



First Quarter 2017 Conference Call

April 27, 2017

Dial In Number
800.591.6942 Domestic
617.614.4909 International
Reservation Number: 90055149

Replay Number
888.286.8010 Domestic
617.801.6888 International
Reservation Number: 18508040

Replay available through May 5, 2017

Forward-Looking Statements

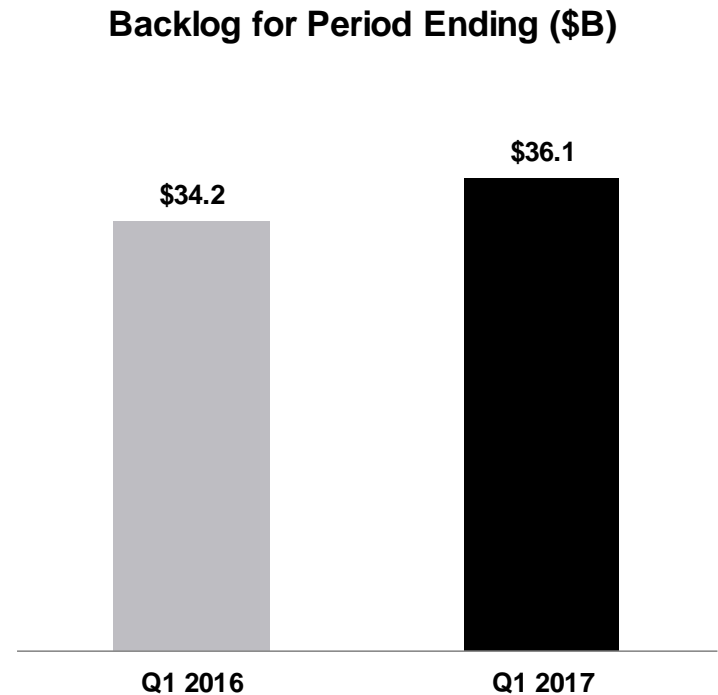
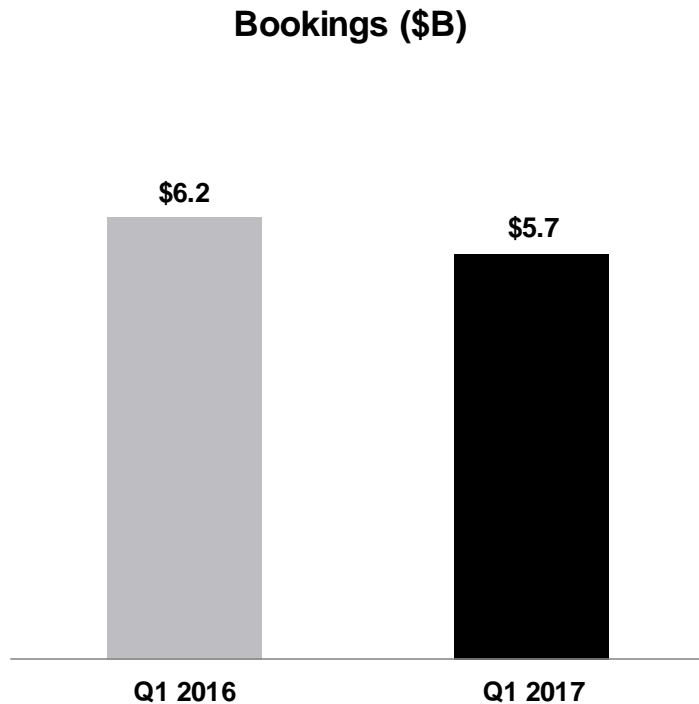
This presentation contains forward-looking statements, including information regarding the Company's financial outlook, future plans, objectives, business prospects and anticipated financial performance. These forward-looking statements are not statements of historical facts and represent only the Company's 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 and potential termination of contracts; 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 and obtain approvals, 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; 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; 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 2017 Highlights

- Bookings of \$5.7 billion; backlog of \$36.1 billion, up 5.5 percent
- Net sales of \$6.0 billion, up 3.4 percent
- EPS from continuing operations of \$1.73, up 21.0 percent
- As previously announced, increased annual dividend by 8.9 percent to \$3.19 per share
- Updated full-year 2017 guidance

As previously reported, effective January 1, 2017, the company adopted the new revenue recognition standard utilizing the full retrospective transition method. The impact of adopting the new standard on the company's 2016 net sales and operating income was not material. All 2016 financial results have been recast to reflect this change.

