



# Lockheed Martin Corporation

## 4<sup>th</sup> Quarter 2020

## Earnings Results Conference Call

**Tuesday, January 26, 2021  
11:00 a.m. ET**

Webcast login at: [www.lockheedmartin.com/investor](http://www.lockheedmartin.com/investor)

Webcast replay & podcast available by 2:00 p.m. ET

January 26, 2021 at: [www.lockheedmartin.com/investor](http://www.lockheedmartin.com/investor)

Audio replay available from 2:00 p.m. ET

January 26, 2021 through midnight January 27, 2021

Access the audio replay at:

U.S. and Canada: (866) 207-1041; International (402) 970-0847

Replay confirmation code: 2464018

# Forward-Looking Statements



This presentation contains statements that, to the extent they are not recitations of historical fact, constitute forward-looking statements within the meaning of the federal securities laws, and are based on Lockheed Martin's current expectations and assumptions. The words "believe," "estimate," "anticipate," "project," "intend," "expect," "plan," "outlook," "scheduled," "forecast" and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks and uncertainties. Actual results may differ materially due to factors such as: the impact of COVID-19 or future pandemics or epidemics on our business, including the potential for facility closures or work stoppages, supply chain disruptions, program delays, our ability to recover our costs under contracts, and changing government funding and acquisition priorities and payment policies and regulations; our reliance on contracts with the U.S. Government, which are conditioned upon the availability of funding and can be terminated by the U.S. Government for convenience, and our ability to negotiate favorable contract terms; budget uncertainty, affordability initiatives or the risk of future budget cuts; risks related to the development, production, sustainment, performance, schedule, cost and requirements of complex and technologically advanced programs including our largest, the F-35 program; planned production rates for significant programs; compliance with stringent performance and reliability standards; materials availability; the performance and financial viability of key suppliers, teammates, joint ventures, joint venture partners, subcontractors and customers; economic, industry, business and political conditions including their effects on governmental policy and government actions that disrupt our supply chain or prevent the sale or delivery of our products (such as delays in obtaining Congressional approvals for exports requiring Congressional notification and export license delays due to COVID-19); trade policies or sanctions (including potential Chinese sanctions on us or our suppliers, teammates or partners; U.S. Government sanctions on Turkey and its removal from the F-35 program and potential U.S. Government actions to restrict sales to the Kingdom of Saudi Arabia and the United Arab Emirates); our success expanding into and doing business in adjacent markets and internationally and the differing risks posed by international sales; changes in foreign national priorities and foreign government budgets; the competitive environment for our products and services, including increased pricing pressures, aggressive pricing in the absence of cost realism evaluation criteria, competition from outside the aerospace and defense industry, and bid protests; the timing and customer acceptance of product deliveries; our ability to continue to innovate and develop new products and to attract and retain key personnel and transfer knowledge to new personnel; the impact of work stoppages or other labor disruptions; the impact of cyber or other security threats or other disruptions to our businesses; our ability to implement and continue, and the timing and impact of, capitalization changes such as share repurchases and dividend payments; our ability to recover costs under U.S. Government contracts and changes in contract mix; the accuracy of our estimates and projections and the potential impact of changes in U.S. or foreign tax laws; timing and estimates regarding pension funding and movements in interest rates and other changes that may affect pension plan assumptions, stockholders' equity, the level of the FAS/CAS adjustment and actual returns on pension plan assets; the successful operation of joint ventures that we do not control and our ability to recover our investments; realizing the anticipated benefits of acquisitions or divestitures, joint ventures, teaming arrangements or internal reorganizations; risks related to our previously announced acquisition of Aerojet Rocketdyne, including the failure to obtain, delays in obtaining or adverse conditions contained in any required regulatory or other approvals and our ability to successfully and timely integrate the business and realize synergies and other expected benefits of the transaction; our efforts to increase the efficiency of our operations and improve the affordability of our products and services; the risk of an impairment of our assets, including the potential impairment of goodwill recorded as a result of the acquisition of the Sikorsky business; the availability and adequacy of our insurance and indemnities; our ability to benefit fully from or adequately protect our intellectual property rights; procurement and other regulations and policies affecting our industry, export of our products, cost allowability or recovery, preferred contract type, and performance and progress payments policy, including a reversal or modification to the DoD's increase to the progress payment rate in response to COVID-19; the effect of changes in accounting, taxation, or export laws, regulations, and policies and their interpretation or application; and the outcome of legal proceedings, bid protests, environmental remediation efforts, audits, government investigations or government allegations that we have failed to comply with law, other contingencies and U.S. Government identification of deficiencies in our business systems. These are only some of the factors that may affect the forward-looking statements contained in this presentation. For a discussion identifying additional important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, see the corporation's filings with the U.S. Securities and Exchange Commission including, but not limited to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" in the corporation's Annual Report on Form 10-K for the year ended Dec. 31, 2019 and subsequent quarterly reports on Form 10-Q. The corporation's filings may be accessed through the Investor Relations page of its website, [www.lockheedmartin.com/investor](http://www.lockheedmartin.com/investor), or through the website maintained by the SEC at [www.sec.gov](http://www.sec.gov). The corporation's actual financial results likely will be different from those projected due to the inherent nature of projections. Given these uncertainties, forward-looking statements should not be relied on in making investment decisions. The forward-looking statements contained in this presentation speak only as of the date of its filing. Except where required by applicable law, the corporation expressly disclaims a duty to provide updates to forward-looking statements after the date of this presentation to reflect subsequent events, changed circumstances, changes in expectations, or the estimates and assumptions associated with them. The forward-looking statements in this presentation are intended to be subject to the safe harbor protection provided by the federal securities laws.

