



Lockheed Martin Corporation

2nd Quarter 2019

Earnings Results Conference Call

Tuesday, July 23, 2019

11:00 am ET

Webcast login at: www.lockheedmartin.com/investor

Webcast replay & podcast available by 1:00 p.m. ET

July 23, 2019 at: www.lockheedmartin.com/investor

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July 23, 2019 through midnight July 24, 2019

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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 corporation's 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 the corporation's ability to negotiate favorable contract terms; budget uncertainty; affordability initiatives; the risk of future sequestration under the Budget Control Act of 2011 or other budget cuts; the impact of any future government shutdowns (including the potential that the corporation works on unfunded contracts to preserve their cost and/or schedule); risks related to the development, production, sustainment, performance, schedule, cost and requirements of complex and technologically advanced programs including the corporation's largest, the F-35 program; economic, industry, business and political conditions including their effects on governmental policy (including government actions that disrupt our supply chain or prevent the sale or delivery of the corporation's products, such as delays in obtaining Congressional approvals for exports requiring Congressional notification to the Kingdom of Saudi Arabia, the United Arab Emirates and Turkey and the suspension of sales of F-35 aircraft to Turkey and potential sanctions), or other trade policies or sanctions (including potential sanctions on the Kingdom of Saudi Arabia); the corporation's success expanding into and doing business in adjacent markets and internationally; the differing risks posed by international sales, including those involving commercial relationships with unfamiliar customers and different cultures; its ability to recover investments, which is frequently dependent upon the successful operation of ventures that it does not control; and changes in foreign national priorities, and foreign government budgets; the planned production rates for significant programs; compliance with stringent performance and reliability standards; materials availability; the performance and financial viability of key suppliers, teammates, ventures, venture partners, subcontractors and customers; the timing and customer acceptance of product deliveries; the corporation's 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 the corporation's businesses; the corporation's ability to implement and continue and the timing and impact of capitalization changes such as share repurchases and dividend payments; timing and estimates regarding pension funding and the success of the corporation's efforts to reduce volatility of its outstanding pension obligations and to accelerate CAS cost recovery and recover certain associated costs from the U.S. Government; the corporation's ability to recover certain costs under U.S. Government contracts and changes in contract mix; the accuracy of the corporation's estimates and projections; movements in interest rates and other changes that may affect pension plan assumptions, equity, the level of the FAS/CAS adjustment and actual returns on pension plan assets; realizing the anticipated benefits of acquisitions or divestitures, ventures, teaming arrangements or internal reorganizations, and the corporation's efforts to increase the efficiency of its operations and improve the affordability of its products and services; risk of an impairment of goodwill and intangible assets, investments or other long-term assets, including the potential impairment of goodwill, intangible assets and inventory recorded as a result of the acquisition of the Sikorsky business and the potential further impairment of its equity investment in Advanced Military Maintenance, Repair and Overhaul Center LLC (AMMROC); the adequacy of the corporation's insurance and indemnities; the effect of changes in (or in the interpretation of) procurement and other regulations and policies affecting the corporation's industry, including export of its products from the U.S. and other countries, cost allowability or recovery, aggressive government positions with respect to the use and ownership of intellectual property and potential changes to the DoD's acquisition regulations relating to progress payments and performance-based payments and a preference for fixed-price contracts; the effect of changes in accounting, taxation, or export laws, regulations, and policies; and the outcome of legal proceedings, bid protests, environmental remediation efforts, government investigations or government allegations that the corporation has failed to comply with law, other contingencies and U.S. Government identification of deficiencies in the corporation's 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 vary materially from those anticipated in the forward-looking statements, see the corporation's filings with the U.S. Securities and Exchange Commission (SEC) 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, 2018 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, or through the website maintained by the SEC at 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.

