

Deal of the Week: Harris Corporation to buy L3 Technologies for \$15.7B

Announcement Date	<ul style="list-style-type: none"> October 14, 2018 	
Acquirer	<ul style="list-style-type: none"> Harris Corporation (NYSE: HRS) 	
Acquirer Description	<ul style="list-style-type: none"> Provides technology-based solutions by designing, developing, and manufacturing radio communications products and systems to solve government and commercial customers' mission-critical challenges globally. It operates in three segments: Communication Systems, Electronic Systems, and Space and Intelligence Systems Founded in 1895 and headquartered in Melbourne, FL 	
Acquirer Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$17.6 billion EV: \$23.3 billion LTM Revenue: \$6.3 billion 	<ul style="list-style-type: none"> LTM EBITDA: \$1.5 billion LTM EV / Revenue: 3.7x LTM EV / EBITDA: 16.0x
Target Company	<ul style="list-style-type: none"> L3 Technologies, Inc. (NYSE: LLL) 	
Target Description	<ul style="list-style-type: none"> Provides aerospace systems, communication, electronic, and sensor systems used on military, homeland security, and commercial platforms globally Founded in 1997 and headquartered in New York, NY 	
Target Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$15.0 billion EV: \$19.5 billion LTM Revenue: \$9.8 billion 	<ul style="list-style-type: none"> LTM EBITDA: \$1.3 billion LTM EV / Revenue: 2.0x LTM EV / EBITDA: 14.6x
Acquirer Advisor(s)	<ul style="list-style-type: none"> Morgan Stanley 	
Target Advisor(s)	<ul style="list-style-type: none"> Goldman Sachs 	
Price / Consideration	<ul style="list-style-type: none"> \$15.7 billion 	<ul style="list-style-type: none"> Stock
Rationale	<ul style="list-style-type: none"> The defense contractors agreed to a merger that will form one of the industry's largest players, a \$33.5 billion behemoth to challenge weapons makers such as Raytheon Co. and Northrop Grumman Corp. With product lines spanning communications and electronics, the newly formed L3 Harris Technologies Inc. is poised to capitalize on military spending increases under U.S. President Donald Trump The transaction will add to combined earnings per share in the first year after the close of the deal, and generate \$500 million in annual pretax cost savings and \$3 billion in free cash flow by the third year Harris Chairman, President and Chief Executive Officer, William M. Brown said, "This transaction extends our position as a premier global defense technology company that unlocks additional growth opportunities and generates value for our customers, employees and shareholders." 	
Deal Points	<ul style="list-style-type: none"> The all-stock deal values L3 at \$15.7 billion, slightly above its market capitalization of \$15.3 billion at the end of trading Friday, October 12 Under the terms of the agreement, described as a merger of equals, L3 holders will exchange each share for 1.3 shares of Harris common stock, valued at about \$201.33 Upon completion, Harris shareholders will own approximately 54% and L3 shareholders will own approximately 46% of the combined company 	
Of Note	<ul style="list-style-type: none"> Increased U.S. defense spending is driving contractors to pursue mergers so that they have more scale to bid on bigger projects. For example, United Technologies acquired Rockwell Collins for \$30 billion in late 2017 L3 Harris Technologies will be the sixth largest defense company in the United States and a top 10 defense company globally 	