# 2020 Overview



- **Achieved Record Sales of \$65.4 Billion**
- **Achieved Record Segment Operating Profit\* of \$7.2 Billion and Earnings Per Share\*\* of \$24.50**
- **Generated Record \$8.2 Billion in Cash from Operations after \$1.0 Billion Discretionary Pension Contribution**
- **Returned \$3.9 Billion of Cash to Stockholders While Continuing to Invest in the Business**
- **Increased Backlog ~\$3.2 Billion from 2019, Closing at ~ \$147 Billion**

**Strong Momentum Heading Into 2021**

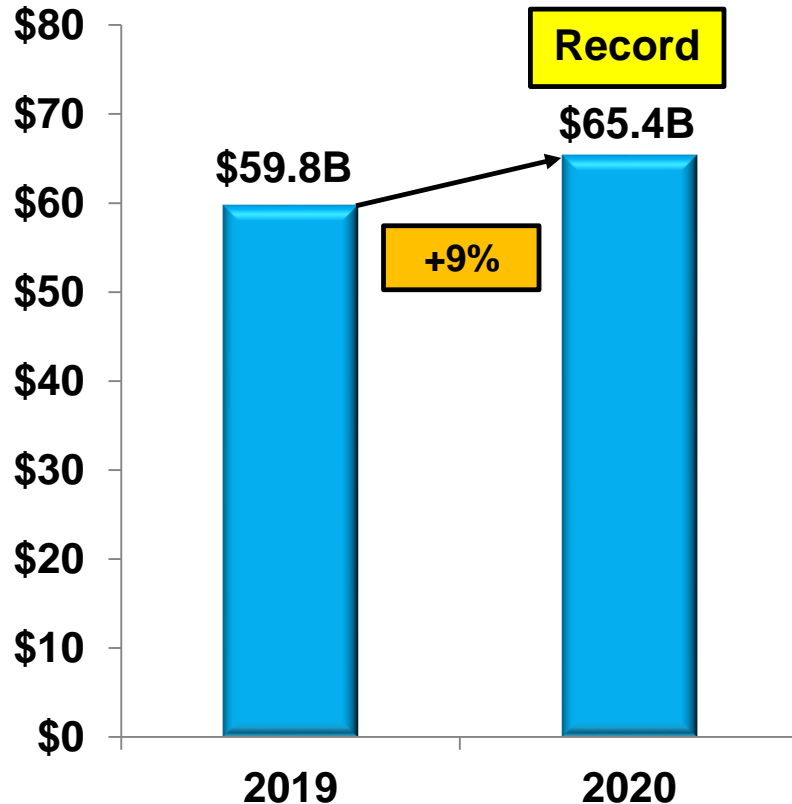
\*See Chart 14 for Definitions of Non-GAAP Measures

