Before jumping into questions, as we normally do, I'd like to make a few comments. By now, you have read our investor letter, and much like you've heard from our peers, it's clear that we're operating in a dynamic environment.

Starting with the good news. My team's energy and excitement continues to build as our trusted disruptor strategy is yielding tangible results and is well aligned with the recently released National Defense strategy. We've carved out a leadership position as a nontraditional prime with a record quarter of over $5 billion in funded orders and a book-to-bill of roughly 1.2. These were driven by notable prime position awards related to Armed Overwatch for SOCOM, responsive space with the SDA Tracking Tranche 1 and network systems for the U.S. Navy.

We also announced our first acquisition since the merger. We're acquiring ViaSat's Tactical Data Link business and gaining access to the ubiquitous Link 16 network. This product line fits nicely in our comms and networking-centric portfolio, enabling us to bring the DoD's JADC2 effort to life. Our momentum is building, and I'm optimistic about the value-creating opportunities ahead.

Conversely, on the not-so-good news, we rightsized our 2022 guidance based on current realities. We previously highlighted a steep ramp in the back half of the year. And while we're making progress, today's backdrop necessitates a more measured approach.

Let's start with the top line. We grew for the first time in 4 quarters at 3%, though fell short of our mid-single-digit expectations. This is because of 2 primary factors: First, we were previously selected for a Mideast aircraft missionization program that included a profitable sale to a key customer, but the formal signing of the contract has now been pushed out as the shifting geopolitical landscape continues to hamper the timing of certain international awards. This would have supported 2 points of growth for the full year, alongside profit and cash.

Second, supply chain headwinds continue, and although improved, the recovery was not aligned with our expectations. As a reminder, with our commercial business model, 25% of our revenue is tied to end unit deliveries. We need 100% of the parts to assemble our products, such as a radio, in order to make deliveries and recognize revenue. Thus, we are taking a more prudent approach in the fourth quarter as the availability of mainly electronic components remain volatile. So our expectations is for a 2% decline in 2022 versus the roughly 1% growth we pointed to previously. We ultimately view these as deferrals versus lost sales.

Next on segment margins. The approximately 16% in our previous guide is going to be closer to 15.5% and in the range of our year-to-date average.

Operator

Thank you. Our next question comes from the line of Robert Stallard with Vertical Research.

Robert Alan Stallard - *Vertical Research Partners, LLC - Partner*

I'd like to delve into the noncash charges that you booked this quarter. And what exactly drove the timing of those charges being taken here? And in particular, you mentioned that the demand for precision guidance seems to be weakened, but that would go against the grain given the broader

So we monitor this on a daily basis. I would say, we get 97.5% of the parts in. But as said in my prepared comments, if you don't have all the parts, you can't deliver a radio. You can deliver an airplane with missing parts, you can deliver a ship with missing parts, and you deliver a lot of things with missing parts, but you can't deliver a radio or arguably night vision goggles or cameras. So I think that's what's unique.

Scott Deuschle - *Crédit Suisse AG, Research Division - Research Analyst*

Chris, this quarter reminds me of the old L3, to be honest, which was always pretty unpredictable and prone to surprises. I had thought with the switch to an operating company type approach that this would perhaps be less prone to happening since you'd have better visibility into the business. So maybe just help us understand why the switch to the operating company approach hasn't driven better predictability? Or would you just say that it has helped and it's just that the environment is simply too unpredictable?

Christopher E. Kubasik - *L3Harris Technologies, Inc. - Vice Chair & CEO*

Scott, thanks for the question. And what I like about your question is it kind of aligns with the culture that we're trying to build here at L3Harris. And that is just encouraging people to speak up and ask the tough questions. And I appreciate you asking it actually because, as you can imagine, I kind of had a similar thought across my mind having taken over L3 back in 2018. So this was the whole basis -- one of the key basis of the merger is how do we accelerate that transition from holding companies, which really doesn't work in this industry for a variety of reasons to an operating model.

So I think it has helped. I think if we go back and look, it's probably been at least 12 months for certain, and clearly, the last 6 months that Michelle and I in public forums and other venues have been pretty outspoken about the risks. I think it was in the second quarter, we talked -- I mean, I go back to January, right? And we were very transparent in my opinion. And we said, look, we're going to shrink in the first half and then we're going to go up the steep slope in the second half. And as you would expect, we honored our word and we shrunk in the first half. I wasn't happy about it, but that was the plan and we executed accordingly.

And we really needed to have a good ramp here in Q3. And we laid out there were 3 main components that were going to drive it. One occurred, which is just our normal focus on delivering quality products on time. We had an assumption on supply chain, which I think I've given enough examples on the 100 million parts and that one supplier is an example that came up short and then this Mideast International missionized aircraft which was just a matter of getting the contracts signed. So it was probably the 20th of September with 10 days to go where we figured this contract is going to be signed. And you get down to the 29th, and it's not signed. It's 2 points of revenue for the whole year.

