

Initiating Coverage:

L3Harris (\$LHX)

On the Frontline: L3Harris Powers Next-Gen Warfare and Defense

Against a backdrop of escalating geopolitical tensions and demand for integrated defense technologies, LHX and its investors now enjoy a clear runway to success.

The company continues to draw contract awards globally, including...

- \$587 million for next generation NGJ-LB Jammers
- Two \$999 million IDIQ U.S. Navy contracts for advanced communication systems
- Contract (undisclosed monetary amount) from the U.S. government to develop a next-generation security processor to secure communication devices globally

Although LHX has increased its revenue sensitivity to U.S. government budgets through 2023 acquisitions of ViaSat's Link 16 tactical data link unit and Aerojet Rocketdyne, the company has continued to outperform quarterly revenue expectations and has a very attractive ~\$35 billion in backlog, all while sitting atop the backdrop of increased defense spending trends in cyber, propulsion, and communication.

Relevant Developments

(CONTRACT/PRODUCT) Communication Security Processor

- "L3Harris Technologies (NYSE: LHX) has been awarded a contract by the U.S. government to develop a next-generation security processor to secure communication devices across the globe."
- Safeguarding current and future weapons systems against cyber security threats.

(INFRASTRUCTURE) Arkansas Rocket Motor Factory Investment

- Arkansas rocket motor factories offer LHX a continuation into the vertical integration of propulsion technology; a branch of R&D and industry that is commonly sourced externally by defense contractors.
- The unit serves as a key producer of weapon components as the U.S. seeks to replace aging Minuteman III intercontinental ballistic missiles and build an inventory of tactical missiles.

(MACRO TRENDS) Geopolitics and Rearmament

- Technology-driven R&D related areas like missile defense, electronic warfare, drones, and hypersonics have seen a targeted 25% increase from FY2024 ~\$141 billion to FY2025 ~\$179 billion.
- Flashpoints such as the Russia-Ukraine war, Middle East conflicts (Israel/Gaza, Israel/Iran, & Proxies) have fueled rearmament.
- Global military spending at record levels (2.718 trillion in 2024) with some regions such as Europe and Asia averaging double digit percentage rises; such increases play into the demand for cyber/comm/missile intelligence systems potentially driving LHX global market share growth.

We initiate coverage with a \$300 Price Target.



Consortium Research Group
Industrial | Defense
July 4th, 2025

Stock Rating: Overweight

Price Target: \$300.00

Price: \$259.00

Potential Upside: +15.6%

Ticker: SLHX



Industrials Coverage Team

Analyst
Louis Ward
University of Kentucky
law270@uky.edu

L3Harris Overview

L3Harris Technologies (NYSE LHX) is a mission-critical technology partner delivering advanced defense and security solutions across space, air, land, sea and cyber. Headquartered in Florida, it has become a vertically integrated powerhouse through acquisitions like ViaSat's Link 16 unit and Aerojet Rocketdyne, enabling end-to-end control of the defense technology value chain with a diverse portfolio spanning secure communications, ISR platforms, precision missile systems and space-cyber capabilities.

The company is split into 4 segments: Space and Airborne Systems (32% total revenue), Aerojet Rocketdyne (11% total revenue), Integrated Mission Systems (26% total revenue), and Communication Systems (31% total revenue). The company boasts FY2024 ~\$21.35 billion in revenue and ~\$35 billion in backlog with EBIT margins around 13.5%.

Defense Sector Overview

The global defense sector continues to experience an unprecedented upswing in demand, fueled by persistent geopolitical volatility and record-breaking levels of military expenditure. FY2024 marked global military spending at \$2.72 trillion, with double-digit growth rates across Europe and Asia; regions on the frontlines of rearmament and modernization. Within this environment, defense technology innovation has become the new battleground: investments in missile defense, electronic warfare, drone systems, and hypersonic weaponry have surged, reflecting a targeted 25% increase in U.S. technology-driven R&D from ~\$141 billion in FY2024 to ~\$179 billion in FY2025.

