L3Harris Technologies (LHX)

Updated August 12th, 2026 by Prakash Kolli

Key Metrics

Current Price:	$286	**5 Year CAGR Estimate:**	3.9%	**Market Cap:**	$53.26B
Fair Value Price:	$238	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	09/04/26
% Fair Value:	120%	**5 Year Valuation Multiple Estimate:**	-3.6%	**Dividend Payment Date:**	09/18/26
Dividend Yield:	1.7%	**5 Year Price Target**	$318	**Years Of Dividend Growth:**	25
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 three segments: Space & Mission Systems (~52% of revenue), Communications & Spectrum Dominance (~32% of revenue), and Missile Solutions (~17% of revenue). The majority of L3Harris' sales are to the U.S. Government or to other defense contractors. The company had revenue of about $21.9B in fiscal year 2025.

L3Harris reported Q2 FY 2026 results on July 29th, 2026. Companywide revenue rose 8% to $5,881M from $5,426M on higher revenue in all three segments. Diluted GAAP earnings gained 28% to $3.13 from $2.44 in comparable periods on greater revenue, better operating margins, lower interest expense, and higher pension income, but a higher tax rate.

Space & Mission Systems (SMS) revenue increased 7% to $2,966M from $2,770M due to higher volumes in Space, Mission Networks, Airborne Solutions, and a ramp up in ISR, offset by lower classified volumes on Intel solutions. Communications & Spectrum Dominance (CSD) revenue was 14% higher at $1,054M from $925M in the prior year on higher volumes for Mission Critical Communications, Spectrum Superiority, offset by lower volumes for Targeting and Sensor Systems. Missile Solutions (MSL) revenue gained 18% to $990M from $840M in comparable periods due to greater volumes in Propulsion Systems and Advanced Effects, offset by lower growth in space propulsion.

The company announced a major reorganization into three segments: SMS, CSD, and MSL. The MSL segment will be divested in an IPO. The U.S. Department of War (DoW) is investing $1B for preferred shares and will serve as the anchor investor for the IPO. However, the company is now revisiting this decision, creating some uncertainty in the IPO.

The company raised its guidance to ~$23.2B - $23.7B in revenue and $11.80 - $12.00 for diluted GAAP EPS in 2026.

Growth on a Per-Share Basis[1]

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS[2]	$5.70	$5.12	$6.38	$10.08	$11.60	$12.95	$12.90	$12.36	$13.10	$10.73	***$11.90***	***$15.92***
DPS	$2.00	$2.12	$2.28	$2.87	$3.40	$4.08	$4.48	$4.56	$4.64	$4.80	***$5.00***	***$6.08***
Shares[3]	125	122	121	224	216	203	194	191	191	188	***187***	***177***

L3Harris is reorganizing its business and divesting its MSL segment into a separate company in an IPO. The DoW will inject capital to upgrade solid rocket motor production. As a result, L3Harris will become a smaller but more focused company without the fluctuating demand, bespoke manufacturing, and high capital investment needed for the MSL business. Apart from this, L3Harris has grown through M&A and organically. Its missile products are in high demand.

We have set our average annual earnings per share growth to 6% out to 2031 because of operational execution challenges after the many acquisitions. We are now forecasting on average 4% annual increase in the dividend out to 2031 because of the modest payout ratio, the internal target of 35% to 40% of free cash flow, and high leverage.

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[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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	13.9	19.7	22.2	20.3	36.2	23.4	16.7	17.0	16.1	27.4	***24.0***	***20.0***
Avg. Yld.	2.5%	2.1%	1.6%	1.7%	1.8%	1.9%	1.9%	2.2%	2.2%	1.6%	***1.7%***	***1.9%***

L3Harris' stock price is down again since our last report despite beating estimates and raising guidance. We again raised our earnings estimate to the mid-point of 2026 guidance. We upped our fair value multiple to 20X, slightly below the 5-year average on high demand for missile propulsion. Our fair value estimate is $238. Our 5-year price target is now $318.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	35%	41%	36%	28%	29%	32%	35%	37%	35%	45%	***42%***	***38%***

