

**LOCKHEED MARTIN**



**JAMES D. TAICLET**  
Chairman, President and CEO

**JAY MALAVE**  
Chief Financial Officer



# Lockheed Martin Corporation

**3rd Quarter 2022 Conference Call**

**October 18, 2022**

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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 impact of COVID-19 or future epidemics on the company's business and financial results, including supply chain disruptions and delays, labor challenges associated with employee absences, quarantine restrictions, travel restrictions, site access, program delays, and changes in customer payment policies; budget uncertainty, the risk of future budget cuts, the impact of continuing resolution funding mechanisms and the debt ceiling and the potential for government shutdowns and changing funding and acquisition priorities; the company's reliance on contracts with the U.S. Government, which are dependent on U.S. Government funding and can be terminated for convenience, and the company's ability to negotiate favorable contract terms; risks related to the development, production, sustainment, performance, schedule, cost and requirements of complex and technologically advanced programs, including the F-35 program; the continued delay of the definitization of the Lots 15-17 F-35 production contract; planned production rates and orders for significant programs, compliance with stringent performance and reliability standards, and materials availability; performance and financial viability of key suppliers, teammates, joint ventures and partners, subcontractors and customers; economic, industry, business and political conditions including their effects on governmental policy; the impact of inflation and other cost pressures; government actions that disrupt the company's supply chain or prevent the sale or delivery of its products (such as delays in approvals for exports requiring Congressional notification); trade policies or sanctions (including potential Chinese sanctions on the company or its suppliers, teammates or partners, U.S. Government sanctions on Republic of Turkey and its removal from the F-35 program, and potential indirect effects of sanctions on Russia to the company's supply chain); the company's 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 and planned orders, including the impact of a strengthening U.S. dollar; the competitive environment for the company's products and services, including competition from startups and non-traditional defense contractors; the timing of contract awards or delays in contract definitization as well as the timing and customer acceptance of product deliveries and performance milestones; the company's ability to develop and commercialize new technologies and products, including emerging digital and network technologies and capabilities; the company's ability to attract and retain a highly skilled workforce, the impact of work stoppages or other labor disruptions; cyber or other security threats or other disruptions faced by the company or its suppliers; the company's ability to implement and continue, and the timing and impact of, capitalization changes such as share repurchases, dividend payments and financing transactions; the company's ability to recover costs under U.S. Government contracts and the mix of fixed-price and cost-reimbursable contracts; customer procurement policies that shift risk to contractors, including competitively bid programs with fixed-price development work or follow-on production options or other financial risks; and the impact of investments, cost overruns or other cost pressures and performance issues on fixed price contracts; the accuracy of the company's estimates and projections; the impact of pension risk transfers, including potential noncash settlement charges, 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; realizing the anticipated benefits of acquisitions or divestitures, investments, joint ventures, teaming arrangements or internal reorganizations, and market volatility affecting the fair value of investments in the company's Lockheed Martin Ventures Fund that are marked to market; the company's efforts to increase the efficiency of its operations and improve the affordability of its products and services, including through digital transformation and cost reduction initiatives; the risk of an impairment of the company's assets, including the potential impairment of goodwill recorded at the Sikorsky line of business; the availability and adequacy of the company's insurance and indemnities; the company's ability to benefit fully from or adequately protect its intellectual property rights; procurement and other regulations and policies affecting the company's industry, export of its products, cost allowability or recovery, preferred contract type, and performance and progress payments policy; impacts of climate change and compliance with laws, regulations, policies, and customer requirements in response to climate change concerns; changes in accounting, U.S. or foreign tax, export or other 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 the company has failed to comply with law, other contingencies and U.S. Government identification of deficiencies in its 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 company'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 company's Annual Report on Form 10-K for the year ended Dec. 31, 2021 and subsequent quarterly reports on Form 10-Q. The company'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 company'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 company 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.

