



# First Quarter 2018 Conference Call

April 26, 2018

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# Forward-Looking Statements

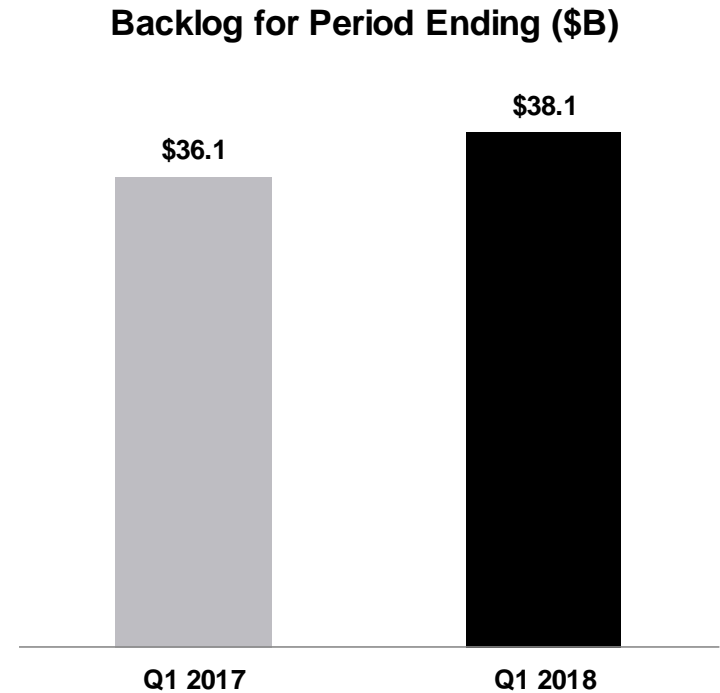
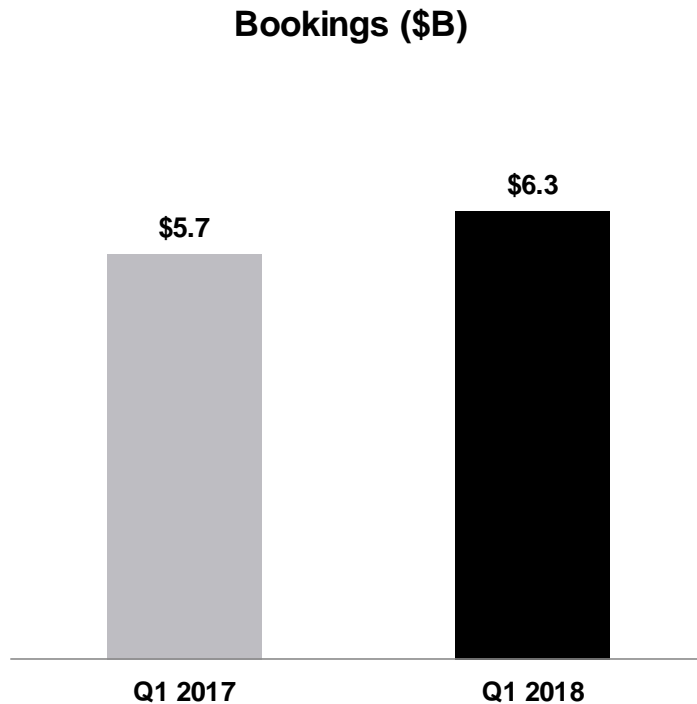
**This presentation contains forward-looking statements, including information regarding the Company's financial outlook, future plans, objectives, business prospects and anticipated financial performance. These forward-looking statements are not statements of historical facts and represent only the 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.**

# First Quarter 2018 Highlights

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- Net sales of \$6.3 billion, up 4.5 percent
- EPS from continuing operations of \$2.20, up 27.2 percent
- Operating cash flow from continuing operations of \$283 million
- Increased annual dividend by 8.8 percent, as previously announced
- Increased full-year 2018 guidance for sales and EPS

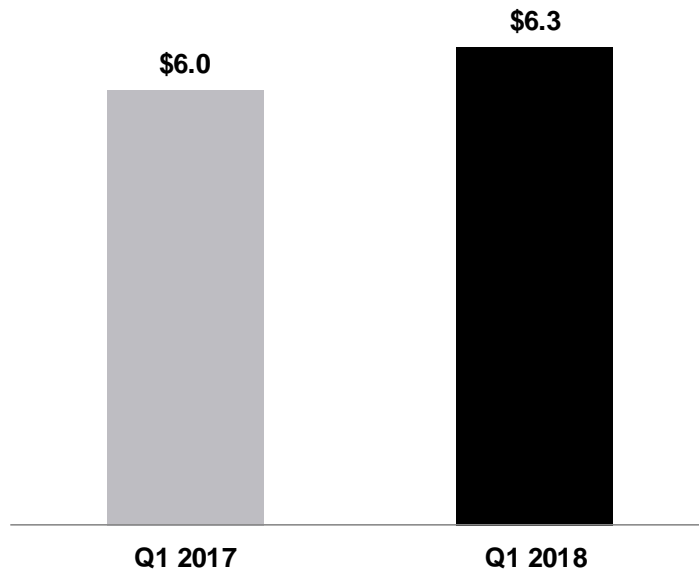
# Total Company Bookings and Backlog



**Backlog up over \$2.0 billion year-over-year**

# Total Company Net Sales

Net Sales (\$B)



