L3Harris Technologies (LHX)

Updated July 31st, 2025 by Prakash Kolli

Key Metrics

Current Price:	$274	**5 Year CAGR Estimate:**	0.4%	**Market Cap:**	$51.29B
Fair Value Price:	$189	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	09/05/25
% Fair Value:	145%	**5 Year Valuation Multiple Estimate:**	-7.2%	**Dividend Payment Date:**	09/22/25
Dividend Yield:	1.8%	**5 Year Price Target**	$253	**Years Of Dividend Growth:**	24
Dividend Risk Score:	C	**Sector:**	Industrials	**Rating:**	Hold

Overview & Current Events

L3Harris Technologies (LHX) is the result of a merger between L3 Technologies and Harris Corporation completed on June 29, 2019, forming the sixth largest defense contractor. The firm acquired Aerojet Rocketdyne in 2023. The company now reports four business segments: Communication Systems (~23% of revenue), Integrated Mission Systems (~42% of revenue), Space and Airborne Systems (~35% of revenue), and Aerojet Rocketdyne. The majority of L3Harris' sales are to the U.S. Government or to other defense contractors. The company had revenue of about $19.4B in 2023.

L3Harris reported solid Q2 2025 results on July 24th, 2025. Companywide revenue rose 2% to $5,426M from $5,299M on higher revenue in three segments, offset by the divestment of the Commercial Aviation Solution (CAS) business. Diluted non-GAAP EPS increased 16% to $2.78 from $2.40 on year-over-year basis on better margins, offset by lower revenue and a higher tax rate. Diluted GAAP earnings climbed to $2.44 from $1.92 in comparable periods on improved margins.

Communications Systems revenue increased 2% to $1,376M from $1,346M due to higher volumes and international demand. Integrated Mission Systems revenue fell 3% to $1,622M from $1,671M in the prior year due to lower Maritime program volumes, offset by a new ISR classified program. The CAS business was divested. Revenue for Space & Airborne Systems rose 5% to $1,787M from $1,707M. Margins rose to 13.2%. Volumes decreased for space, intel & cyber, but rose for FAA and airborne combat systems work. Aerojet Rocketdyne revenue grew 10% to $698M from $633M on missile and munitions programs offset by space programs and the Aerojet Ordnance Tennessee business divesture.

The firm's backlog is $35.4B with a 1.5 book-to-bill ratio.

The company increased its guidance to ~$21.75B in revenue and $10.40 - $10.60 for EPS in 2025.

Growth on a Per-Share Basis[1]

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS[2]	$5.14	$5.70	$5.12	$6.38	$10.08	$11.60	$12.95	$12.90	$12.36	$13.10	***$10.50***	***$14.05***
DPS	$1.88	$2.00	$2.12	$2.28	$2.87	$3.40	$4.08	$4.48	$4.56	$4.64	***$4.80***	***$5.84***
Shares[3]	117	125	122	121	224	216	203	194	191	191	***189***	***180***

L3Harris is positioned for both top and bottom-line growth in high margin segments. Increased defense spending will support top and bottom line growth over time. Geopolitical conflicts should provide some tailwinds, offset by supply chain disruptions and high labor costs. The firm indicated that no more M&A will occur for some time. So, bottom line growth will be driven by organic sales increases and robust share buybacks, offset by interest payments, pensions costs, and inflation. We have lowered our average annual earnings per share growth to 6% out to 2030 because of operational execution challenges after the many acquisitions. We are now forecasting on average 4% annual increase in the dividend out to 2030 because of the modest payout ratio, the internal target of 35% to 40% of free cash flow, and high leverage. Also, the company seems focused on share buybacks ahead of delevering and dividends.

[1] Note that L3Harris is the successor organization to Harris and thus tabular data before 2019 is for Harris.

[2] The firm excluded an adjustment for amortization of acquisition related tangible assets in non-GAAP EPS starting in Q1 2025.

[3] Share count is in millions.