# Third Quarter Results

Solid Financial Results



**\$16.6B**  
In Generated Sales

**\$1.9B**  
Segment Operating Profit\*

**11.2%**  
Segment Operating Margin\*

**\$6.71**  
Earnings Per Share

**1.3x**  
Book-to-Bill Ratio\*

**\$2.7B**  
Delivered in Free Cash Flow\*

**\$1.3B**  
Of Share Repurchases

**\$739M**  
In Dividends

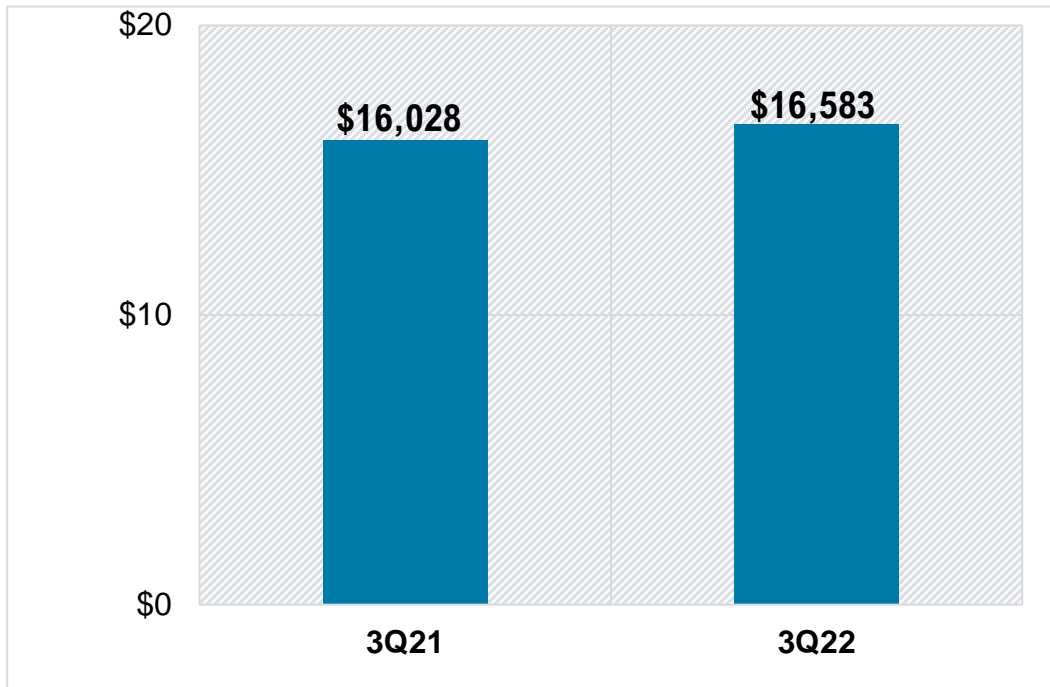
Strategic Capital Deployment

\*See Chart 15 for Definitions of Non-GAAP Measures and Other Performance Metrics