2Q 2019 Overview



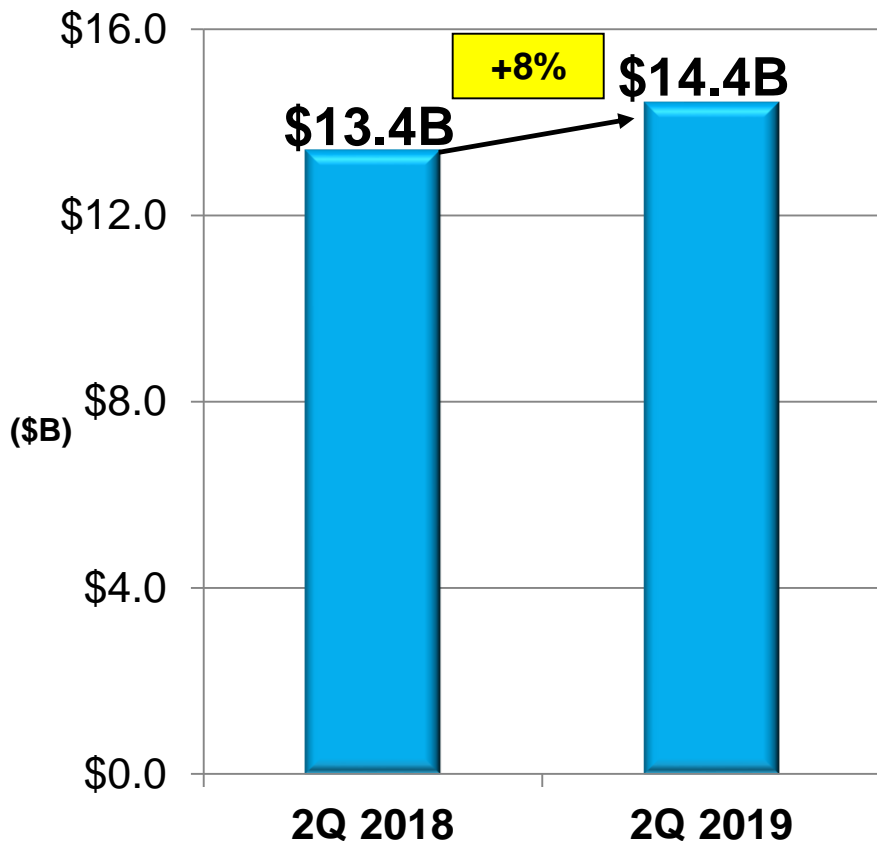
- **Achieved Sales of \$14.4 Billion**
- **Achieved Segment Operating Profit* of \$1.6 Billion and Earnings Per Share of \$5.00**
- **Generated \$1.7 Billion in Cash From Operations**
- **Returned ~\$840 Million of Cash to Stockholders**
- **Achieved Record Backlog of \$137 Billion**
- **Updated 2019 Outlook for Sales, Operating Profit, Earnings Per Share, and Cash from Operations**

Continued Strength in 2Q 2019

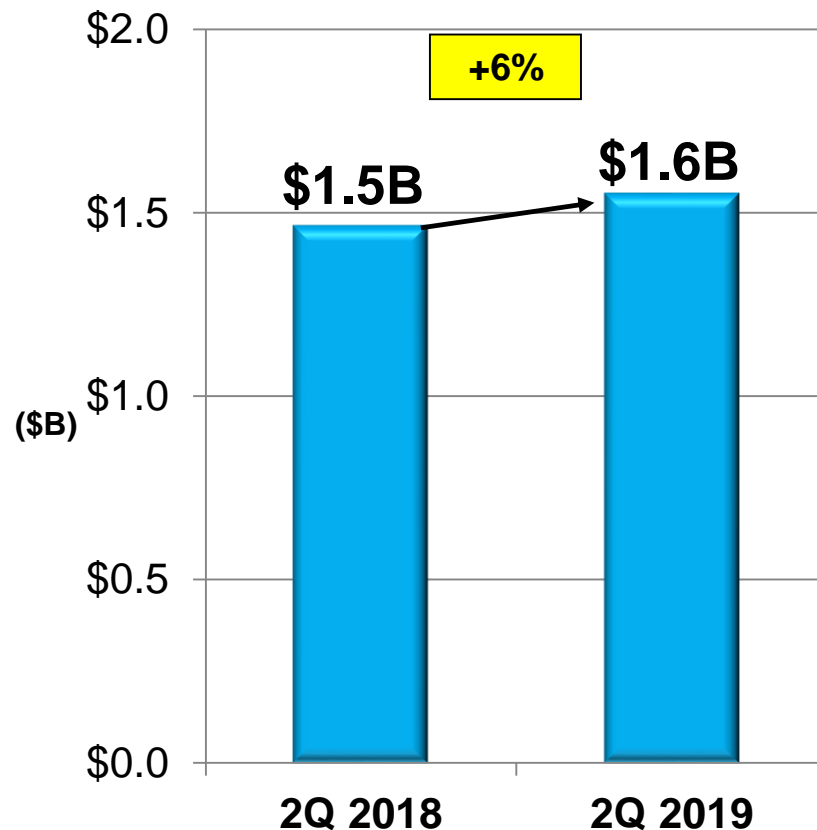
2Q Sales and Segment Operating Profit*



Sales



Segment Operating Profit



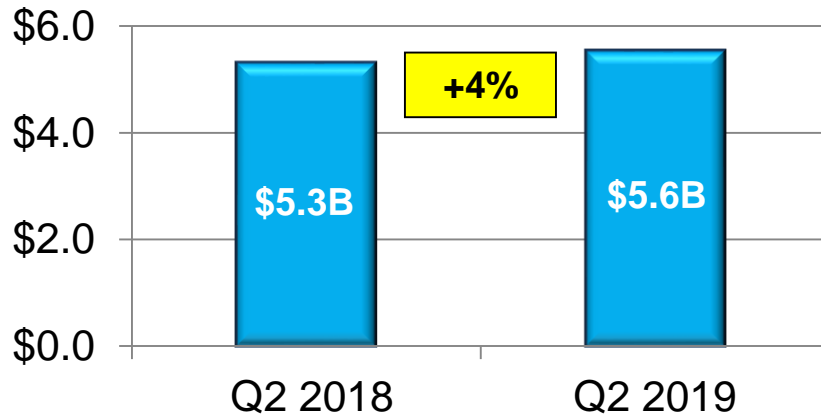
**Strong Growth in Sales and
Segment Operating Profit**

