

BAE Systems Proposed Acquisitions of:

Collins Aerospace's Military Global Positioning Systems business
"GPS Business"

and

Raytheon's Airborne Tactical Radios business
"Radios Business"

20 January 2020

Cautionary statement

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Proposed Acquisitions of the GPS and Radios businesses - Overview

- Acquisition of the GPS business for \$1.925bn gross; tax⁽¹⁾ benefit of c.\$365m
- Acquisition of the Radios business for \$275m gross; tax⁽²⁾ benefit of c.\$50m
- Unique opportunity only resulting from the Raytheon/UTC merger - regulatory process
- High quality technology based assets
- Highly complementary fit – will be part of Electronic Systems
- Strong visible growth expected – underpinned by Congressional mandate
- ROIC expected to exceed cost of capital by the 3rd full year post completion
- Strong and sustainable margins; highly cash generative
- Expected to be immediately earnings and cash accretive with strong return profiles

High quality businesses – strengthens US business in a growing market

(1) For US tax purposes the transaction constitutes an asset sale for vendor and purchaser - the associated relief is anticipated to generate a cash tax benefit with a present value of c.\$365m

(2) For US tax purposes the transaction constitutes an asset sale for vendor and purchaser - the associated relief is anticipated to generate a cash tax benefit with a present value of c.\$51m

■ Proposed acquisition of the GPS and Radios businesses

- Positive backdrop for BAE Systems to take advantage of this unique opportunity
 - Strong order backlog and programme visibility
 - Cash generation improving
 - Operational performance improvement
 - Improved UK political clarity
 - Robust balance sheet

■ Proposed acquisition of GPS Business - \$1.925bn

- Leading military GPS receiver solution provider
- Broad installed base – on over 280 platforms and >1.5 million units shipped
- Attractive technology and well positioned for next generation upgrades
- Low integration risk with minimal disruption expected
- Enhances existing precision guided munition capabilities and solutions offerings

Installed base on over 280 ground, airborne and weapons platforms

■ GPS Business - Highly attractive and complementary

- Significant growth expected, underpinned by:
 - US Congress mandate
 - Priority investment to address evolving threats
 - Alignment to US defense strategy
- Strong financial track record and outlook
- Highly complementary fit with our Electronic Systems business
- Synergy opportunities through leveraging existing products and platforms
- Strong cultural fit with BAE Systems:
 - Steeped in a long history of engineering, manufacturing and operations

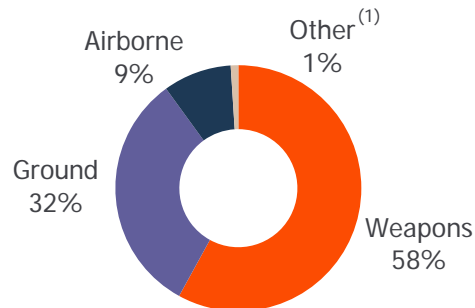
High quality business – enhances Electronic Systems business in a growing market

GPS Business - Leading global provider of military GPS receiver solutions



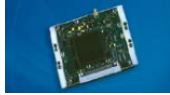






Business Description

- Industry leading technology offerings
- Extensive patent and IP portfolio
- > 1.5 million devices fielded on 280 platform types
- Strategically positioned for next generation upgrade
- Supports BAE Systems' PGM strategy
- Headquartered in Cedar Rapids, Iowa
- Employees c.675