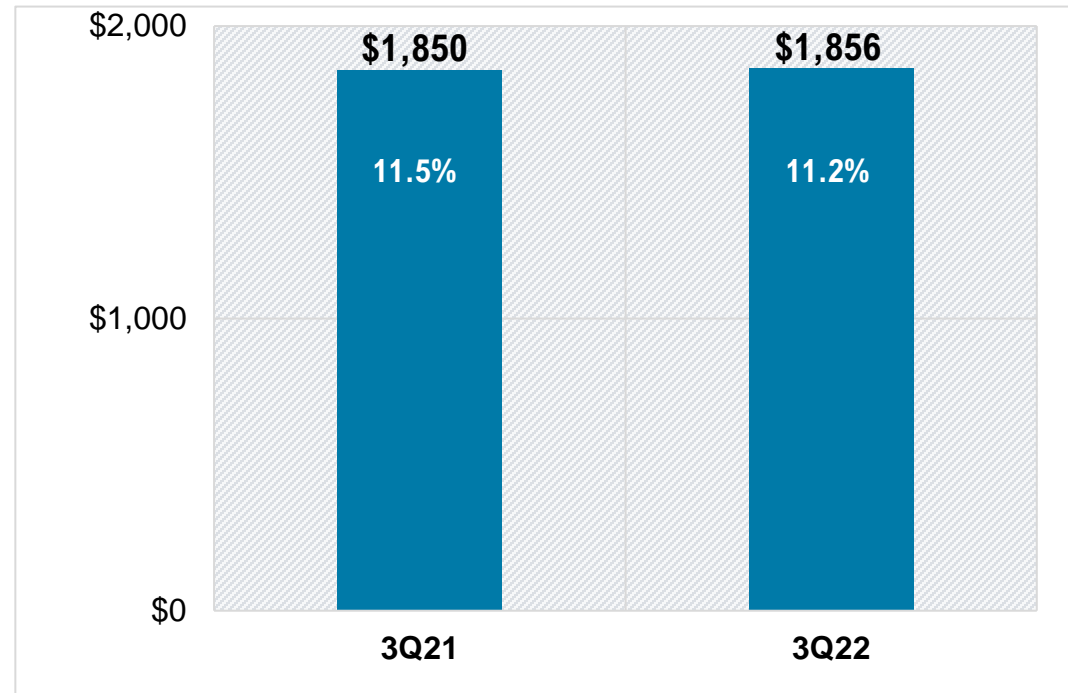
# Third Quarter Results



### Sales (\$B)



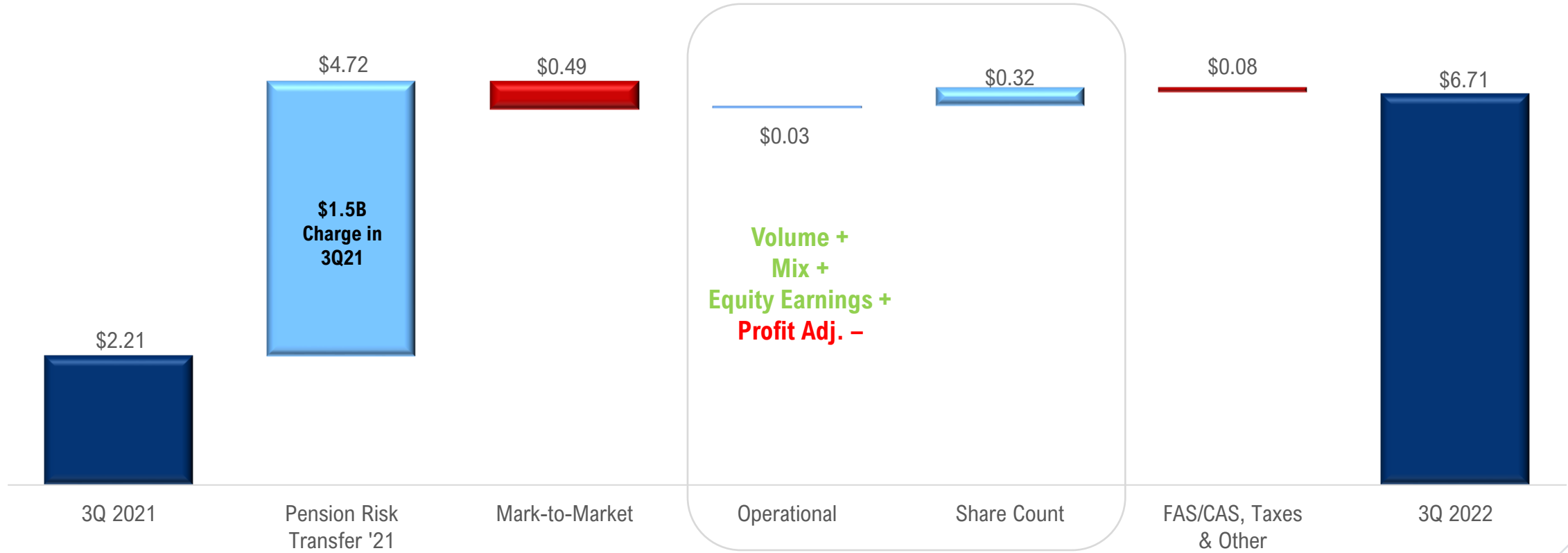
### Segment Operating Profit\* (\$M)