2Q Sales by Segment

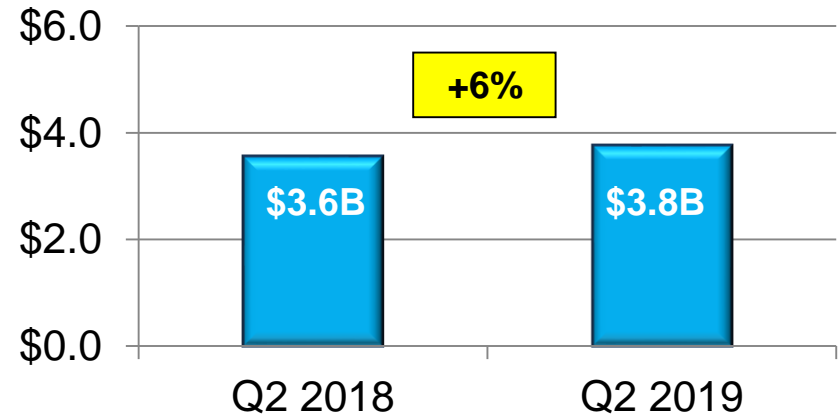
(\$B)



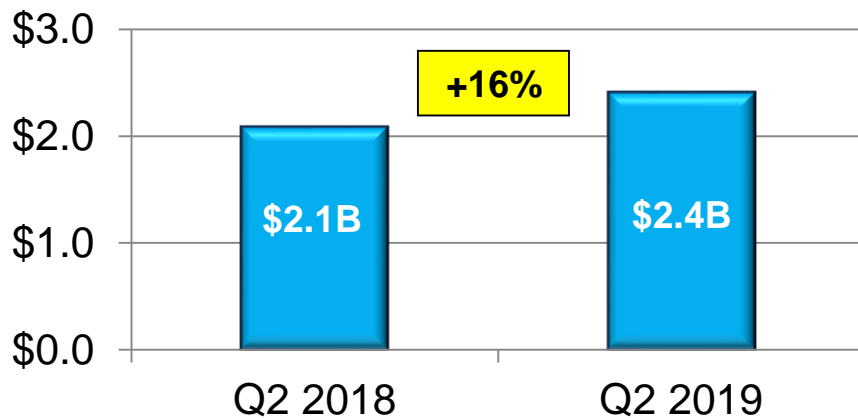
Aeronautics



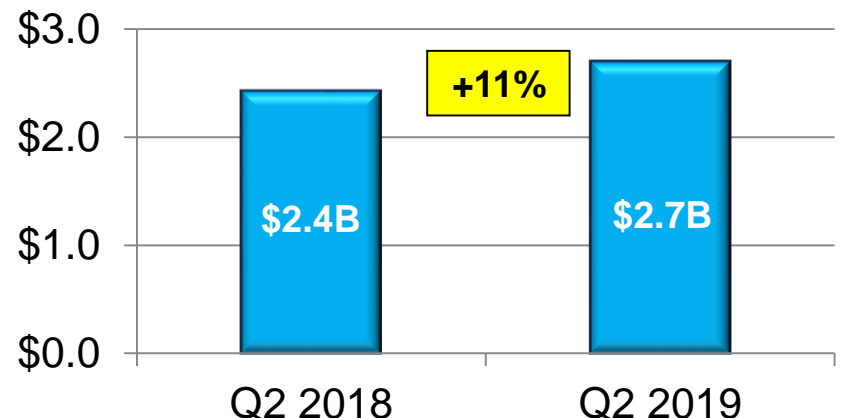
Rotary and Mission Systems