So I would say, we have very good visibility. I personally, along with Michelle, participate in monthly financial reviews. I don't think there's a lot of companies who have their CEOs involved in a monthly review at the level and size of our company. So we have good visibility. We track the risks. We mitigate them where we can. Opportunities pop up like Ukraine. We capitalize on those. And we're trying to be transparent, measured and prudent in telling you what's happening. So I think that was a great question, and hopefully, that addressed it.

Michelle Turner - *L3Harris Technologies, Inc. - Senior VP & CFO*

Yes. The only thing I would add to it, Scott, just going back to our previous example, and I think what you're seeing within our portfolio that's different than maybe others within the industry is this revenue recognition for 25% of our portfolio being on delivery, right? And so you could be missing a part in a program-based scenario, but you're still going to recognize the revenue. Here, if we don't have every part, we're not going to recognize it. And to Chris' point, when you think about radio, we can book and turn those pretty quickly within a week.

And so I think you get the combination of the fact that we take revenue based on delivery, coupled with the short cycle nature, there can be and there has been and there will continue to be volatility within the quarter.

Operator

The next question is from the line of David Strauss with Barclays.

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David Egon Strauss - *Barclays Bank PLC, Research Division - Research Analyst*

Chris, I just want to see, as we think about next year, does adjusted EPS grow given I think you're going to have a pretty meaningful pension headwind? And then I think you said that free cash flow is going to grow. But if you can give us some of the mechanics there because I think you're also going to have a pension cash headwind as well?

Christopher E. Kubasik - *L3Harris Technologies, Inc. - Vice Chair & CEO*

Yes. Thanks, David. So with the free cash flow, we have the tax, the R&D capitalization. That's still something we're watching assuming that there's no fix to that issue. The impact of that will be about $150 million less. So if we can grow the top line, we'll keep the margin steady. We should have a little more cash from operations plus the $150 million from taxes. So that gives me confidence in free cash flow growth and free cash flow per share growth.

The current outlook just on the pension on cash is 0. We're going to be funded in the mid- to high 90s. So there is no cash draw on pension. Relative to adjusted EPS, I'll ask Michelle to give you the details on the pension. But yes, there will be a pension headwind. We'll true up those final assumptions of this is we announced the voluntary retirement program at the end of Q3. That's going to help us as we think about inflation next year, particularly on the labor side of the equation. And so how does all of that come together in terms of our guide, which we're triangulating around this relatively flat point based on what we know today.

Christopher E. Kubasik *- L3Harris Technologies, Inc. - Vice Chair & CEO*

And Gautam, it's so important to have a talented workforce in order to execute on everything we talk about. So a lot of our focus of the leadership team has been to keep the workforce engaged and motivated. And I think we can all admit over the last couple of years, we found new ways to do work. The attrition was hard hit for, I think, every company, but it seems this industry in particular, that seems to have stabilized a little bit.

But we're spending a lot of time focusing on the workforce, and there will be headwinds in 2023 compared to '22. We're going to have a larger merit increase pool. We're holding the medical dental vision co-pays flat year-over-year. Everybody is going through open enrollment as we speak, and we're getting great, great feedback on that decision. But these cost money, and it's a decision that I and the leadership team made that we're going to spend more money on the workforce, and that does provide a headwind to the margins, which we're going to try to find a way to absorb. But I'd rather make these investments now, keep the workforce engaged, motivated and focusing on the programs that they support.

Operator

Our next question comes from the line of Peter Arment with Baird.

Peter J. Arment *- Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Michelle, you mentioned the 40% kind of short-cycle exposure. Maybe you could just update us your thoughts on just your ability to kind of reprice or get pricing in to kind of help offset inflation, how we think that kind of flows through when we're thinking about '23? And then just, Chris, you've given us a lot of details on the supply chain. But just are your thoughts on any further like vertical integration to kind of help either redesign or help try to limit some of the disruptions that you've had?

Michelle Turner *- L3Harris Technologies, Inc. - Senior VP & CFO*

Thanks, Peter, for the question. So just a reminder for folks, about 25% of our overall portfolio is what we consider commercial and we have the ability to reprice in an environment like we're in today. And so teams are doing a good job in terms of as we're reacting to the higher input costs, ensuring that we're getting priced where the market will accept those price increases.

As I think about 2023, I think one of the benefits of our portfolio is that we do on our program side of the house, which is about 50% of what we do or 75%, including the cost side piece, it tends to be shorter in nature in terms of period of performance. And so our average period of performance is about 12 to 18 months.

And so if you think about this increased inflationary environment starting in the middle of this year, I anticipate that, by the end of next year, we've worked through that backlog that was priced in the pre-inflationary environment. And so I think that's one of the advantages that we have, given our shorter cycle nature, but it also plays into how are we thinking about guidance for next year and going back to that there's multiple variables on our progo y98.55 ore m 36 :lation, that esing one of thmd.

we can't actually build it in an efficient manner. And of late, we're rolling out and have been rolling out our design for supply chain. So you now have to consider all those factors when designing a new product, which we're doing and, in our case, redesigning our existing portfolio, if that makes sense.

Operator

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation, and have a wonderful day.

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