\*\* From Continuing Operations

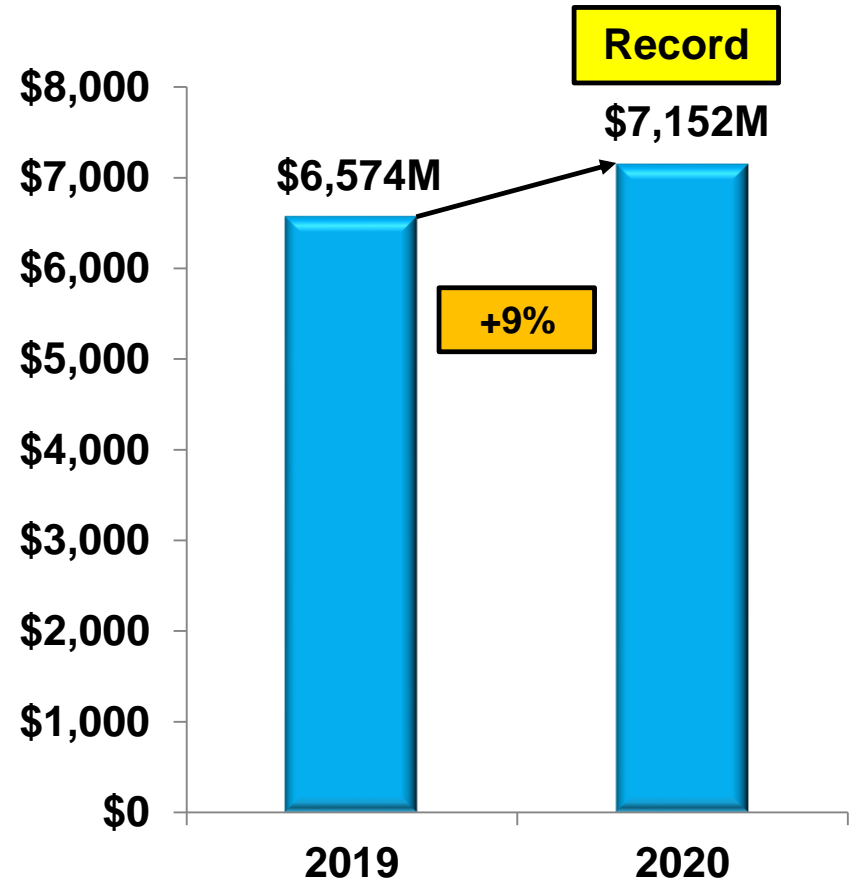
# Sales and Segment Operating Profit



Sales (\$B)



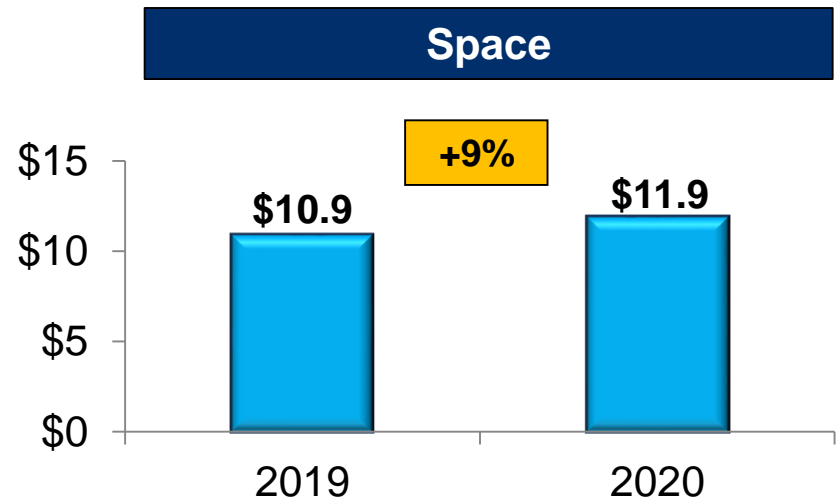
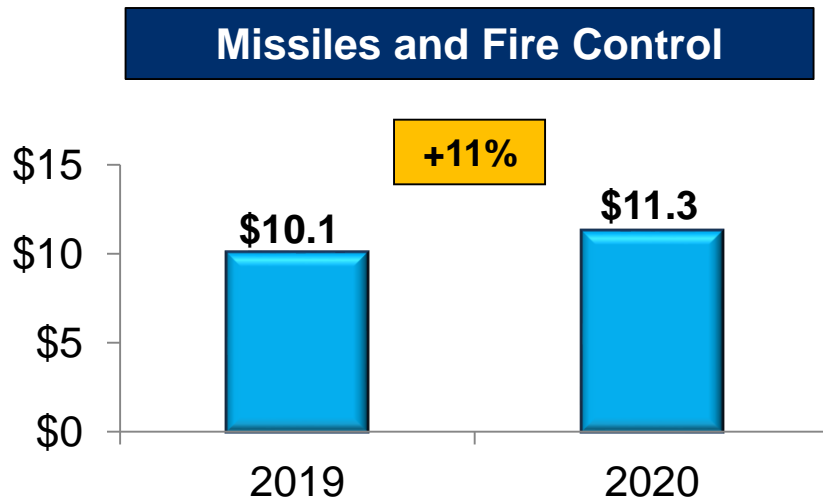
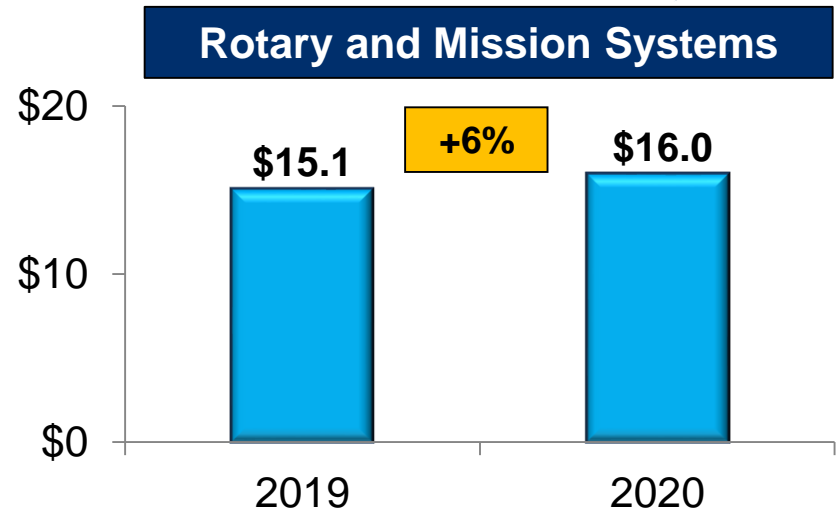
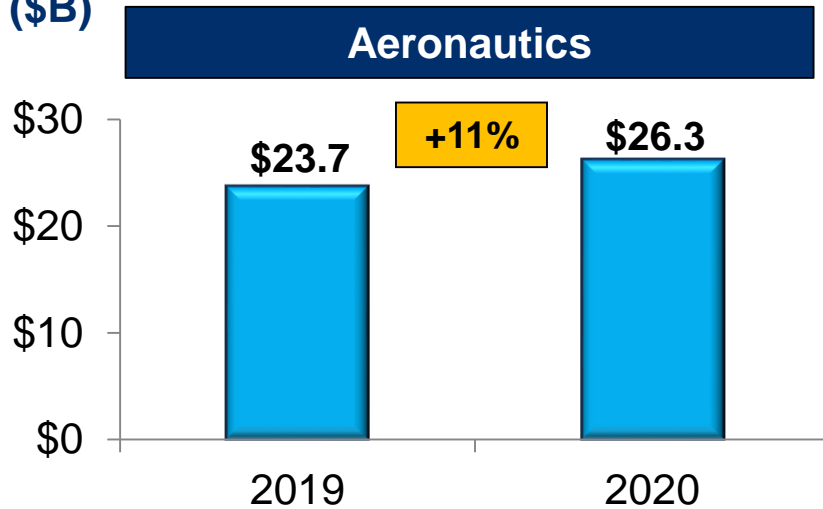
Segment Operating Profit (\$M)\*