Missiles and Fire Control



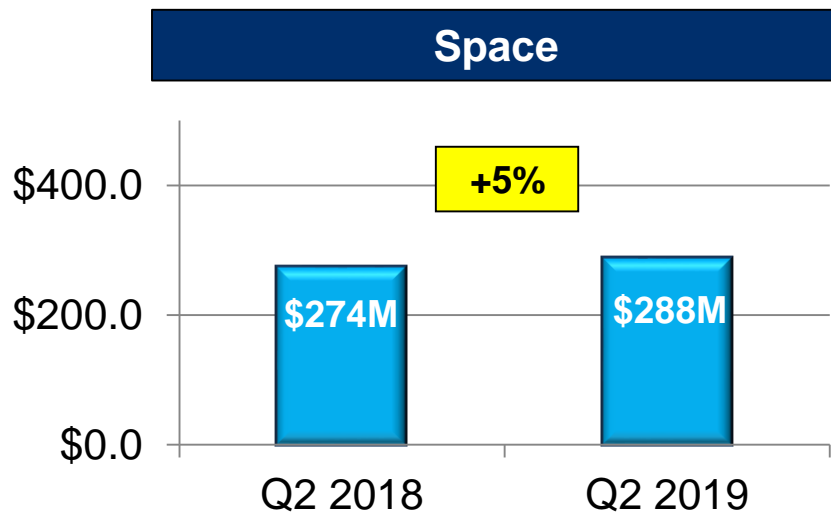
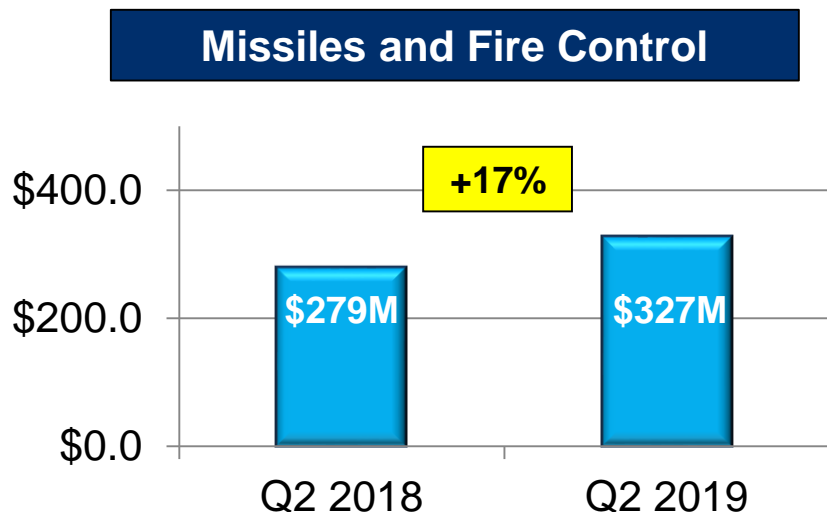
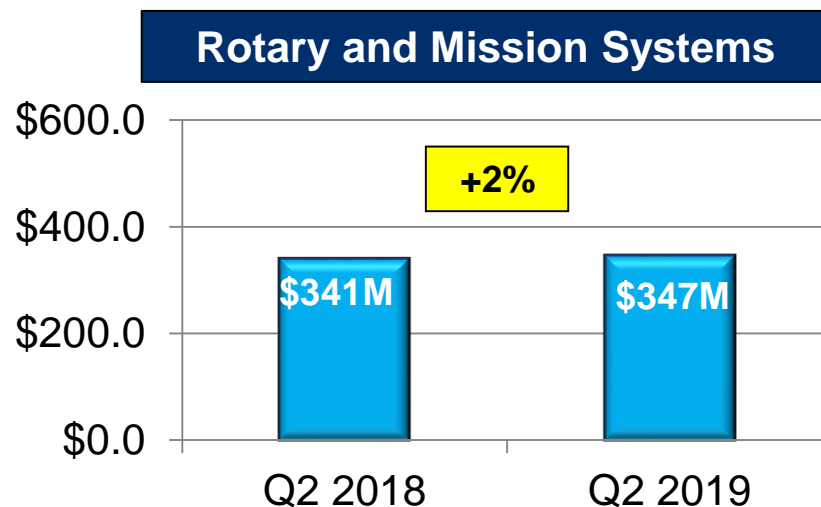
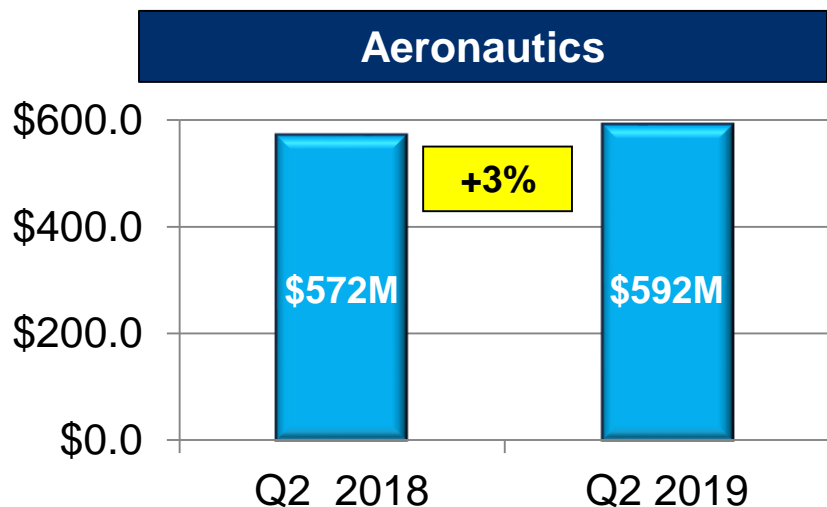
Space