Comparable Company Analysis – Source: S&P Capital IQ

Comparable Companies

\$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
Raytheon (RTX)	\$194,940	\$230,600	24.9x	\$81,739	\$11,060
Lockheed Martin (LMT)	\$109,900	\$126,980	16.2x	\$71,811	\$8,992
Northrup Grumman (NOC)	\$73,100	\$85,140	19.7x	\$40,368	\$5,280
Leidos (LDOS)	\$21,170	\$25,520	15.1x	\$16,932	\$2,232
L3Harris	\$48,060	\$60,360	30.5x	\$21,250	\$3,970

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF
Raytheon (RTX)	20.8x	19.5%	13.5%	8.2%	15.0%
Lockheed Martin (LMT)	14.1x	10.1%	12.5%	10.2%	3.1%
Northrup Grumman (NOC)	16.1x	19.3%	13.1%	9.6%	1.0%
Leidos (LDOS)	11.4x	17.2%	13.1%	11.5%	7.8%
L3Harris	15.2x	26.0%	18.5%	13.3%	5.4%

High	20.85x	26.0%	18.5%	13.3%	15.0%
75th Percentile	16.13x	19.5%	13.5%	11.5%	7.8%
Average	15.55x	18.4%	14.1%	10.6%	6.5%
Median	15.20x	19.3%	13.1%	10.2%	5.4%
25th Percentile	14.12x	17.2%	13.1%	9.6%	3.1%
Low	11.43x	10.1%	12.5%	8.2%	1.0%

General Dynamics Valuation

Implied Enterprise Value (25th Percentile)	\$	56,062
Implied Enterprise Value (Median)	\$	60,360
Implied Enterprise Value (75th Percentile)	\$	64,016
Implied Share Price (25th Percentile)	\$	237.12
Implied Share Price (Median)	\$	260.11
Implied Share Price (75th Percentile)	\$	279.67

Investment Theses

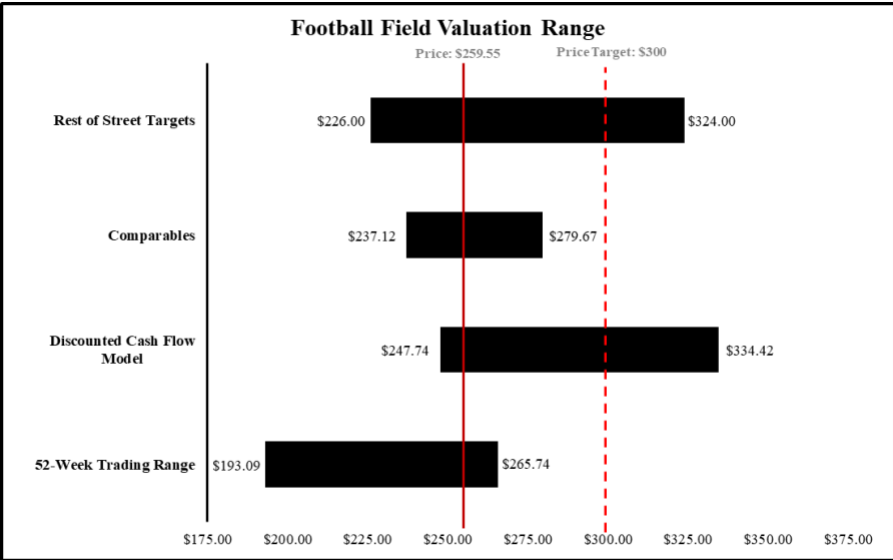
L3Harris Technologies (NYSE LHX) combines a diversified multi domain portfolio across land, sea, air, space and cyber and benefits from vertical propulsion integration + improved communication system development via the Aerojet Rocketdyne and ViaSat's Link 16 unit acquisitions respectively. The shift in modern warfare strategy + tech dependency toward autonomous systems, widespread drone deployment and advanced missile interception/strike capabilities (as demonstrated in current global conflicts) plays directly to L3Harris's strengths. The company is at the forefront of these relevant, high-value areas and is expected to contribute to global comm and missile technology deployment + R&D (e.g., America's Golden Dome, Vampire Missile Systems).

Our DCF projects steady revenue growth of ~7% year over year and improving EBIT margins attributed to a healthy "physical systems integration" to "software" ratio within its product base. LHX has maintained ongoing (successful) efforts to reduce debt, which remains high due to recent acquisition activity.