**Outstanding Operational Performance in  
Challenging Environment**

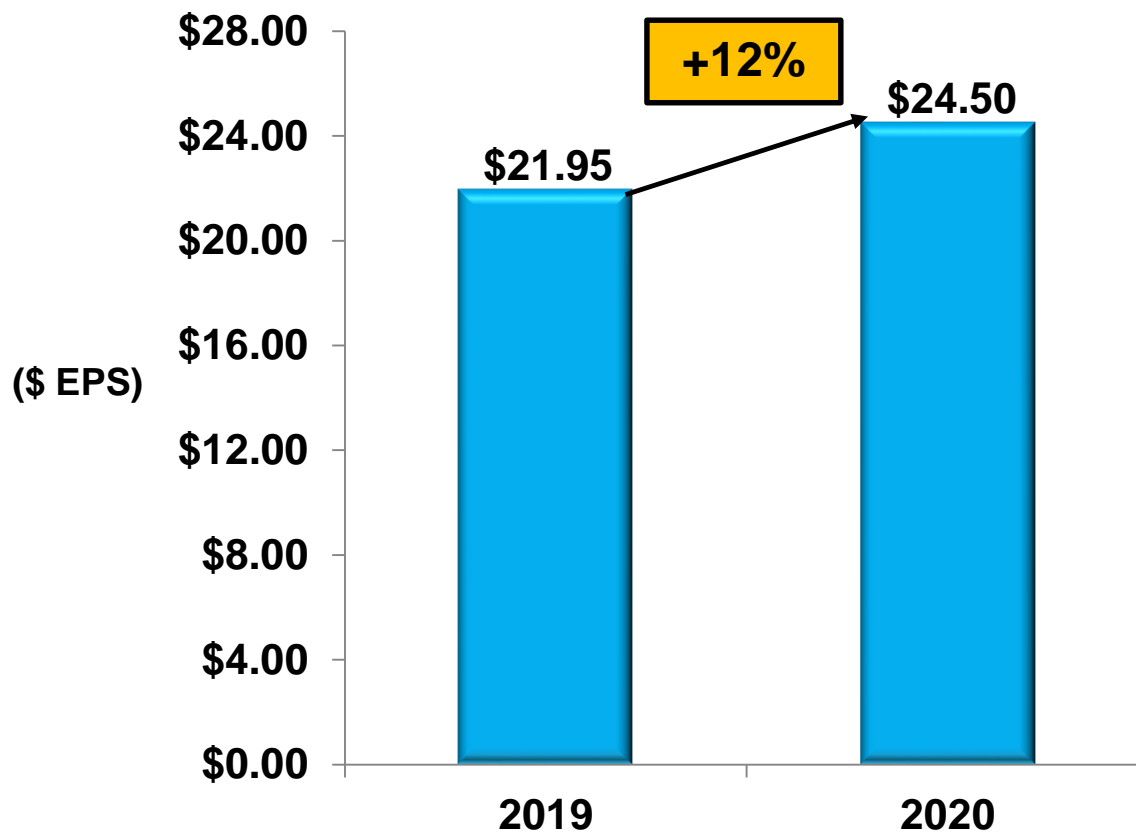
# Sales by Segment

(\$B)



