

US's Harris, L3 merging to form a defense-technology giant

October 15 2018



The Mobius aircraft system seen here, which can be piloted by a pilot or remotely, was designed by defense technology firm L3, which on Sunday announced a merger with another big defense firm, Harris Corporation

Harris and L3 Technologies, two American companies specializing in

military communications and technology, announced their merger on Sunday, giving birth to a giant in the sector.

The [merger](#) "of equals" will be achieved through a [share](#) swap, according to a joint communique. L3 shareholders will receive 1.30 Harris shares for each L3 share.

When the merger has been finalized—both companies' boards have approved it, but governmental approval is still required—Harris shareholders will control a 54 percent share of the combined [company](#), while L3's will hold the remaining 46 percent.

Harris was recently selected to provide the electronic "brain" for the US military's next-generation F-35, a multi-role fighter-bomber plane, as well as for more than 1,500 portable communication systems for the army.

Harris also supplies US special forces units.

The company had annual revenue of \$6.2 billion for the fiscal year that ended in June. It has more than 17,000 employees and has offices in approximately 100 countries, according to its website.

L3, also an important Pentagon supplier, has 31,000 employees. It reported annual revenue in 2017 of \$9.6 billion.

The merged entity—to be called L3 Harris Technologies Inc.—will be the sixth-largest US defense company and one of the 10 largest in the world, with 48,000 employees and clients in 100 countries.

In calendar year 2018, the new company expects net revenue of \$16 billion, with pre-tax profits of \$2.4 billion and available cash flow of \$1.9 billion, according to the communique.

The deal is expected to result in synergies generating \$500 million in savings, with savings by the third year of \$300 million due to the consolidation of headquarters, elimination of redundancies, and other measures.

L3 Harris Technologies plans to invest \$450 million in cash over that period as it integrates the two companies.

The merger is expected to be completed by mid-2019. The resulting company will be based in Melbourne, Florida, Harris's home.

Each company will contribute six members to the new 12-person board of directors.

For the first two years, Harris's CEO, William M. Brown, will become chairman and CEO of the new company, while L3's CEO, Christopher Kubasik, will be vice president and [chief operating officer](#). Afterward, Kubasik will become chairman and CEO while Brown becomes executive chairman.

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