Total Company Bookings and Backlog



Backlog up \$1.9 billion or 5.5 percent year-over-year

Total Company Net Sales

Net Sales (\$B)



Net Sales (\$M)

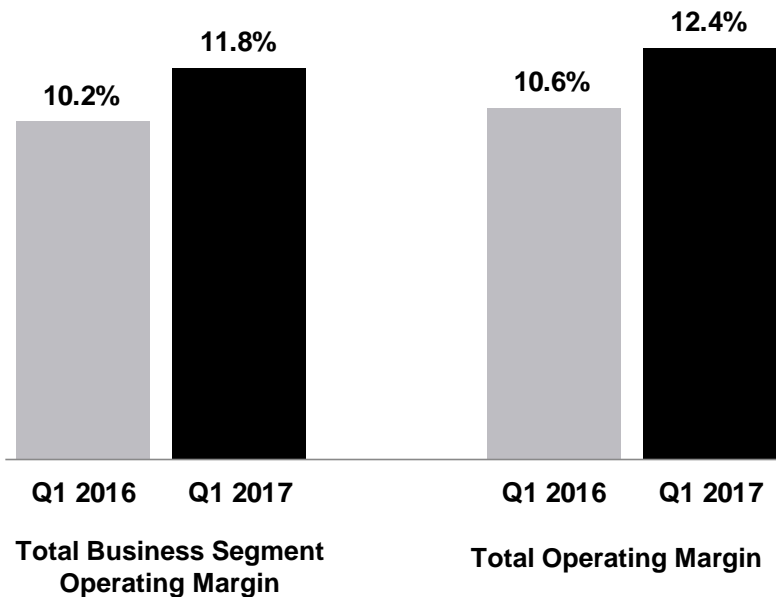
	Q1 2016	Q1 2017	% Change
IDS	\$1,336	\$1,398	5%
IIS	1,532	1,507	-2%
MS	1,723	1,756	2%
SAS	1,445	1,555	8%
Forcepoint™	139	144	4%
Eliminations	(347)	(350)	NM
Total Business Segment	5,828	6,010	3%
Deferred Revenue Adjustment	(26)	(10)	NM
Total	\$5,802	\$6,000	3%

NM = Not Meaningful

Q1 2017 sales increased by 3.4 percent

Total Company Operating Margins

Operating Margins⁽¹⁾



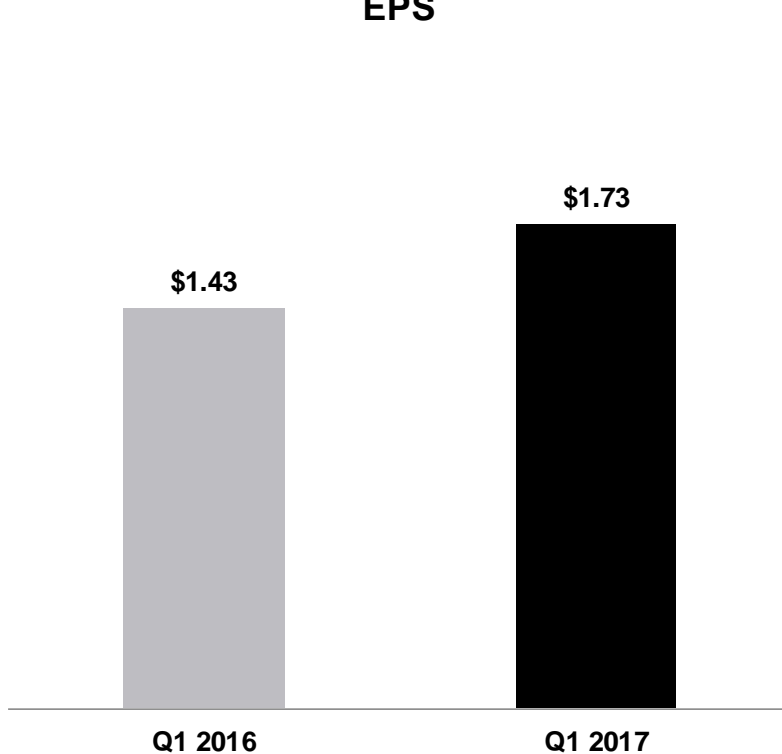
	Q1 2016	Q1 2017	Change
IDS ⁽¹⁾	10.9%	15.2%	430 bps
IIS	6.8%	7.4%	60 bps
MS	11.1%	12.3%	120 bps
SAS	11.6%	12.2%	60 bps
Forcepoint	12.9%	11.1%	(180) bps
Eliminations	(\$33M)	(\$37M)	(\$4M)
Total Business Segment Operating Margin⁽¹⁾	10.2%	11.8%	160 bps
Deferred Revenue Adjustment	(\$26M)	(\$10M)	\$16M
Amortization of Acquired Intangibles	(\$32M)	(\$32M)	-
FAS/CAS Adjustment	\$105M	\$108M	\$3M
Corporate	(\$28M)	(\$33M)	(\$5M)
Total Operating Margin⁽¹⁾	10.6%	12.4%	180 bps