Growth in All Business Areas

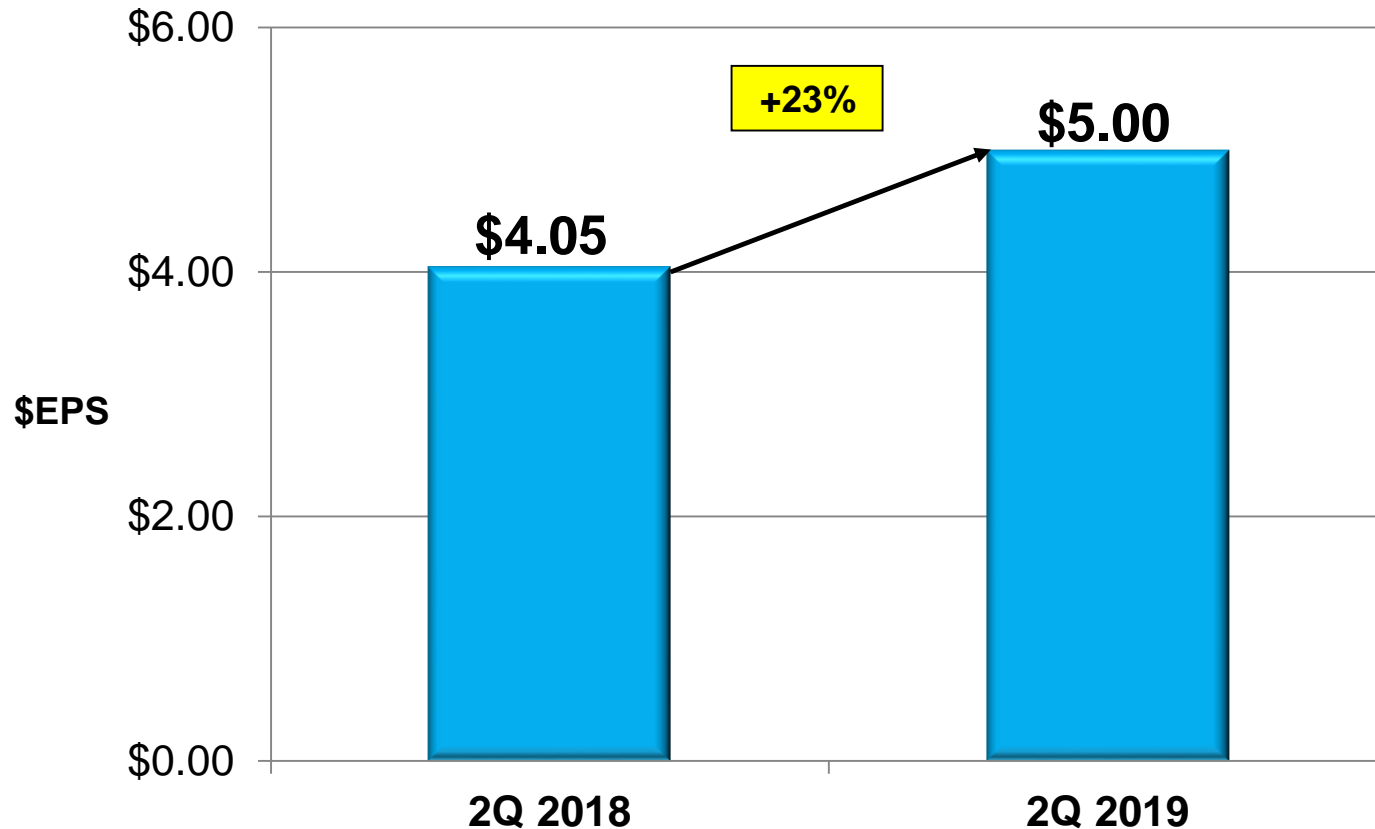
2Q Segment Operating Profit* by Segment

(\$M)