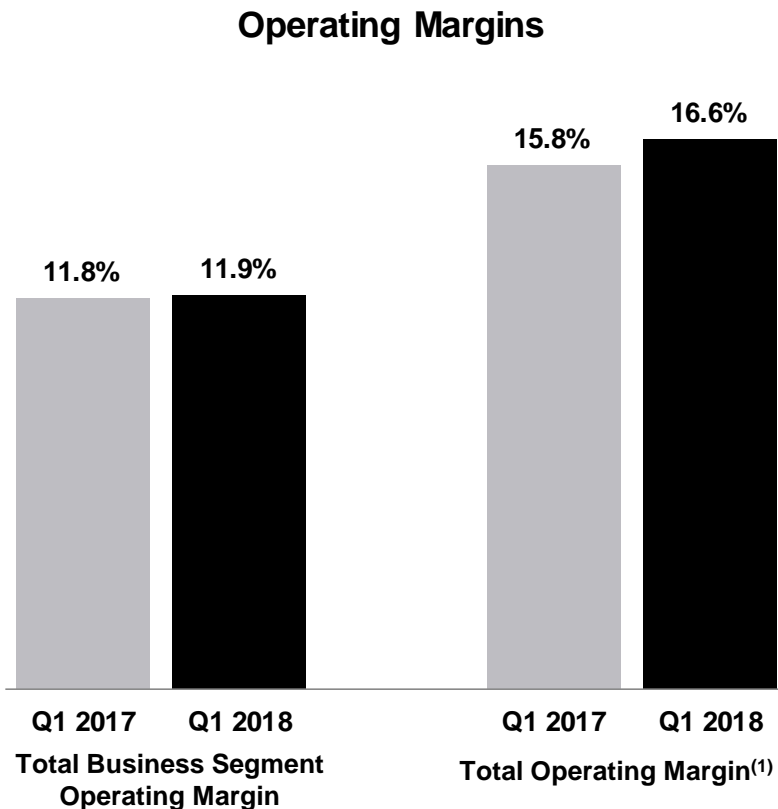
Net Sales (\$M)

	Q1 2017	Q1 2018	% Change
IDS	\$1,398	\$1,489	6.5%
IIS	1,507	1,582	5.0%
MS	1,756	1,848	5.2%
SAS	1,555	1,568	0.8%
Forcepoint™	144	141	(2.1)%
Eliminations	(350)	(357)	NM
<b>Total Business Segment</b>	<b>6,010</b>	<b>6,271</b>	<b>4.3%</b>
Deferred Revenue Adjustment	(10)	(4)	NM
<b>Total</b>	<b>\$6,000</b>	<b>\$6,267</b>	<b>4.5%</b>

NM = Not Meaningful

**Q1 2018 sales increased by 4.5 percent**

# Total Company Operating Margins



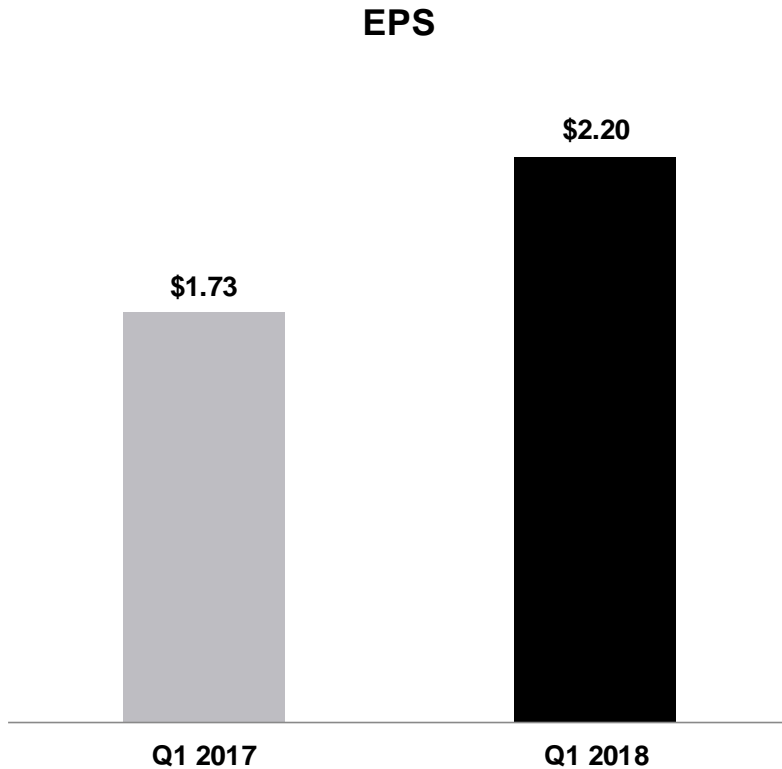
	Q1 2017	Q1 2018	Change
IDS	15.2%	18.3%	310 bps
IIS	7.4%	7.4%	-
MS	12.3%	11.5%	(80) bps
SAS	12.2%	12.3%	10 bps
Forcepoint	11.1%	(5.0)%	NM
Eliminations	(\$37M)	(\$40M)	(\$3M)
<b>Total Business Segment Operating Margin</b>	<b>11.8%</b>	<b>11.9%</b>	<b>10 bps</b>
Deferred Revenue Adjustment	(\$10M)	(\$4M)	\$6M
Amortization of Acquired Intangibles	(\$32M)	(\$29M)	\$3M
FAS/CAS Operating Adjustment <sup>(1)</sup>	\$315M	\$354M	\$39M
Corporate	(\$33M)	(\$28M)	\$5M
<b>Total Operating Margin<sup>(1)</sup></b>	<b>15.8%</b>	<b>16.6%</b>	<b>80 bps</b>