Disclosure: This analyst is long LHX.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	14.2	13.9	19.7	22.2	20.3	36.2	23.4	16.7	17.0	16.1	***26.1***	***18.0***
Avg. Yld.	2.6%	2.5%	2.1%	1.6%	1.7%	1.8%	1.9%	1.9%	2.2%	2.2%	***1.8%***	***2.3%***

L3Harris' stock price is up appreciably since our last report on beating estimates. We set our earnings estimate to the mid-point of raised 2025 guidance. Our fair value multiple is now 18X, near the 10-year average, but discounting for rising costs and execution challenges after M&A. Our fair value estimate is $189. Our 5-year price target is now $253.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	37%	35%	41%	36%	28%	29%	32%	35%	37%	35%	***46%***	***42%***

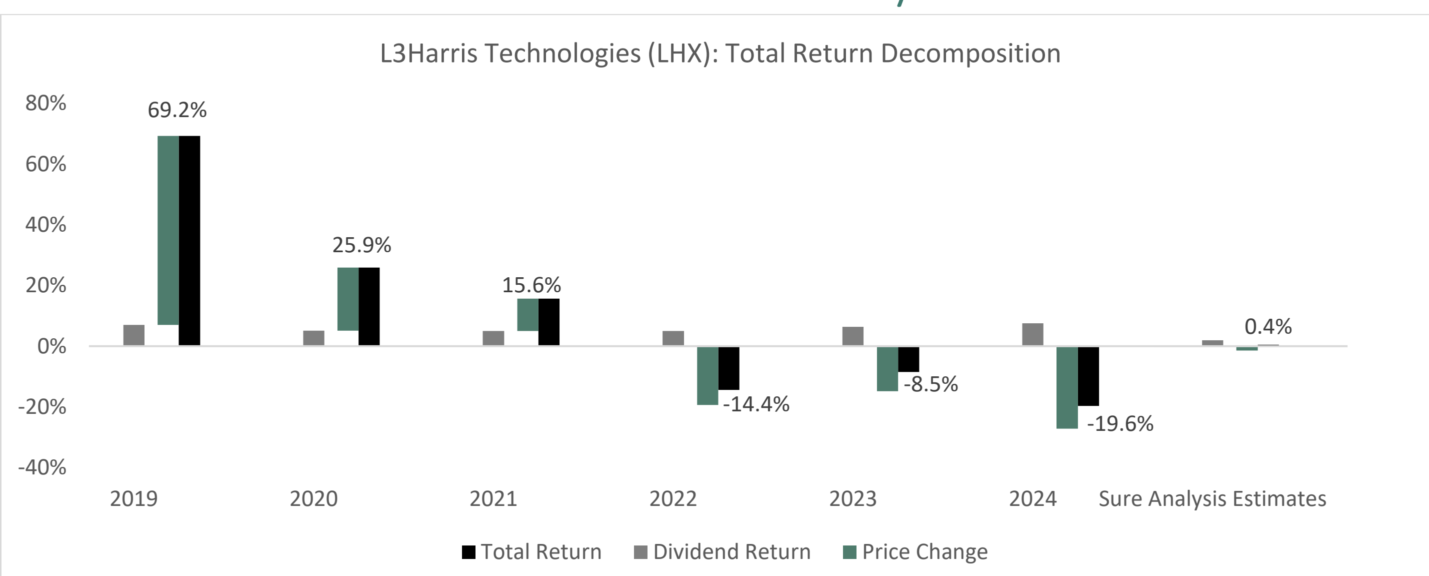
As a large defense contractor L3Harris has competitive advantages related to defense contracting, which often requires knowledge of acquisition regulations and accounting standards, particularly for large programs. The company develops and manufactures complex and bespoke systems for the DoD requiring a skilled work force with security clearances that is not easily replicated. Notably, L3Harris is the market leader in tactical communications. Furthermore, L3Harris has built long-term relationships with both the DoD and prime contractors in its areas of expertise. These attributes make it somewhat recession resistant. But the company may experience top and bottom-line declines if defense programs are cut, or the defense budget is decreased. The firm has conducted significant M&A, adding debt and uncertainty.