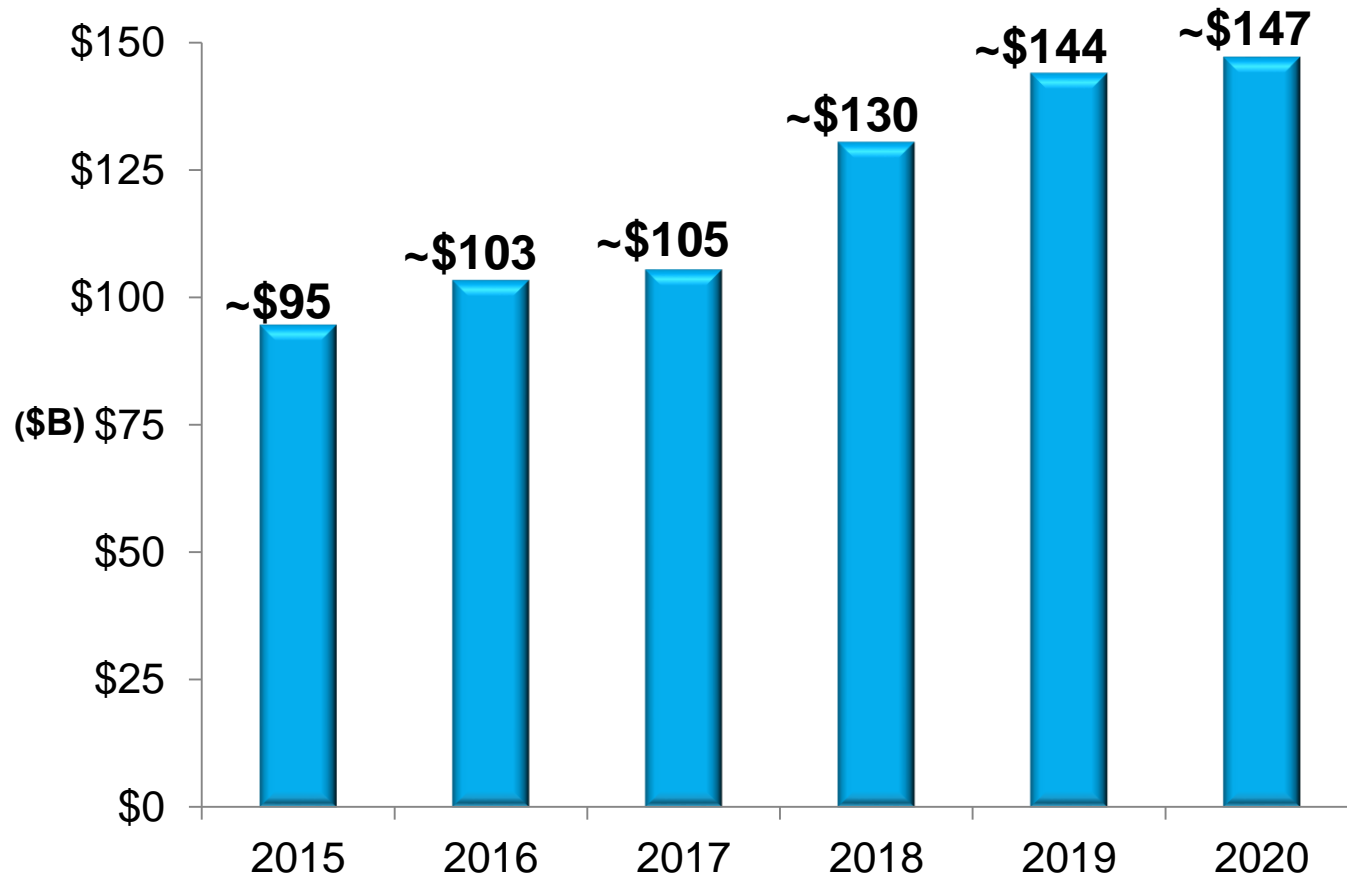
**Record Sales Across All Business Areas**

