M) - ($150M)
Total business segment	**26.7 - 27.2**	**	**26.5 - 27.0**	**12.5 - 12.7%**		**12.5 - 12.7%**
Deferred Revenue Adjustment	($10M)		($10M)	($10M)		($10M)
Amortization of Acquired Intangibles	-		-	($118M)		($118M)
FAS/CAS Operating Adjustment	-		-	$1,416M		$1,416M
Corporate	-		-	($75M) - ($80M)		($75M) - ($80M)
Total	**26.7 - 27.2**	**	**26.5 - 27.0**	**17.1 - 17.3%**		**17.1 - 17.3%**

***** As of April 26, 2018***

***** Change from prior guidance***

Amounts may not add due to rounding

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2018 Financial Outlook

	Outlook	
	Q3 2018	2018
Sales ($M)	6,575 - 6,700	26,700 - 27,200
EPS from Continuing Operations	$1.88 - $1.93[(1)]	$9.77 - $9.97
Operating Cash Flow from Continuing Operations ($M)	(1,070) - (870)[(2)]	2,600 - 3,000

(1) Includes the unfavorable $0.79 impact of the pension plan annuity transaction.

(2) Includes $1,250 million outflow for the discretionary pension plan contribution.

Appendix

Workdays in Fiscal Reporting Calendar

	Q1	Q2	Q3	Q4
2018	64	64	63	58
2017	64	64	62	58
Increase / (decrease)	0	0	1	0

	Q1	Q2	Q3	Q4
2017	64	64	62	58
2016	65	64	63	57
Increase / (decrease)	(1)	0	(1)	1