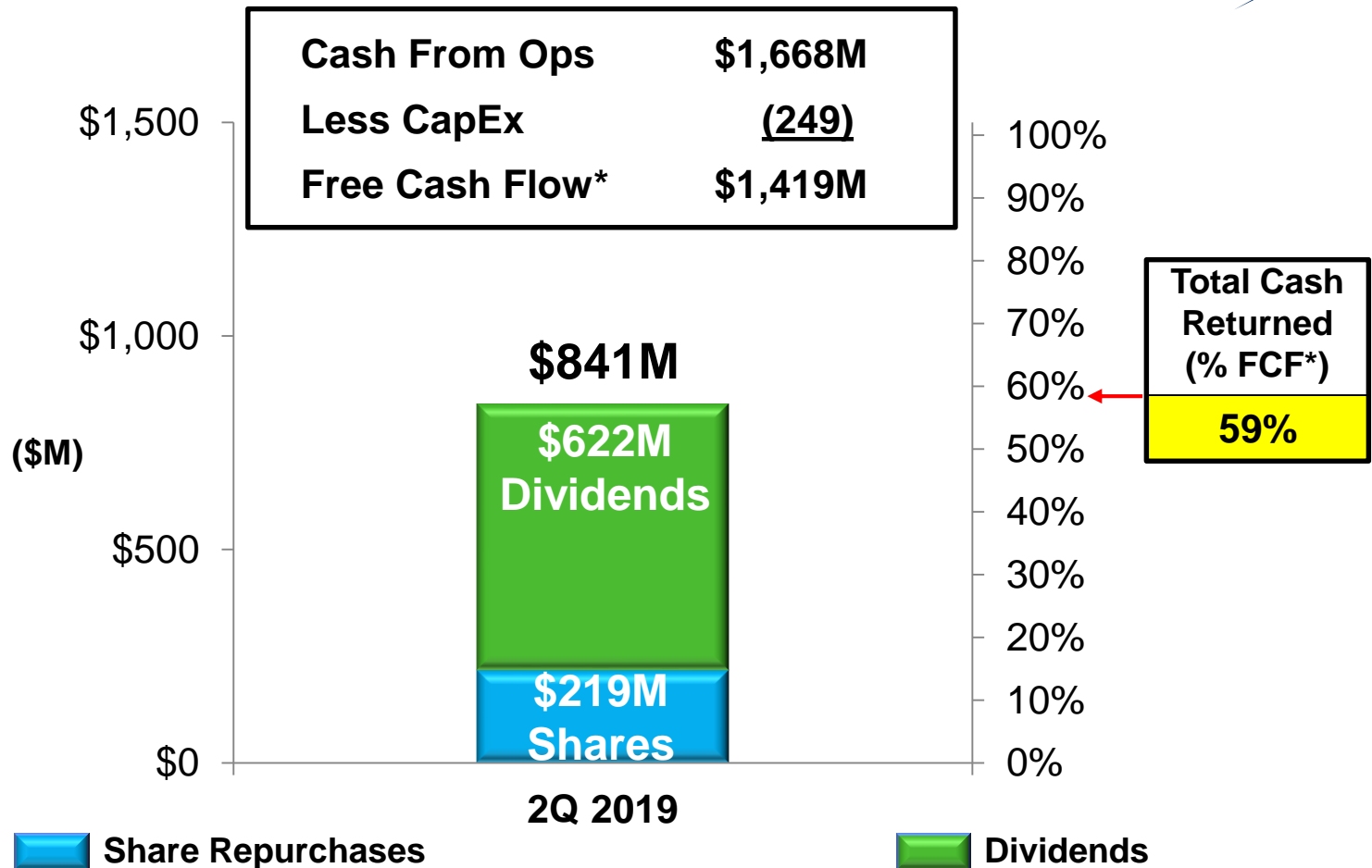
Increases in All Business Areas

2Q Earnings Per Share



EPS Growth Reflects Strong Operational Performance

Cash Returned to Stockholders



On Track For Full Year Cash Deployment Goals

2019 Outlook Update

(\$M, Except EPS)



	Prior Outlook	July Outlook
Sales	\$56,750 – 58,250	\$58,250 – \$59,750
Segment Operating Profit*	\$6,100 – \$6,250	\$6,325 – \$6,475
Net FAS / CAS Pension Adjustment*	~ \$1,475	~ \$1,475
Diluted EPS	\$20.05 – \$20.35	\$20.85 – \$21.15
Cash From Operations	≥ \$7,500	≥ \$7,600