(1) Q1 2016 included a \$36 million unfavorable program adjustment at IDS.

Strong operational performance

Earnings Per Share from Continuing Operations

EPS



EPS (\$)	
First Quarter 2016	\$1.43
Operations	0.20
Reduced share count	0.03
Acquisition Accounting Adjustments	0.04
All other	0.03
First Quarter 2017	\$1.73

Q1 2017 EPS exceeded guidance

2017 Financial Outlook

	Current	Prior*
Net Sales (\$B)	24.9 - 25.4**	24.8 - 25.3
Deferred Revenue Adjustment (\$M) ⁽¹⁾	(33)	(33)
Amortization of Acquired Intangibles (\$M) ⁽¹⁾	(127)	(127)
FAS/CAS Adjustment (\$M)	428	428
Interest Expense, Net (\$M) ⁽²⁾	(196) - (201)**	(216) - (221)
Diluted Shares (M)	291 - 293	291 - 293
Effective Tax Rate	~31.0%**	~31.5%
EPS from Continuing Operations ⁽²⁾	\$7.25 - \$7.40**	\$7.20 - \$7.35
Operating Cash Flow from Cont. Ops. (\$B)	2.8 - 3.1	2.8 - 3.1

* As of January 26, 2017

** Denotes changes from prior guidance

(1) *Deferred Revenue Adjustment and Amortization of Acquired 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) *Full-year 2017 EPS from continuing operations now includes the expected unfavorable \$0.05 net EPS impact in non-operating income associated with the \$40 million (\$0.09 EPS) impact related to the early retirement of debt in Q2 2017, partially offset by the expected interest expense reduction related to the retirement of the associated debt primarily in the second half of 2017.*

2017 Financial Outlook: By Business

	Current Net Sales (\$B)	Prior* Net Sales (\$B)	Operating Margins (%)
IDS	5.7 - 5.9	5.7 - 5.9	15.5 - 15.7%
IIS	5.9 - 6.1	5.9 - 6.1	7.4 - 7.6%
MS	7.6 - 7.8 **	7.5 - 7.7	13.1 - 13.3%
SAS	6.3 - 6.5	6.3 - 6.5	13.1 - 13.3%
Forcepoint	0.6	0.6	10.0 - 11.0%
Eliminations	(1.4) - (1.5)	(1.4) - (1.5)	(\$145M) - (\$150M)
Total business segment	24.9 - 25.4 **	24.8 - 25.3	12.4 - 12.6%
Deferred Revenue Adjustment	(33M)	(33M)	(33M)
Amortization of Acquired Intangibles	-	-	(127M)
FAS/CAS Adjustment	-	-	428M
Corporate	-	-	(\$80M) - (\$85M)
Total	24.9 - 25.4 **	24.8 - 25.3	13.2 - 13.4%

* As of January 26, 2017

** Change from prior guidance

2017 Financial Outlook

	Outlook	
	Q2 2017	2017
Sales (\$M)	6,050 - 6,200	24,900 - 25,400
EPS from Continuing Operations⁽¹⁾	\$1.67 - \$1.71	\$7.25 - \$7.40
Operating Cash Flow from Continuing Operations (\$M)	650 - 750	2,800 - 3,100

(1) Full-year 2017 EPS from continuing operations now includes the expected unfavorable \$0.05 net EPS impact in non-operating income associated with the \$40 million (\$0.09 EPS) impact related to the early retirement of debt in Q2 2017, partially offset by the expected interest expense reduction related to the retirement of the associated debt primarily in the second half of 2017.

Appendix

Workdays in Fiscal Reporting Calendar

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

	Q1	Q2	Q3	Q4
2016	65	64	63	57
2015	61	64	63	61
Increase / (decrease)	4	0	0	(4)