Raytheon and Vista Equity Partners form new cybersecurity company

Investor Presentation
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Forward-Looking Statement

This presentation contains forward-looking statements, including information regarding the new joint venture company and related transactions, the financial performance and impact of the new company, the Company’s expectations regarding its capital deployment strategy including its share repurchase plan, dividend policy and potential acquisitions, growth of the cybersecurity market, and opportunities for the new company’s positioning. These forward-looking statements are not statements of historical facts and represent only the Company’s current expectations regarding such matters. These statements inherently involve a wide range of known and unknown risks and uncertainties. The Company’s actual actions and results could differ materially from what is expressed or implied by these statements. Specific factors that could cause such a difference include, but are not limited to: the satisfaction of closing conditions for the transactions, including receipt of regulatory approvals; the parties’ ability to successfully integrate and operate the new company, and achieve expected synergies and other benefits; the ability to attract and retain key employees of the new company; the Company’s dependence on the U.S. Government for a significant portion of its business and the risks associated with U.S. Government sales, including changes or shifts in defense spending due to budgetary constraints, spending cuts resulting from sequestration under the amended Budget Control Act of 2011, a government shutdown, or otherwise, uncertain funding of programs, potential termination of contracts, and difficulties in contract performance; the resolution of program terminations; the ability to procure new contracts; the risks of conducting business in foreign countries; the unpredictability of timing of international bookings; the ability to comply with extensive governmental regulation and obtain approvals, including import and export policies, the Foreign Corrupt Practices Act, the International Traffic in Arms Regulations, industrial cooperation agreement obligations, and procurement and other regulations; the impact of competition; the ability to develop products and technologies; the impact of changes in the financial markets and global economic conditions; the risk that actual pension returns, discount rates or other actuarial assumptions are significantly different than the Company's assumptions; the risk of cost overruns, particularly for the Company's fixed-price contracts; dependence on component availability, subcontractor and partner performance and key suppliers; risks of a negative government audit; the use of accounting estimates in the Company's financial statements; risks associated with acquisitions, dispositions, joint ventures and other business arrangements; risks of an impairment of goodwill or other intangible assets; the outcome of contingencies and litigation matters, including government investigations; the ability to recruit and retain qualified personnel; the impact of potential security and cyber threats, and other disruptions; and other factors as may be detailed from time to time in the Company's public announcements and Securities and Exchange Commission filings. The Company undertakes no obligation to make any revisions to the forward-looking statements contained in this presentation or to update them to reflect events or circumstances occurring after the date of this release, including any acquisitions, dispositions or other business arrangements that may be announced or closed after such date, except as required by law. This presentation also contains non-GAAP financial measures. A GAAP reconciliation and a discussion of the Company's use of these measures are included in this presentation.
Highlights

- Commercial **Cybersecurity** Market Is A Highly **Attractive Growth Opportunity**

- **Websense** Is A Leader In Key Commercial Cybersecurity Markets With **A Strong, Established Global Channel**

- Raytheon Brings **Proven Defense-grade Solutions** And **Strength In Global Government Markets**

- **Combined Company** Will Have One Of The **Broadest Cybersecurity Portfolios** In The Industry

- **Raytheon Committed** To Continuing To Return Cash To Shareholders
Growing demand for defense-grade cybersecurity to counter increasingly sophisticated threats
Market Growth

Demand to address increasingly sophisticated threats is driving 8% annual growth in the market between 2015-2018.
Websense Company Overview

- Websense is a leader in advanced threat protection and data theft prevention across web, email, cloud and endpoint infrastructure

- Headquartered in Austin, Texas with approximately 1,500 employees

- Over 21,000 global customers across various industries

- Global channel of 2,200 partners selling in 155 countries

- Highly recurring, subscription revenue model, with strong profitability

**Websense is an established cybersecurity market leader**
Websense is a leader in advanced threat protection and data theft prevention across web, email, cloud and endpoint infrastructure with its TRITON® platform.