Revenue Breakdown



Key Segments and Products

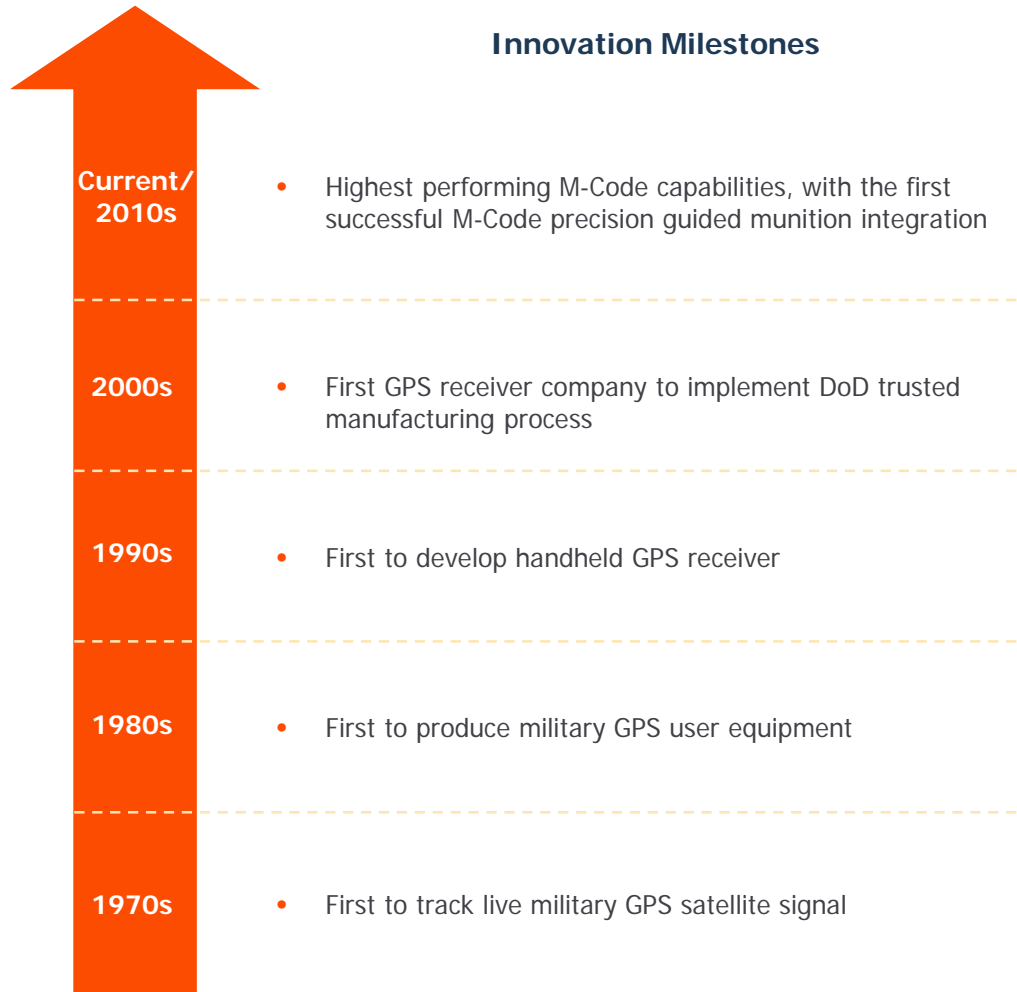
Segments	Applications	Example Products
Weapons	<ul style="list-style-type: none"> • Guided bombs • Missiles • Artillery / Rockets 	  
Ground	<ul style="list-style-type: none"> • Dismounted • Mounted • Small UAS 	  
Airborne	<ul style="list-style-type: none"> • Transport • Strike / Attack • Large UAS 	  

(1) Includes Service and Supply Agreement

GPS Business - Technology and innovation leader for decades

History

Innovation Milestones



Current

Industry leading product performance / technology

Low power

- Currently provides the lowest power military GPS receiver in the market

Miniaturisation

- Currently provides the smallest military GPS receiver in the market

Availability and Integrity

- Industry leading reliability
- Industry leading Anti-Jam & Anti-Spoofing technology

GPS Business - Strong technology and solution portfolio

Technology Portfolio

Custom GPS and Anti-Jam ASIC designs



Capabilities

- Custom low power digital signal processing design
- GPS acquisition and tracking channels
- Cryptography features