2019 Diluted EPS Outlook Reconciliation

April 2019 Outlook

\$20.05 - \$20.35

Operational Performance / Volume

0.66

Tax Rate / Other

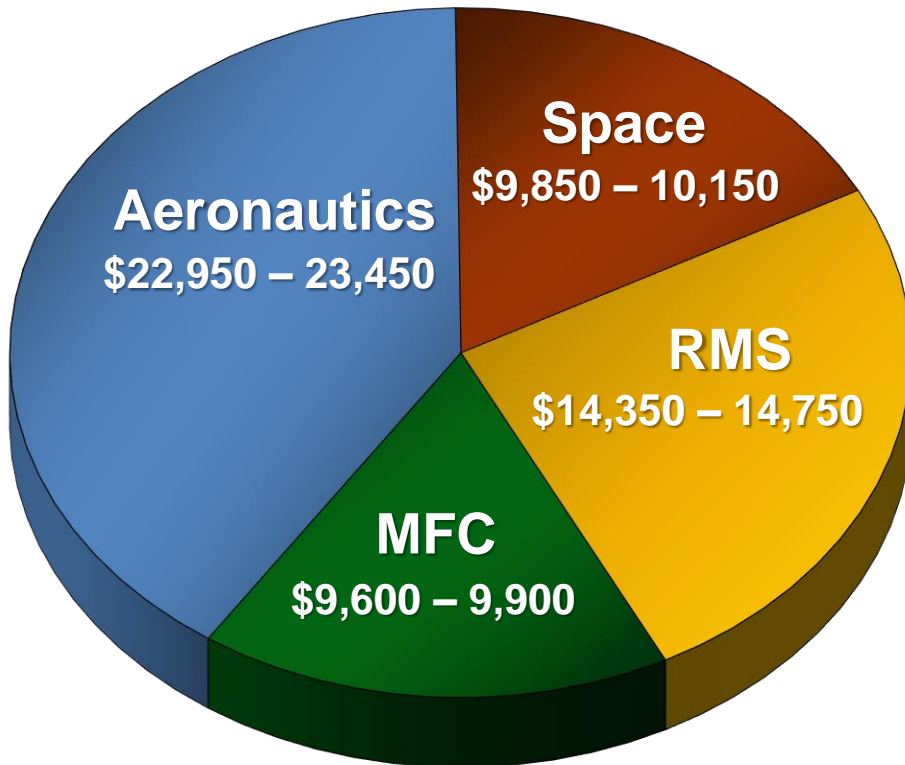
0.14

July 2019 Outlook

\$20.85 - \$21.15

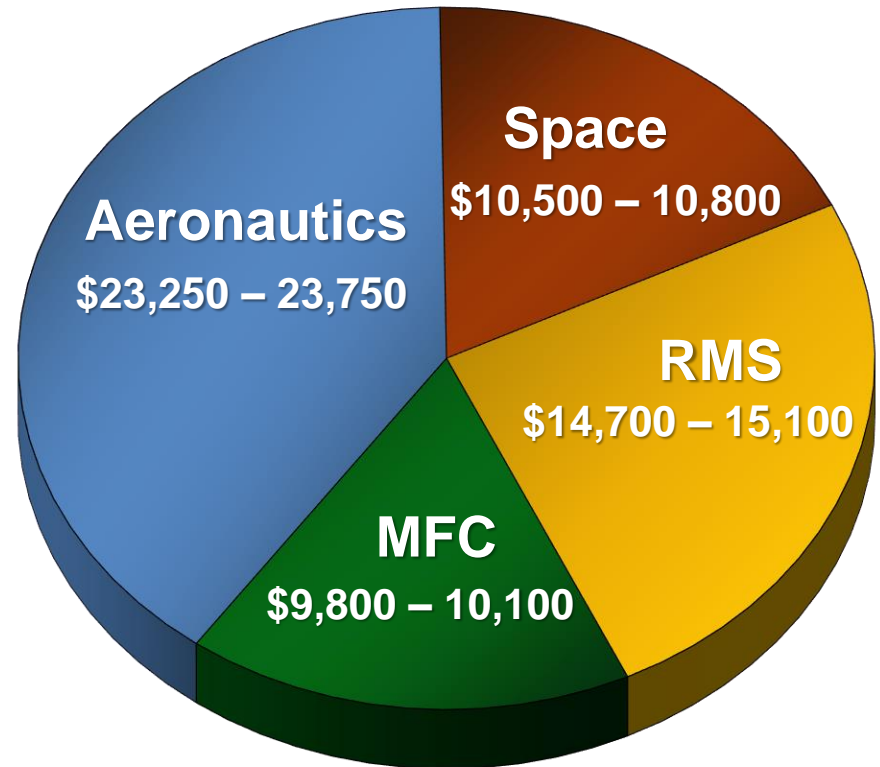
2019 Sales Outlook (\$M)

Sales (Prior)



\$56,750 – 58,250M

Sales (Current)