Under base-case assumptions, a ~10 percent upside from the current price point is projected. In an upside scenario (where acquisitions integrate smoothly, debt is managed effectively, and contract-driven revenue growth outpaces expectations), LHX fair value could signal 35 percent upside in fair market value. Our price target is \$300, which offers a substantial return while preserving a buffer against unexpected downside risk events.

Price Target & Valuation

Our analysis gives (\$LHX) a price target of \$300.00 and an O weight rating.



Potential Downsides to Our Rating

Competitive Threats: Entrenched competitors (Raytheon, Lockheed, Northrop) as well as niche tech entrants/start-ups may erode LHX’s market share as relevant/trendy markets expand; specifically in high-growth segments such as hypersonics, electronic warfare, and autonomous systems.

Debt & Leverage: The company’s increased debt load following recent acquisitions may constrain future flexibility and raise sensitivity to interest rate environments. Furthermore, the uptick in leverage could result in lowered company credit rating placing more stress on incremental borrowing. Elevated interest burdens, refinancing risk, and potential hesitation on growth investments also linger as underlying uncertainties.

Supply Chain & Geopolitics: Disruptions in global supply chains or tariffs affecting key component sourcing could halt or slow project delivery and inflate costs.

Price Target: **\$300.00** (+15.6%)

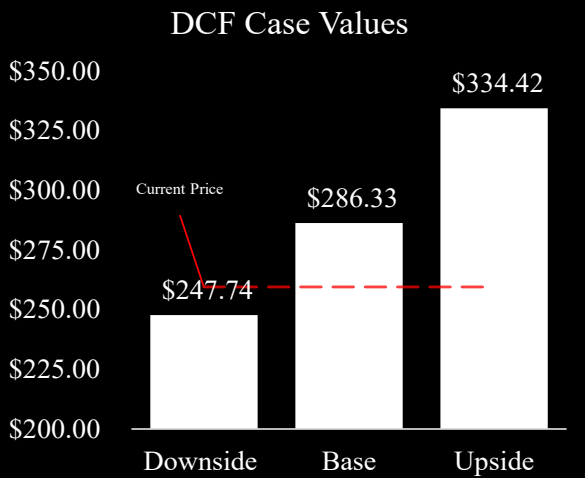
Under a continuation of current macro and industry trends, L3Harris maintains strong revenue growth, grounded by its robust backlog, strong contract wins, and leading exposure to high-priority defense spending areas (cyber, comms, space, propulsion). Successful integration of recent acquisitions will continue to supercharge both topline expansion, and margin stability. The company’s diverse portfolio and global footprint offer an offset to regional budget pressures. LHX continues to leverage its position as a “critical tech partner” for the U.S. and allied governments.

Upside Case: **\$334.42** (+28.85%)

Geopolitical flashpoints across the globe and an ongoing regional power competition drive sustained, above-trend increases in global defense budgets; particularly for next-gen missile, space, and cyber technologies. L3Harris’ integration of its recent acquisitions enables a leverage of scale and technical edge to outcompete contract bids in legacy and emerging domains (autonomous systems, AI). As a result of increased defense spending, outsized contract awards and pipeline conversions push revenue growth into the low teens, while operating leverage and R&D investment drive meaningful margin expansion. Continued investor interest in tech exposes LHX to a broader appetite and lifts valuation multiples well above sector averages.

Downside Case: **\$247.74** (-4.55%)

A prolonged federal budget tightening cycle or a surprise shift in U.S. defense spending priorities dampens revenue exposure for L3Harris, especially following its recent acquisitions that have increased sensitivity to government procurement. Delays or overrun issues on major integration projects, operational execution risks, and competitive pressures in keystone segments (e.g., missile systems, secure communications) could further degrade margins. In the lower-growth, budget-constrained situation, valuation multiples revert implying limited upside on a side-by-side comparison basis with comp peers.