# Earnings Per Share from Continuing Ops



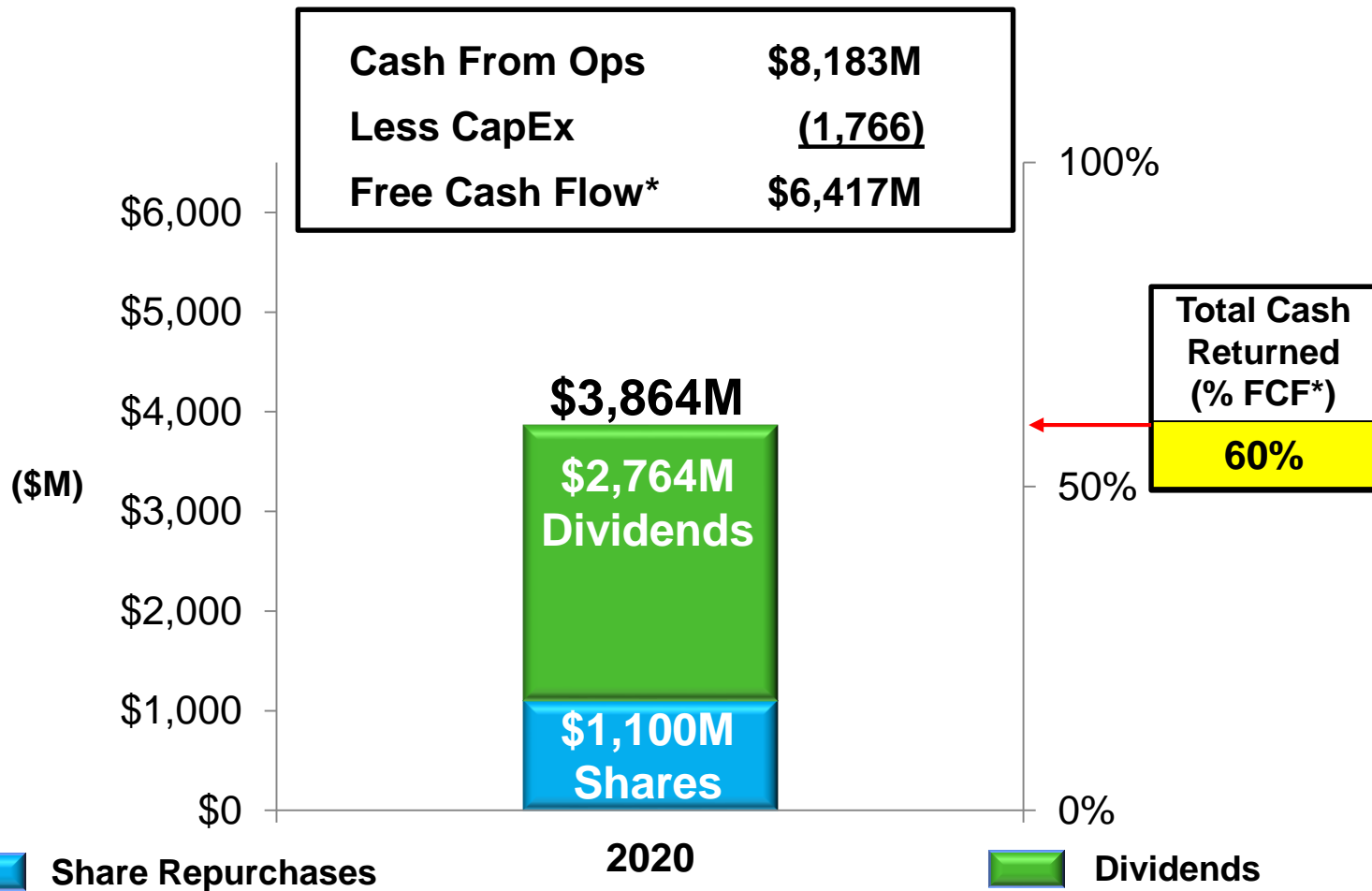
**Double-Digit Growth in Earnings Per Share**

# Backlog



**Continued Backlog Growth in 2020**

# Cash Returned to Shareholders



**Solid Cash Returns to Shareholders**



# 2021 Outlook Update

(\$M, Except EPS)



	<b>2021 Outlook</b>
<b>Sales</b>	<b>\$67,100 - \$68,500</b>
<b>Segment Operating Profit*</b>	<b>\$7,355 - \$7,495</b>
<b>Net FAS / CAS Pension Adjustment**</b>	<b>~\$2,330</b>
<b>Diluted EPS</b>	<b>\$26.00 - \$26.30</b>
<b>Cash From Operations</b>	<b>≥ \$8,300</b>

\*See Chart 14 for Definitions of Non-GAAP Measures

\*\*See Chart 16 for Appendix II

# Cash From Operations Long-Term Trends

(\$B)



<u>Previous</u>	<u>Outlook 2020</u>	<u>Outlook 2021</u>	<u>Outlook 2022*</u>
<b><i>Pension Contribution:</i></b>	<b><i>\$0.0B</i></b>	<b><i>~\$1.0B</i></b>	<b><i>~\$1.7B</i></b>
<b><i>Cash from Operations:</i></b>	<b><i>≥ \$8.0B</i></b>	<b><i>~\$8.1B</i></b>	<b><i>~\$8.2B</i></b>