L3Harris took on debt to fund M&A. Short-term debt is $985M, current long-term debt is $141M, and long-term debt is $10,976M, offset by cash and equivalents of $482M. Interest coverage is 4.35X, and the leverage ratio is about 2.76X.

Final Thoughts & Recommendation

We are forecasting 0.4% annualized total return over the next five years from a dividend yield of 1.8%, 6% EPS growth, and -7.2% P/E multiple contraction. Although L3Harris has promise, a large amount of prior M&A leading to higher leverage and execution challenges are affecting earnings. The firm is divesting non-core businesses that is reducing revenue but should increase profitability. The company is positioned for growth, but execution and debt reduction are key. At the current share price, we maintained our rating at a hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	5,992	5,897	6,168	6,801	9,263	18,194	17,814	17,062	19,419	21,325
Gross Profit	2,160	2,043	2,102	2,334	2,537	5,308	5,376	4,927	5,113	5,524
Gross Margin	36.0%	34.6%	34.1%	34.3%	27.4%	29.2%	30.2%	28.9%	26.3%	25.9%
SG&A Exp.	1,105	1,150	1,182	1,242	1,881	3,315	3,280	2,998	3,262	3,568
D&A Exp.	361	311	259	258	442	1,032	967	938	1,166	1,289
Operating Profit	1,055	893	920	1,092	656	1,993	2,096	1,929	1,851	1,956
Op. Margin	17.6%	15.1%	14.9%	16.1%	7.1%	11.0%	11.8%	11.3%	9.5%	9.2%
Net Profit	324	543	699	949	822	1,119	1,846	1,062	1,227	1,502
Net Margin	5.4%	9.2%	11.3%	14.0%	8.9%	6.2%	10.4%	6.2%	6.3%	7.0%
Free Cash Flow	772	450	615	1,024	766	2,422	2,352	1,906	1,647	2,151
Income Tax	273	261	206	160	73	234	440	212	23	85

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	12,009	10,090	9,851	10,117	38,336	36,960	34,709	33,524	41,687	42,001
Cash & Equivalents	487	484	288	530	824	1,276	941	880	560	615
Acc. Receivable	398	368	466	457	1,216	1,344	1,045	1,251	1,230	1,072
Inventories	867	841	411	360	1,219	973	982	1,291	1,472	1,330
Goodwill & Int.	6,583	6,470	6,361	6,210	28,459	26,784	24,830	23,284	28,519	27,964
Total Liabilities	8,952	7,162	6,573	6,754	15,592	16,119	15,390	14,900	22,858	22,422
Accounts Payable	494	540	622	525	1,261	1,406	1,767	1,945	2,106	2,005
Long-Term Debt	4,517	4,030	3,790	3,522	6,954	6,918	7,061	7,045	13,125	12,236
Total Equity	3,056	2,928	3,278	3,363	22,587	20,724	19,320	18,523	18,829	19,579
LTD/E Ratio	1.48	1.38	1.16	1.05	0.31	0.33	0.37	0.38	0.70	0.63

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	2.6%	4.9%	7.0%	9.5%	3.4%	3.0%	5.2%	3.1%	3.3%	3.6%
Return on Equity	10.0%	18.1%	22.5%	28.6%	6.3%	5.2%	9.2%	5.6%	6.6%	7.8%
ROIC	4.0%	7.5%	10.0%	13.6%	4.5%	3.9%	6.8%	4.1%	4.3%	4.7%
Shares Out.	125	124.3	121.1	120.5	223.7	215.9	203.2	193.5	190.6	190.7
Revenue/Share	47.94	47.44	50.93	56.44	41.41	84.27	87.67	88.18	101.88	111.82
FCF/Share	6.18	3.62	5.08	8.50	3.42	11.22	11.57	9.85	8.64	11.28

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.