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L3Harris Technologies, Inc. (LHX)

Q3 2024 Earnings Call

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QUESTION AND ANSWER SECTION

: Certainly, Mr. Kubasik. [Operator Instructions] We'll go first this morning to Sheila Kahyaoglu at Jefferies.

Sheila Kahyaoglu
Analyst, Jefferies LLC

Q

Good morning, Chris and Ken. Thank you so much. Maybe, Chris, if we could start off big picture, you reiterated the long term target of \$23 billion of revenue, which implies an acceleration of organic growth from 2024 levels and 2025 to 2026. So, can you maybe talk about the biggest drivers of the acceleration, what's left to capture, what are opportunities that you're looking at given the strong book-to-bills this quarter?

Christopher E. Kubasik
Chair & Chief Executive Officer, L3Harris Technologies, Inc.

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All right. Good morning, Sheila, and thanks for the questions. Yeah, if you recall, in 2023, we had a book-to-bill of 1.21. We're sitting at 1.14 after nine months. And, as Ken said, we have a record backlog. I believe when I look at our portfolio that we are aligned with the important areas of the US budget and that will allow us to grow and meet our \$23 billion commitment.

When I look at CS, we talked about the NATO software defined radios. There are other opportunities in Europe that we're looking at right now and, just like we talked about last time, we still have a \$10 billion international pipeline in CS alone. On the Space side, I think there's some well-documented budget pressures here in the near term. But I think given the threat environment and as the customer continues to move missions from air to space by 2026, we should be able to see more growth in the out years.

In Aerojet Rocketdyne, the operations are improving. We're investing in the supply chain, we're investing in capacity. That exp On

Christopher E. Kubasik

Yeah. Thanks. Thanks, Matt. As you would imagine, I and my team spent a lot of time in DC and with the customers. And, it's always flattering when they ask you how things are going and how LHX NeXt is going. I think they're looking at it not only as a cost savings, but a transformation, the use of digital engineering, the ability to make data

I don't know, Ken, anything you want to add?

Kenneth L. Bedingfield

Chief Financial Officer & Senior Vice President, L3Harris Technologies, Inc.

A

Yeah. I was just going to say, in terms of the margin progress, LHX NeXt is certainly a big part of that. But I think at the end of the day, it's also the investments we've made in the team and the tools, our performance on our programs. I think one of the big contributors is just solid performance, getting some of the negative impacts out of the system. We talk about bidding discipline and I don't want that message to come across as that means we're not bidding new work. We are bidding. We think we have a more effective cost structure than our peers and that gives us the ability to win and determine what the right amount of margin opportunity is for us and what the right amount of lower cost is for the customers.

So, as I look at it, certainly a piece of it is avoiding some of the lower margin, negative program issues we saw in the past. Certainly, working with the supply chain pricing and inflation, we sort of had to deal with some of the inflationary pressures as an industry back during the pandemic, but we're now on new programs able to reflect that more appropriate cost. And, again, really focusing on kind of bid to win and knowing what our cost is and I think having a better view that we are more competitive than many of the peers.

So, it's kind of that combination of all those various pieces that I think help us drive to the margin upside, and that's what gives us the confidence in saying we're going to get to at least that 16% in 2026.

David Strauss

Analyst, Barclays Capital, Inc.

Q

Great. That's helpful. And, a quick that more appropW*nBT 12 Tf1 0 0 1 54.024 423.02 Tm0 g0 G[(David)6(S)-8(t)-7(r)-7(aus

Gautam Khanna

Analyst, TD Cowen

Q

Wanted to ask just if you can give us an update on Tech Refresh-3, where that stands? And then, if you could also just still opine on the margin progress you've made at IMS, getting some of those challenges that were there last year under control. Thanks.

Christopher E. Kubasik

Chair & Chief Executive Officer, L3Harris Technologies, Inc.

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Yeah. On F-35, I know there's been a lot of discussion on TR-3 in the last seve

Yes, they are.

Pete Skibitski

Analyst, Alembic Global Advisors LLC



Okay. Appreciate it. Thanks, guys.

: Thank you. We go next now to Seth Seifman at JPMorgan.

Seth M. Seifman

Analyst, JPMorgan Securities LLC

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