

INTERVIEW-Harris official sees great prospects in cyber market

- * Cybermarket could be worth \$50 billion
- * Harris eyeing acquisitions
- * Considering move into services, consulting

By Andrea Shalal-Esa

COLORADO SPRINGS, Colorado, March 31 (Reuters) - Harris Corp <HRS.N>, whose shares fell sharply last week after analysts at two investment firms lowered their ratings, is poised to capture significant new business in the broad market for shoring up computer data, a top executive said on Monday.

Retired Air Force Major General Dale Meyerrose, who joined Harris in January after serving as the chief information officer for the National Intelligence Director, said the overall market for cybersecurity could amount to \$50 billion over the next three years, including classified spending.

Of that total, about \$2 billion was addressable by Harris, and the number could be even higher if the company moved into new areas either organically or through acquisitions, Meyerrose said in an interview with Reuters at a space conference.

Depending on how one defined the cyber market, Harris was already generating sales ranging from \$500 million to one third of its annual revenues of \$5.3 billion, Meyerrose told Reuters at the Space Foundation's National Space Symposium.

Up to now, Harris had mostly focused on selling high-end technology to its customers for use in keeping computer data safe, but the company was "toying with the idea" of moving more into consulting, services and cyber integration work, he said,

Harris, an active player in the mergers & acquisitions market, was actively looking for possible takeover candidates and could have some news soon, Meyerrose said, but declined to give any details. "It's an important part of our strategy."

Meyerrose said his goal was to map out a clear strategy for growth in the cyber market by the end of the company's 2009 fiscal year, which ends June 30, including identifying four to five areas that would be critical in coming years.

Then Harris needed to decide if it wanted to buy a provider, partner with another company or develop the expertise itself to position itself in those key areas.

PARTNERSHIP WITH MCAFEE

Harris this month already announced a partnership with McAfee Inc <MFE.N>, which has a huge database of threats to 150 million computer networks around the world.

Harris plans to use its visualization technology to help government agencies and private companies use the McAfee database to predict and avert possible attacks on their networks, he said, noting that two demonstrations had generated huge interest, even from rival defense companies.

Ultimately, helping companies and agencies better understand where threats were coming from could generate hundreds of millions of dollars in revenues, he said.

He said some other companies had hired their "cyber rainmakers" earlier, but much of what had been done by industry over the past three years had been wasted energy.

Now was the time to act, Meyerrose said, noting that the Obama administration's fiscal 2010 budget would include the first big "slug of money" for cybersecurity.

The defense and intelligence communities already had secure networks, but other government agencies and the private sector could see double-digit growth in cyber spending in coming years, Meyerrose said.

Shares in Harris fell sharply last week after Oppenheimer & Co. dropped Harris to perform from outperform and cut its target price to \$35 from \$60. C.L. King analyst Lawrence Harris downgraded the company to accumulate from strong buy and slashed his 12-month target price to \$36 from \$55.

Harris shares closed down \$1.34 or 4.59 percent at \$27.88 on the New York Stock Exchange on Monday.