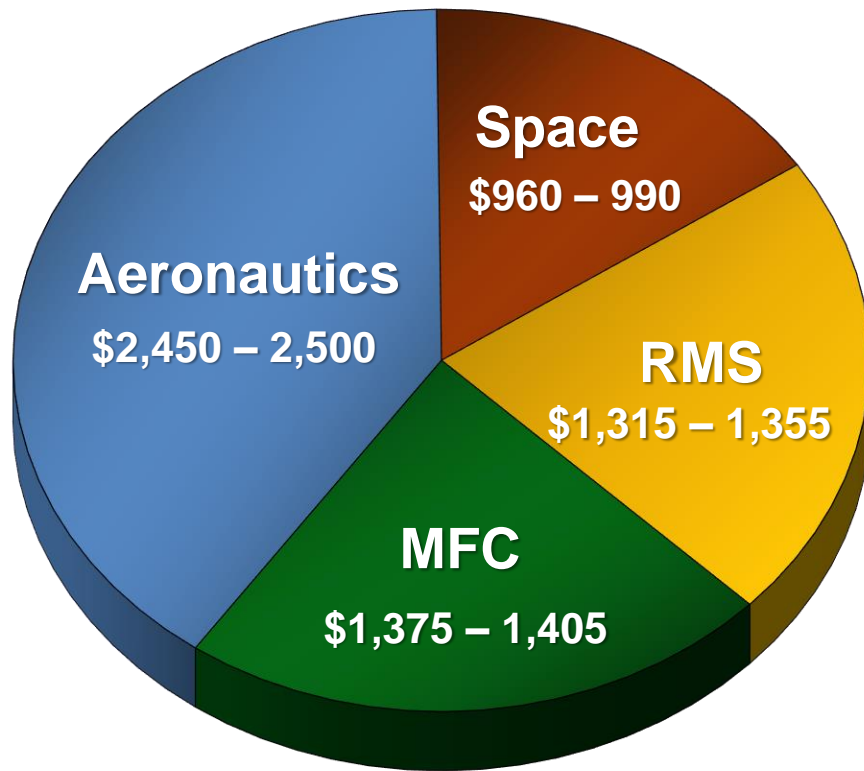


\$58,250 – 59,750M

Sales Outlook Increased by \$1.5 Billion

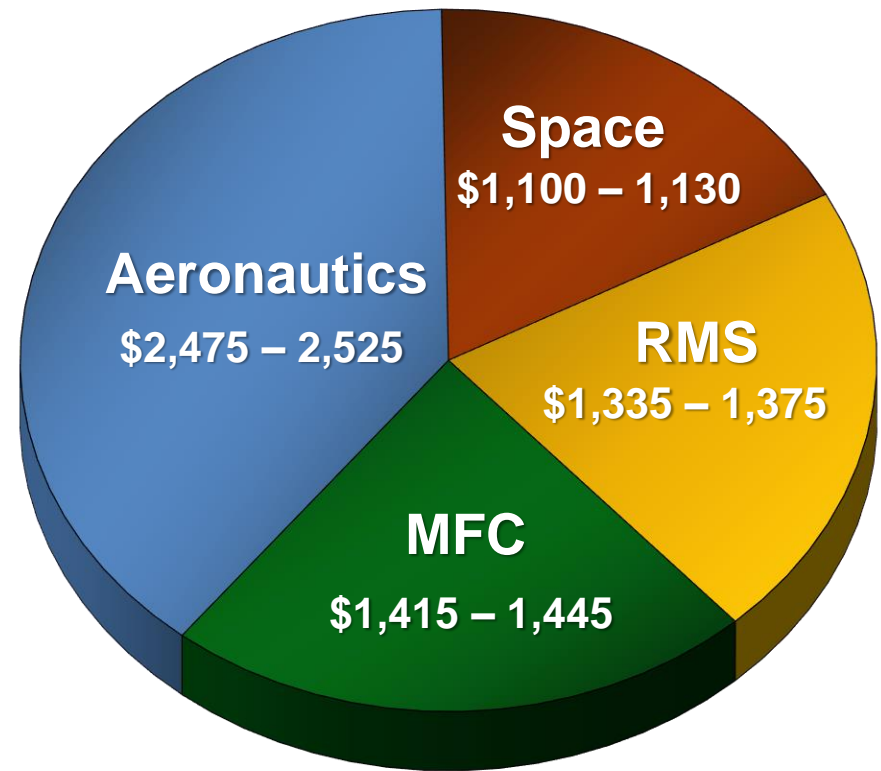
2019 Segment Operating Profit* Outlook (\$M)

Segment Op Profit (Prior)



\$6,100 – 6,250M

Segment Op Profit (Current)



\$6,325 – 6,475M

Segment Operating Profit Outlook Increased by \$225M

Summary



- **Continued Strong Financial and Operational Performance Across All Business Areas**
- **Record Backlog Providing Near Term & Long Term Growth**
- **Increased 2019 Outlook for All Financial Metrics**

Broad Portfolio and Proven Performance Driving Shareholder Value



Financial Appendix

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 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 total earnings from our business segments before unallocated income and expense, interest expense, other non-operating income and expense, and income tax expense. This measure is used by our senior management in evaluating the performance of our business segments. 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>2019 Outlook (April)</u>			<u>2019 Outlook (July)</u>		
Sales	\$56,750 – 58,250			\$58,250 – 59,750		
Segment Operating Profit	\$6,100 – 6,250			\$6,325 – 6,475		
Mid-Point Segment Margin	10.7%			10.8%		
FAS / CAS Operating Adjustment	~2,050			~2,050		
Other, net	~(125)			~(115)		
Consolidated Operating Profit	\$8,025 – 8,175			\$8,260 – 8,410		

	<u>2Q 2019</u>			<u>2Q 2018</u>		
	<u>Sales</u>	<u>Profit</u>	<u>Margin</u>	<u>Sales</u>	<u>Profit</u>	<u>Margin</u>
Segment Operating Profit	\$ 14,427	\$ 1,554	10.8%	\$ 13,398	\$ 1,466	10.9%
Total Unallocated Items	-	454		-	329	
Consolidated Operating Profit (GAAP)	\$ 14,427	\$ 2,008	13.9%	\$ 13,398	\$ 1,795	13.4%

Appendix I

(\$M, Except EPS)



	<u>2019 Outlook (July)</u>
Sales	\$58,250 – 59,750
Segment Operating Profit*	\$6,325 – 6,475
Mid-Point Segment Margin	10.8%
FAS/CAS Operating Adjustment	~2,050
Other, net	~(115)
Consolidated Operating Profit	\$8,260 – 8,410
Non-Operating FAS Pension Expense	~(575)
Non-Service Costs for Other Post Retirement Plans	~(115)
Diluted EPS	\$20.85 – 21.15

Appendix II

(\$M)



	2019 Preliminary Trends
Total FAS expense and CAS costs	
FAS pension expense	~ (\$1,090)
Less: CAS pension cost	~ 2,565
Net FAS/CAS pension adjustment	<u>~ 1,475</u>
 Service and non-service cost reconciliation	
FAS pension service cost	~ (\$515)
Less: CAS pension cost	~ 2,565
FAS/CAS Operating adjustment	~ 2,050
Non-operating FAS pension expense*	~ (575)
Net FAS/CAS pension adjustment	<u>~ \$1,475</u>

*The corporation records the non-service cost components of net periodic benefit cost as part of other non-operating expense, net in the consolidated statement of earnings. The non-service cost components in the table above relate only to its qualified defined benefit pension plans. The corporation expects total non-service costs for its qualified defined benefit pension plans in the table above, along with non-service costs for its other postretirement benefit plans of \$115 million, to total \$690 million for 2019.