TRITON® provides a comprehensive, integrated content security solution

TRITON® Unified Content Security Solution

Protection from Advanced Threats & Data Theft

Network Integration for Real-time Threat Protection

Predictive Threat Intelligence

Comprehensive Coverage, Flexible Deployment

Web

Email

Data

Mobile

Cloud
Significant Synergies

PRODUCT AND CAPABILITY SYNERGIES

Raytheon to leverage Websense’s established commercial market presence; Websense to leverage Raytheon’s established government market presence.
Transaction Overview of Joint Venture Formation

- Raytheon acquires Websense at a value of $1.9 billion\(^1\) (which includes $1.3 billion in cash for equity and $600 million of intercompany loan to JV) and contributes it to the venture.
- Raytheon contributes Raytheon Cyber Products (RCP) business and IP (~100 patents) to the venture at $400 million value.
- Combined Enterprise Value of $2.3 billion ($1.7 billion of equity value and $600 million of intercompany debt).
- Vista subsequently invests approximately $335 million of cash to obtain 19.7% of $1.7 billion equity value.

**RAYTHEON TOTAL CONTRIBUTION\(^1\) ($ millions)**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raytheon Cash for Equity Position</td>
<td>1,300</td>
</tr>
<tr>
<td>Raytheon Intercompany Loan</td>
<td>600</td>
</tr>
<tr>
<td>Raytheon Gross Cash Contribution</td>
<td>1,900</td>
</tr>
<tr>
<td>Raytheon Contributed Value of RCP</td>
<td>400</td>
</tr>
<tr>
<td><strong>Total Enterprise Value</strong></td>
<td><strong>2,300</strong></td>
</tr>
</tbody>
</table>

**RAYTHEON NET CASH CONTRIBUTION\(^1\) ($ millions)**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raytheon Cash for Equity Position</td>
<td>1,300</td>
</tr>
<tr>
<td>Vista Approximate Cash for Equity Position</td>
<td>(335)</td>
</tr>
<tr>
<td>Raytheon Net Cash for Equity Position</td>
<td>965</td>
</tr>
<tr>
<td>Raytheon Intercompany Loan</td>
<td>600</td>
</tr>
<tr>
<td><strong>Total Raytheon Net Cash</strong></td>
<td><strong>1,565</strong></td>
</tr>
</tbody>
</table>

\(^1\) Cash amounts are net of cash acquired, and all amounts are subject to closing adjustments and exclude transaction fees.

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Preliminary Financials

- Accretive to Non-GAAP EPS$ by ~$0.06 in 2015...Accretion will accelerate as the company grows and synergies are achieved.
- Dilutive by ~($0.48) on GAAP basis in 2015, driven mainly by amortization of intangibles, deferred revenue, and one-time transaction costs.

### Estimated 2015 EPS IMPACT*

<table>
<thead>
<tr>
<th>GAAP EPS IMPACT</th>
<th>~($0.48)</th>
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<tbody>
<tr>
<td>DEFERRED REVENUE ADJUSTMENT</td>
<td>~0.22</td>
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<tr>
<td>AMORTIZATION OF INTANGIBLES, ONE-TIME COSTS</td>
<td>~0.32</td>
</tr>
<tr>
<td>NON-GAAP EPS IMPACT$</td>
<td>~$0.06</td>
</tr>
</tbody>
</table>

*Preliminary estimates; subject to final purchase accounting evaluation.

$We are providing the non-GAAP EPS impact because it provides additional insight into the underlying business performance when excluding the purchase accounting and transaction related adjustments. Non-GAAP EPS should not be considered supplemental to and is not a substitute for financial performance in accordance with GAAP. In addition, it may not be defined and calculated by other companies in the same manner.
Raytheon’s Capital Deployment Strategy

We are committed to creating value for shareholders through a disciplined, balanced capital deployment strategy... including, subject to board approval, a continuation of the share repurchase program and dividend increases.

- A 2% reduction in share count, at the mid-point of 2015 guidance, through share repurchases
- Announced a 10.7% increase in annual dividend in March the 11th consecutive year of annual dividend increases