Key Highlights

Scalable from low power to high performance in a single device

Common GPS Module (CGM)



- Security software
- Cryptographic features
- Device packaging

Ability to meet stringent security and packaging requirements

Modernised GPS Receiver Circuit Card Form Factors



- Used to integrate in higher-level systems
- Compatible with existing equipment
- Techniques for enhanced resiliency

Minimise platform integration complexities for M-Code

Anti-Jamming



- Ability to mitigate multiple jammers
- Capabilities have advanced to meet emerging threats
- M-Code allows for more effective Anti-Jamming capability

Industry leading Anti-Jam performance

Anti-Spoofing



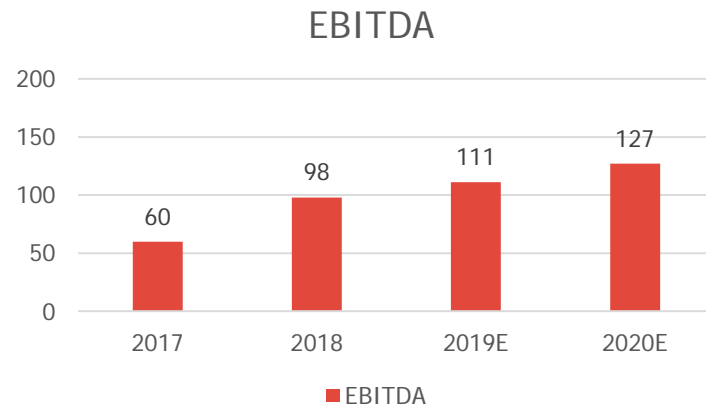
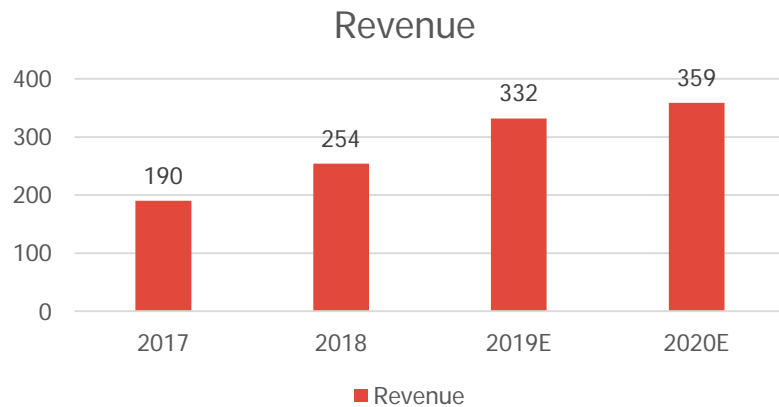
- Identifying and rejecting signals from adversaries
- Mitigate threats in ground, air and sea
- Patented technology for future applications

Novel, patented approach to Anti-Spoofing

Very well positioned for mandatory M-Code GPS upgrades

GPS Business - Financial history and outlook

Financials - \$m:



Financial outlook:

- Revenue growth CAGR 10%+ expected over next 4 years
 - US Congress has mandated M-Code for all military GPS user equipment after Oct 2020
 - Utilisation of M-Code increases security, integrity and availability
 - Strong expected growth in precision munitions area
 - Well positioned to upgrade existing installed base
- Attractive and sustainable margins; high cash conversion

GPS Business - Transaction financials and timeline

Strong Financials

- Consideration of \$1.925bn (gross)
 - tax benefit ⁽¹⁾ of c.\$365m
- EBITDA multiple: 15x - 2020E
- EBITDA implied multiple post tax benefit: 12x - 2020E
- Expected to be immediately accretive to:
 - Earnings per share
 - Margins
 - Cash
- Expected that Return on Invested Capital will exceed WACC in the 3rd full year post completion

Financing

- Consideration debt funded
- Committed bridge financing in place
- Remain committed to maintaining investment grade credit rating