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.

**Solid operational performance**

# Earnings Per Share from Continuing Operations



<b>EPS (\$)</b>	
<b>First Quarter 2017</b>	<b>\$1.73</b>
Operations	0.13
Reduced share count	0.03
Taxes	0.28
All other	0.03
<b>First Quarter 2018</b>	<b>\$2.20</b>

**Q1 2018 EPS exceeded guidance**

# 2018 Financial Outlook

	Current		Prior*
Net Sales (\$B)	26.5 - 27.0	**	26.4 - 26.9
Deferred Revenue Adjustment (\$M) <sup>(1)</sup>	(10)		(10)
Amortization of Acquired Intangibles (\$M) <sup>(1)</sup>	(118)		(118)
FAS/CAS Operating Adjustment (\$M) <sup>(2)</sup>	1,416		1,416
Retirement Benefits Non-service Expense, non-operating (\$M) <sup>(2)</sup>	(958)		(958)
Interest Expense, Net (\$M)	(180) - (185)		(180) - (185)
Diluted Shares (M)	287 - 289		287 - 289
Effective Tax Rate	~18.0%	**	~19.0%
EPS from Continuing Operations	\$9.70 - \$9.90	**	\$9.55 - \$9.75
Operating Cash Flow from Cont. Ops. (\$B)	3.6 - 4.0		3.6 - 4.0

\*As of January 25, 2018

\*\* Denotes changes from prior guidance

(1) Deferred Revenue Adjustment and Amortization of Intangibles represent the unfavorable impact of the acquisition accounting adjustments to record acquired deferred revenue at fair value and the amortization of acquired intangible assets, respectively, for all of the business segments.

(2) 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. The outlook above reflects this change.



# 2018 Financial Outlook: By Business

	Current Net Sales (\$B)		Prior Net Sales (\$B)	Operating Margins (%)
<b>IDS</b>	6.0 - 6.2	**	5.9 - 6.1	16.4 - 16.6%
<b>IIS</b>	6.1 - 6.3		6.1 - 6.3	7.6 - 7.8%
<b>MS</b>	8.4 - 8.6		8.4 - 8.6	13.1 - 13.3%
<b>SAS</b>	6.5 - 6.7		6.5 - 6.7	12.3 - 12.5%
<b>Forcepoint</b>	>\$650M		>\$650M	6.0 - 8.0%
<b>Eliminations</b>	(1.4) - (1.5)		(1.4) - (1.5)	(\$145M) - (\$150M)
<b>Total business segment</b>	<b>26.5 - 27.0</b>	<b>**</b>	<b>26.4 - 26.9</b>	<b>12.5 - 12.7%</b>
<b>Deferred Revenue Adjustment</b>	(\$10M)		(\$10M)	(\$10M)
<b>Amortization of Acquired Intangibles</b>	-		-	(\$118M)
<b>FAS/CAS Operating Adjustment<sup>(1)</sup></b>	-		-	\$1,416M
<b>Corporate</b>	-		-	(\$75M) - (\$80M)
<b>Total</b>	<b>26.5 - 27.0</b>	<b>**</b>	<b>26.4 - 26.9</b>	<b>17.1 - 17.3%</b>

\* As of January 25, 2018

\*\* Change from prior guidance

Amounts may not add due to rounding

(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. The outlook above reflects this change.

# 2018 Financial Outlook

	Outlook	
	Q2 2018	2018
Sales (\$M)	6,405 - 6,530	26,500 - 27,000
EPS from Continuing Operations	\$2.23 - \$2.28	\$9.70 - \$9.90
Operating Cash Flow from Continuing Operations (\$M)	350 - 550	3,600 - 4,000

# 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