## Solid 3Q Sales Growth & Margin Performance

\*See Chart 15 for Definitions of Non-GAAP Measures

# 3Q Earnings Per Share Comparison



# Cash Returned to Shareholders

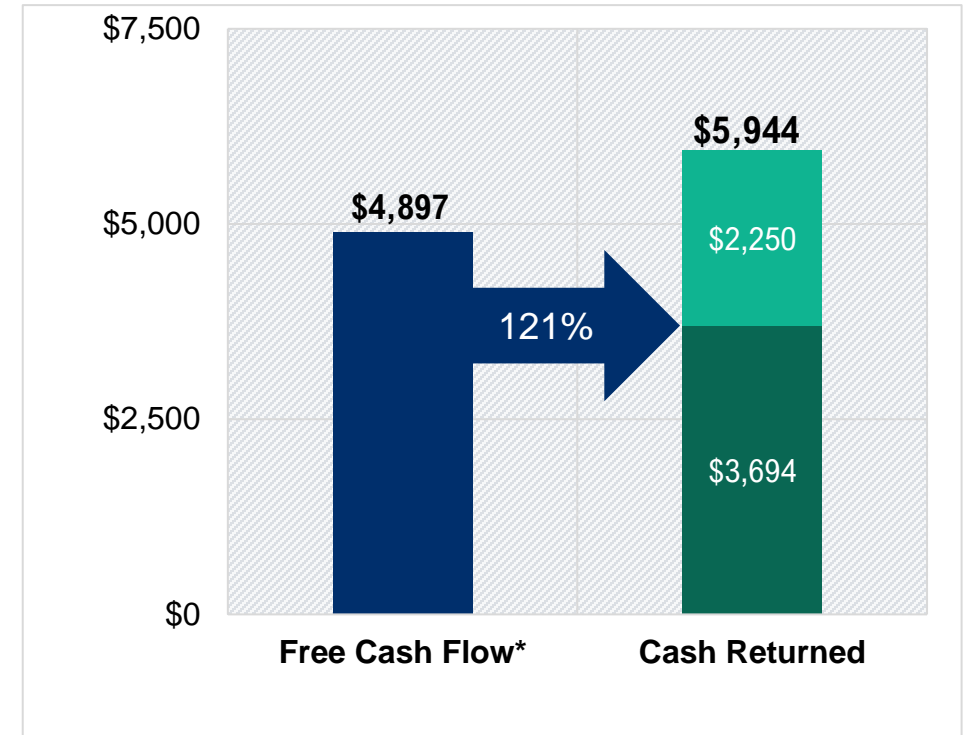
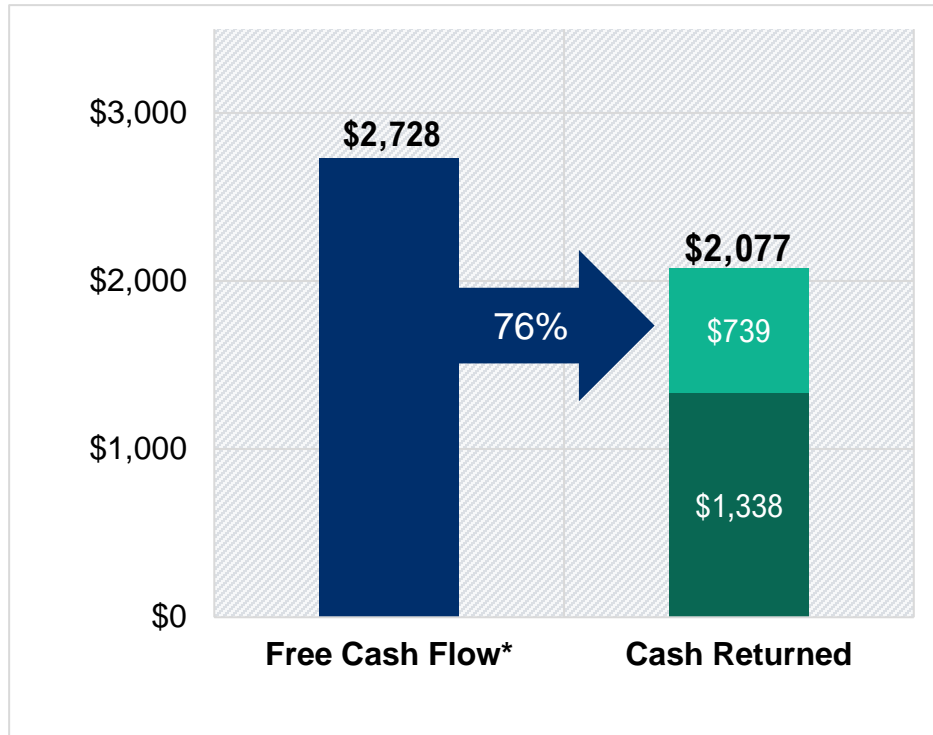