<u>Current</u>	<u>Actuals 2020</u>	<u>Outlook 2021</u>	<u>Outlook 2022*</u>	<u>Outlook 2023*</u>
<b><i>Pension Contribution:</i></b>	<b><i>\$1.0B</i></b>	<b><i>~\$1.0B</i></b>	<b><i>~\$0.7B</i></b>	<b><i>~\$0.7B</i></b>
<b><i>Cash from Operations:</i></b>	<b><i>\$8.2B</i></b>	<b><i>≥\$8.3B</i></b>	<b><i>~\$8.7B</i></b>	<b><i>~\$9.0B</i></b>

**Increased 3-Year Cash from Operations by ~\$900M**

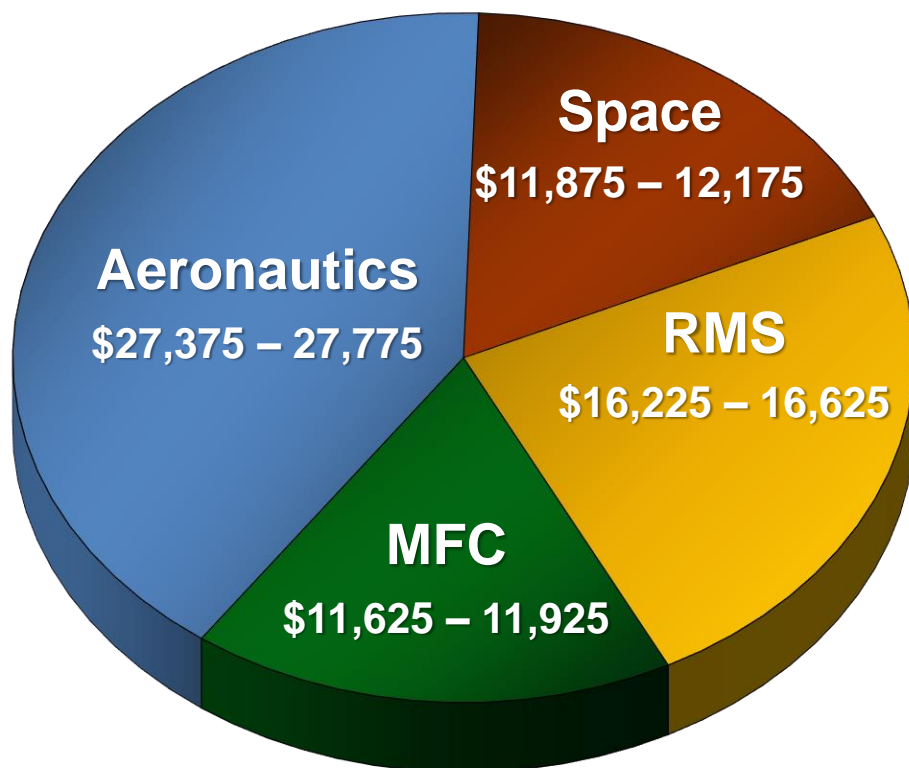
\*Does not Include the effect of the Estimated R&D Capitalization Tax Impact of ~\$2.1B in 2022, ~\$1.8B in 2023

# 2021 Outlook

(\$M)