Projections

Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	21,325	23,025	24,790	26,556	28,303	9.9%
EBITDA	3,927	4,062	4,304	4,653	5,004	8.4%
EBIT	2,638	2,697	2,851	3,087	3,326	8.0%
NOPAT	1,599	1,738	2,045	1,701	2,536	16.6%
Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	18.4%	17.6%	17.4%	17.5%	17.7%	17.7%
EBIT Margin	12.4%	11.7%	11.5%	11.6%	11.8%	11.8%
Revenue Growth	9.8%	8.0%	7.7%	7.1%	6.6%	7.8%
EBIT Growth	9.2%	2.2%	5.7%	8.3%	7.7%	6.6%
Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	13.0x	14.9x	14.7x	13.8x	12.9x	13.9x
EV/Sales	2.8x	2.6x	2.4x	2.3x	2.1x	2.5x
EV/EBITDA	15.3x	14.8x	14.0x	12.9x	12.0x	13.8x
FCF Yield	7.7%	6.7%	6.8%	7.3%	7.7%	7.2%

About L3Harris (NYSE: \$LHX)

L3Harris Technologies Inc is an American technology company, defense contractor and IT services provider; it manufactures command and control systems, wireless equipment, tactical radios, avionics and electronic systems, night vision and C3ISR platforms, ocean instrumentation and navigation products, training devices and services, plus terrestrial and spaceborne antennas for government, defense and commercial customers; formed on June 29, 2019 through the merger of L3 Technologies and Harris Corporation, it is now the sixth largest defense contractor in the United States.

Disclosures & Ratings

Consortium Equity Research does not hold any professional relationships with any reported equities.

Overweight means the analyst team believes the stock price will outperform the coverage industry benchmark (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

Appendix “Base” Case

DCF Analysis (\$mm)											
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/30/2028	12/30/2029	12/31/2030
Stub						0.53	1.53	2.53	3.53	4.53	5.53
Discount Period						0.24	0.97	1.97	2.97	3.97	4.97
Revenue	16,847	17,131	17,062	19,419	21,325	23,025	24,790	26,556	28,303	30,010	31,655
Revenue Growth	0%	2%	0%	14%	10%	8%	8%	7%	7%	6%	5%
S&A + RA	5,652	5,802	6,219	7,719	9,024	9,990	10,864	11,740	12,606	13,449	14,256
IMS	6,793	7,042	6,626	6,630	6,842	7,140	7,677	8,215	8,750	9,275	9,786
Comm Systems	4,402	4,287	4,217	5,070	5,459	5,895	6,249	6,600	6,947	7,285	7,613
EBIT	1,993	2,096	2,354	2,416	2,638	2,697	2,851	3,087	3,326	3,564	3,799
EBIT Margin	12%	12%	14%	12%	12%	12%	12%	12%	12%	12%	12%
Tax Expense	394	358	309	715	102	177	456	463	466	463	456
Effective Tax Rate	20%	17%	13%	30%	4%	7%	16%	15%	14%	13%	12%
NOPAT	1,599.00	1,738.00	2,045.00	1,701.00	2,536.00	2,520.00	2,394.68	2,624.02	2,859.98	3,100.38	3,342.73
D&A	1,032	967	938	1,166	1,289	1,365	1,454	1,566	1,679	1,790	1,899
Capex	368	342	252	449	408	425	496	597	708	825	950
Changes in NWC	(591)	(288)	50	537	(308)	200	62	70	78	86	95
UFCF	2,854	2,651	2,681	1,881	3,725	3,260	3,290	3,523	3,753	3,979	4,197
PV of FCF						3,208	3,081	3,082	3,069	3,040	2,997

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	4.33%
Beta	0.76
Risk Free Rate	4.36%
Cost of Equity	6.21%
Weighted Average Cost of Debt	5.00%
Tax Rate	16.00%
Cost of Debt	0.80%
Total Equity	\$48,522
Total Debt	\$11,733
Equity/Total Capitalization	81.00%
Debt/Total Capitalization	19.00%
WACC	7.01%

Terminal Value	
Perpetuity Growth Method	
2034 FCF	\$4,197
Growth	2.50%
Terminal Value	\$93,035
PV of Terminal Value	\$66,426
PV of Projection Period	\$18,477
PV of Terminal Value	\$66,426
Implied TEV	\$84,903
(-) Debt	\$12,250
(+) Cash	\$517
Implied Equity Value	\$73,170
Basic Shares Outstanding	187
Implied Share Price	\$391.40
Upside/Downside	50.80%