3rd Quarter 2022

Year-To-Date 2022

(\$M)

- Free Cash Flow\*
- Total Cash Returned**
- Dividends
- Share Repurchases



YTD 121% of Free Cash Flow Returned

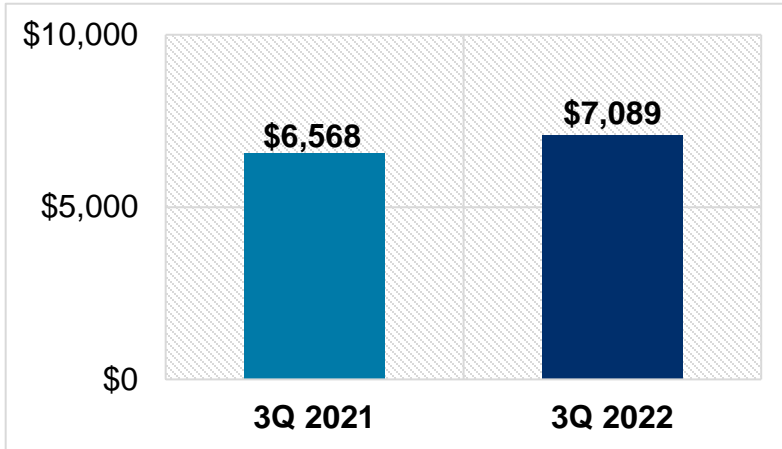
\*See Chart 15 for Definitions of Non-GAAP Measures

# Aeronautics

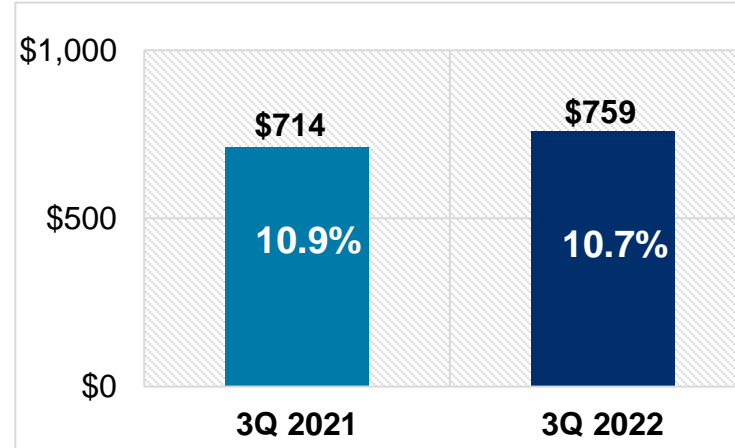


(\$M)