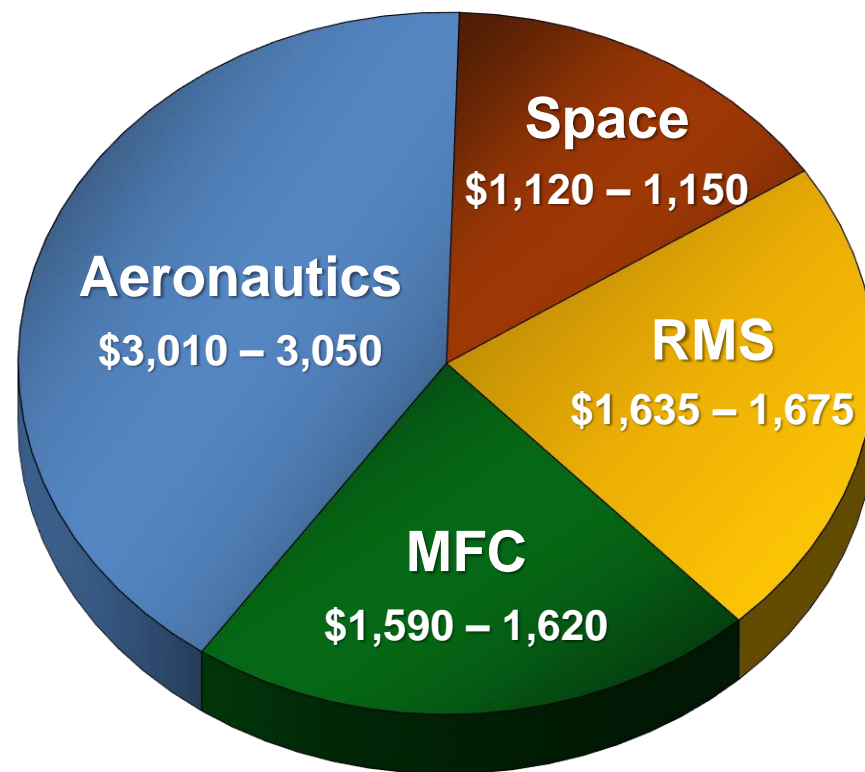


## Sales



**\$67,100 – 68,500M**

## Segment Op Profit\*



**\$7,355 – 7,495M**

# Summary



- **Outstanding 2020 Financial Performance**
- **Minimized COVID-19 Impacts & Supply Chain Risk**
- **Continued Focus on Cash Generation**
- **Well Positioned for Continued Growth in 2021**

**Strong Execution and Long-Term Value Creation**



# Financial Appendices

# Definitions of Non-GAAP Measures



## Non-GAAP Financial Measures Disclosure

This presentation, and today's conference call remarks, contain non-Generally Accepted Accounting Principles (GAAP) financial measures (as defined by SEC Regulation G). While we believe that these non-GAAP financial measures may be useful in evaluating the financial performance of Lockheed Martin, this information should be considered supplemental and is not a substitute for financial information prepared in accordance with GAAP. In addition, our definitions for non-GAAP measures may differ from similarly titled measures used by other companies or analysts.

## Free Cash Flow

Lockheed Martin defines Free Cash Flow (FCF) as Cash From Operations less Capital Expenditures.

## Segment Operating Profit / Margin

Segment Operating Profit represents the operating profit from our business segments before unallocated income and expense. This measure is used by our senior management in evaluating the performance of our business segments and is a performance goal in our annual incentive plan. The caption "Total Unallocated Items" reconciles Segment Operating Profit to Consolidated Operating Profit. Segment Margin is calculated by dividing Segment Operating Profit by Sales. Mid-point Segment Margin represents the mid-point of the outlook range for Segment Operating Profit divided by the mid-point of the outlook range for Sales.

(\$ Millions)	<u>2021 Outlook</u>
Sales	\$67,100 - \$68,500
Segment Operating Profit	\$7,355 - \$7,495
FAS/CAS Operating Adjustment	~ \$1,955
Other, net	~ (\$270)
Consolidated Operating Profit	\$9,040 - \$9,180
Mid-Point Segment Margin	11.0%

	<u>2020</u>			<u>2019</u>		
	<u>Sales</u>	<u>Profit</u>	<u>Margin</u>	<u>Sales</u>	<u>Profit</u>	<u>Margin</u>
Segment Operating Profit	\$ 65,398	\$ 7,152	10.9%	\$ 59,812	\$ 6,574	11.0%
Total Unallocated Items	-	1,492		-	1,971	
Consolidated Operating Profit (GAAP)	\$ 65,398	\$ 8,644	13.2%	\$ 59,812	\$ 8,545	14.3%

# Appendix I

(\$M, Except EPS, Margin and Effective Tax Rate)



	<u>2021 Outlook</u>
Sales	\$67,100 – 68,500
Segment Operating Profit*	\$7,355 – 7,495
Mid-Point Segment Margin	11.0%
FAS/CAS Operating Adjustment	~1,955
Other, net	~(270)
Consolidated Operating Profit	\$9,040 – 9,180
Non-Operating FAS Pension Expense	~375
Non-Service Costs for Other Post Retirement Plans	~(35)
Effective Tax Rate	~17.5%
Diluted EPS	\$26.00 – 26.30
<hr/>	
Pension Contribution	~\$1,000
Share Repurchases (\$)	~\$1,000

# Appendix II

(\$M)



	<b>2021 Outlook</b>
<b>Total FAS income (expense) and CAS costs</b>	
FAS pension income (expense)	~ \$ 265
Less: CAS pension cost	~ 2,065
Net FAS/CAS pension adjustment	<u>~ \$ 2,330</u>
<b>Service and non-service cost reconciliation</b>	
FAS pension service cost	~ \$ (110)
Less: CAS pension cost	~ 2,065
FAS/CAS operating adjustment	~ 1,955
Non-operating FAS pension income (expense)*	~ 375
Net FAS/CAS pension adjustment	<u>~ \$ 2,330</u>

The corporation records the non-service cost components of net periodic benefit cost as part of other non-operating income, net in the consolidated statement of earnings. The non-service cost components in the table above relate only to the corporation's qualified defined benefit pension plans. The corporation expects total non-service income for its qualified defined benefit pension plans in the table above, along with non-service cost for its other postretirement benefit plans of \$35 million, to total non-service credit of \$340 million for 2021.