Approvals and Timing

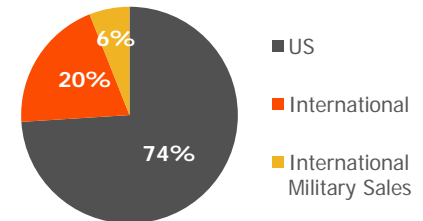
- Subject to closure of Raytheon - UTC merger
- Subject to customary regulatory approvals and conditions

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Proposed acquisition of the Radios Business - \$275m

- Leading airborne tactical radio solution provider
- Produces a range of battle-proven airborne radios and waveforms
- Significant installed base on US platforms and allied nations
 - More than 70,000 radios installed on various rotary and fixed wing platforms
 - Well positioned for expected modernisation and adoption trends
- Complementary to Electronic Systems radio business and supports increasing demand for secure communications
- Strong near term expected growth underpinned by US DoD and NATO mandates for cryptographic and anti-jamming modernisation
- Attractive IP and technology portfolio, including accredited cryptography capability
- c.100 employees, 63 engineers, >30% master degree level
 - Based in Fort Wayne, Indiana, and Largo, Florida

Revenue⁽¹⁾ by Geography



(1) Revenue breakdown of 2019E-2024E, cumulative

Product Portfolio

- Current portfolio includes 7 radio variants, with a further 5 currently under development

Valuable IP

- Owner of both the HAVE QUICK and SATURN algorithm, which support secure radio communications

Strong Backlog

- Almost 90% of 2020E revenue is already in backlog

High quality business – strengthens ES sector in a growing market

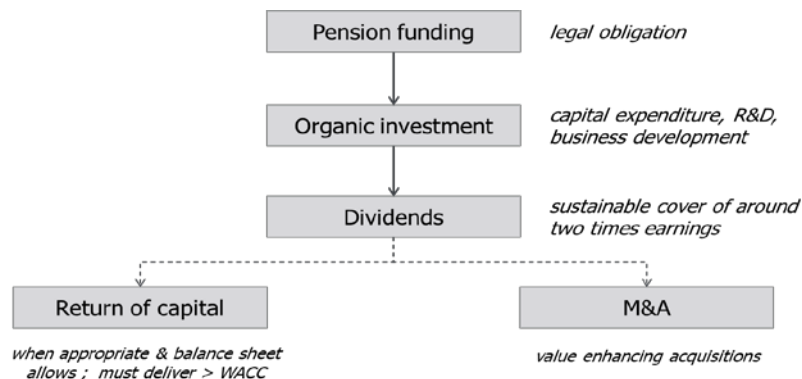
Radios Business - Transaction financials and timeline

Strong Financials	<ul style="list-style-type: none">• Consideration of \$275m gross<ul style="list-style-type: none">• tax benefit ⁽¹⁾ of c.\$50m• EBITDA multiple: low double digit• Expected to be immediately accretive to:<ul style="list-style-type: none">• Earnings per share• Margins• Cash• Revenue growth near term outlook strong• Expected that Return on Invested Capital will exceed WACC in the first full year
Financing	<ul style="list-style-type: none">• Consideration funded from cash on balance sheet• Remain committed to maintaining investment grade credit rating
Approvals and Timing	<ul style="list-style-type: none">• Subject to closure of Raytheon – UTC merger• Subject to customary regulatory approvals and conditions

(1) For US tax purposes the transaction constitutes an asset sale for vendor and purchaser - the associated relief is anticipated to generate a cash tax benefit with a present value of c.\$50m

BAE Systems Strategy and Capital Allocation

- Strategy remains consistent
- Portfolio enhancing to our highest performing division in the largest global defence market
- High quality technology based assets
- Strong visible growth profiles with sustainable margins and high cash conversion
- Committed to maintaining an investment grade credit rating
- Capital allocation policy unchanged



Focus remains on operational performance, technological innovation and competitiveness