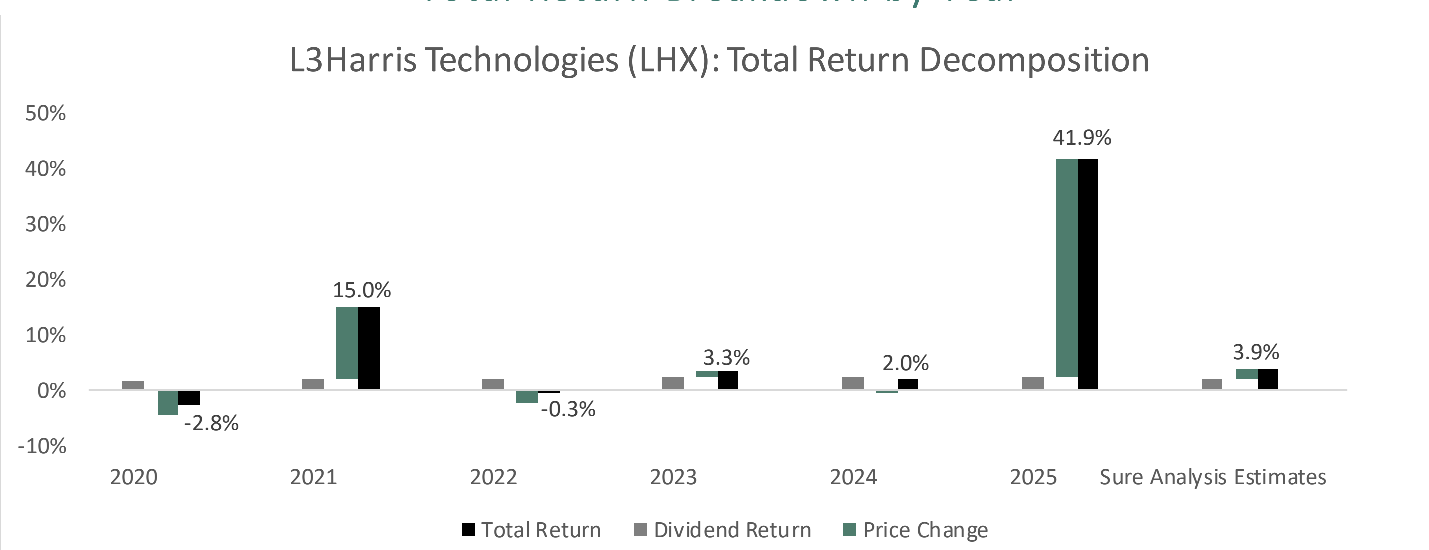
As a large defense contractor L3Harris has competitive advantages related to defense contracting, which often requires knowledge of acquisition regulations and accounting standards, particularly for large programs. The company develops and manufactures complex and bespoke systems for the DoW requiring 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 DoW 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 and current long-term debt is $1,815M, and long-term debt is $9,184M, offset by cash and equivalents of $1,521M. Interest coverage is 5.27X, and the leverage ratio is about 2.20X.

Final Thoughts & Recommendation

We are forecasting 3.9% annualized total return over the next five years from a dividend yield of 1.7%, 6% EPS growth, and -3.6% 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, but high missile propulsion demand and a record backlog of $42 billion are providing tailwinds. The firm had planned to divest its Missile Solutions unit in an IPO after a planned $1B investment by the DoW, but the company is now revisiting the IPO. 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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	5,897	6,168	6,801	9,263	18,194	17,814	17,062	19,419	21,325	21,865
Gross Profit	2,043	2,102	2,334	2,537	5,308	5,376	4,927	5,113	5,524	5,625
Gross Margin	34.6%	34.1%	34.3%	27.4%	29.2%	30.2%	28.9%	26.3%	25.9%	25.7%
SG&A Exp.	1,150	1,182	1,242	1,881	3,315	3,280	2,998	3,262	3,568	3,430
D&A Exp.	311	259	258	442	1,032	967	938	1,166	1,289	1,224
Operating Profit	893	920	1,092	656	1,993	2,096	1,929	1,851	1,956	2,195
Op. Margin	15.1%	14.9%	16.1%	7.1%	11.0%	11.8%	11.3%	9.5%	9.2%	10.0%
Net Profit	543	699	949	822	1,119	1,846	1,062	1,227	1,502	1,606
Net Margin	9.2%	11.3%	14.0%	8.9%	6.2%	10.4%	6.2%	6.3%	7.0%	7.3%
Free Cash Flow	450	615	1,024	766	2,422	2,352	1,906	1,647	2,151	2,682
Income Tax	261	206	160	73	234	440	212	23	85	326

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	10,090	9,851	10,117	38,336	36,960	34,709	33,524	41,687	42,001	41,195
Cash & Equivalents	484	288	530	824	1,276	941	880	560	615	1,069
Acc. Receivable	368	466	457	1,216	1,344	1,045	1,251	1,230	1,072	4,937
Inventories	841	411	360	1,219	973	982	1,291	1,472	1,330	1,219
Goodwill & Int.	6,470	6,361	6,210	28,459	26,784	24,830	23,284	28,519	27,964	26,519
Total Liabilities	7,162	6,573	6,754	15,592	16,119	15,390	14,900	22,858	22,422	21,560
Accounts Payable	540	622	525	1,261	1,406	1,767	1,945	2,106	2,005	2,461
Long-Term Debt	4,030	3,790	3,522	6,954	6,918	7,061	7,045	13,125	12,236	10,443
Total Equity	2,928	3,278	3,363	22,587	20,724	19,320	18,523	18,829	19,579	19,635
LTD/E Ratio	1.38	1.16	1.05	0.31	0.33	0.37	0.38	0.70	0.63	0.53

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	4.9%	7.0%	9.5%	3.4%	3.0%	5.2%	3.1%	3.3%	3.6%	3.9%
Return on Equity	18.1%	22.5%	28.6%	6.3%	5.2%	9.2%	5.6%	6.6%	7.8%	8.2%
ROIC	7.5%	10.0%	13.6%	4.5%	3.9%	6.8%	4.1%	4.3%	4.7%	5.1%
Shares Out.	124.3	121.1	120.5	223.7	215.9	203.2	193.5	190.6	190.7	188.4
Revenue/Share	47.44	50.93	56.44	41.41	84.27	87.67	88.18	101.88	111.82	116.06
FCF/Share	3.62	5.08	8.50	3.42	11.22	11.57	9.85	8.64	11.28	14.24

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