Implied Exit BF EV/EBITDA	22.4x
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Terminal Value	
Exit Multiple Method	
2034 EBITDA	\$5,698
EV/EBITDA Exit Multiple	11.5x
Terminal Value	\$65,525
PV of Terminal Value	\$46,784
PV of Projection Period	\$18,477
PV of Terminal Value	\$46,784
Implied TEV	\$65,261
(-) Debt	\$12,250
(+) Cash	\$517
Implied Equity Value	\$53,528
Diluted Shares Outstanding	187
Implied Share Price	\$286.33
Upside/Downside	10.3%

Implied PGR	-1.8%
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Blended Share Price	
Perpetuity Growth Method	0%
Exit Multiple Method	100%
Blended Share Price	\$286.33
Upside/Downside	10.32%

Appendix “Upside” Case

DCF Analysis (\$mm)											
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/30/2028	12/30/2029	12/31/2030
Stub						0.53	1.53	2.53	3.53	4.53	5.53
Discount Period						0.24	0.97	1.97	2.97	3.97	4.97
Revenue	16,847	17,131	17,062	19,419	21,325	23,025	25,132	27,236	29,302	31,292	33,166
Revenue Growth	0%	2%	0%	14%	10%	8%	9%	8%	8%	7%	6%
S&A + RA	5,652	5,802	6,219	7,719	9,024	9,990	11,039	12,088	13,115	14,099	15,015
IMS	6,793	7,042	6,626	6,630	6,842	7,140	7,818	8,493	9,151	9,780	10,367
Comm Systems	4,402	4,287	4,217	5,070	5,459	5,895	6,274	6,656	7,036	7,413	7,784
EBIT	1,993	2,096	2,354	2,416	2,638	2,697	3,016	3,302	3,589	3,872	4,146
EBIT Margin	12%	12%	14%	12%	12%	12%	12%	12%	12%	12%	13%
Tax Expense	394	358	309	715	102	177	483	495	503	503	497
Effective Tax Rate	20%	17%	13%	30%	4%	7%	16%	15%	14%	13%	12%
NOPAT	1,599.00	1,738.00	2,045.00	1,701.00	2,536.00	2,520.00	2,533.26	2,806.99	3,086.96	3,368.94	3,648.21
D&A	1,032	967	938	1,166	1,289	1,365	1,474	1,606	1,738	1,867	1,990
Capex	368	342	252	449	408	425	503	613	733	861	995
Changes in NWC	(591)	(288)	50	537	(308)	200	63	71	81	90	99
UFCF	2,854	2,651	2,681	1,881	3,725	3,260	3,441	3,729	4,012	4,285	4,544
PV of FCF						3,208	3,222	3,263	3,280	3,274	3,244

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	4.33%
Beta	0.76
Risk Free Rate	4.36%
Cost of Equity	6.21%
Weighted Average Cost of Debt	5.00%
Tax Rate	16.00%
Cost of Debt	0.80%
Total Equity	\$48,522
Total Debt	\$11,733
Equity/Total Capitalization	81.00%
Debt/Total Capitalization	19.00%
WACC	7.01%

Terminal Value	
Perpetuity Growth Method	
2034 FCF	\$4,544
Growth	3.30%
Terminal Value	\$122,417
PV of Terminal Value	\$87,405
PV of Projection Period	\$19,491
PV of Terminal Value	\$87,405
Implied TEV	\$106,896
(-) Debt	\$12,250
(+) Cash	\$517
Implied Equity Value	\$95,163
Basic Shares Outstanding	187
Implied Share Price	\$509.04
Upside/Downside	96.12%

Implied Exit BF EV/EBITDA	25.8x
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Terminal Value	
Exit Multiple Method	
2034 EBITDA	\$6,136
EV/EBITDA Exit Multiple	12.5x
Terminal Value	\$76,695
PV of Terminal Value	\$54,760
PV of Projection Period	\$19,491
PV of Terminal Value	\$54,760
Implied TEV	\$74,251
(-) Debt	\$12,250
(+) Cash	\$517
Implied Equity Value	\$62,518
Diluted Shares Outstanding	187
Implied Share Price	\$334.42
Upside/Downside	28.8%

Implied PGR	-1.2%
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Blended Share Price	
Perpetuity Growth Method	0%
Exit Multiple Method	100%
Blended Share Price	\$334.42
Upside/Downside	28.85%