### Sales



### Segment Operating Profit\*



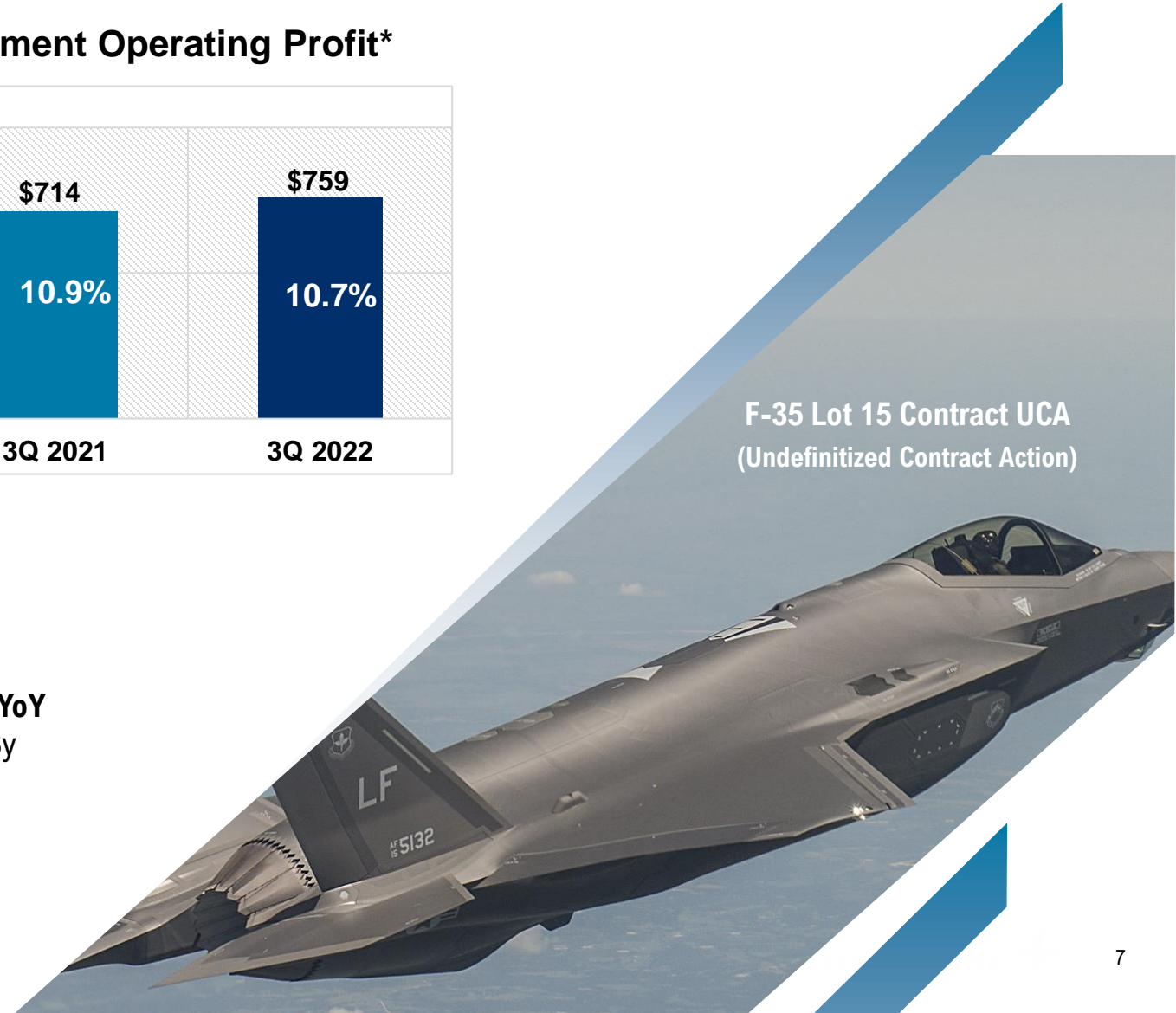
F-35 Lot 15 Contract UCA  
(Unfinalized Contract Action)

\*See Chart 15 for Definitions of Non-GAAP Measures

## 3rd Quarter Drivers

**Sales: Increased 8% YoY**  
Higher F-35 Production  
Classified Volume Increase

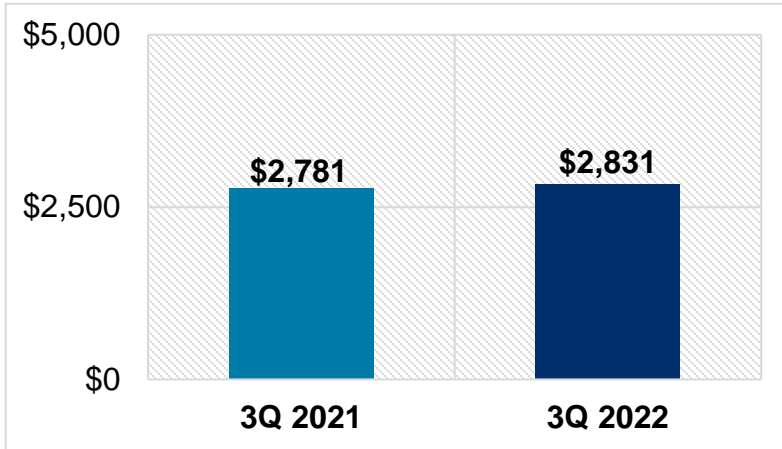
**Operating Profit: Increased 6% YoY**  
F-35 Production Volume Offset By  
Lower Classified Margins



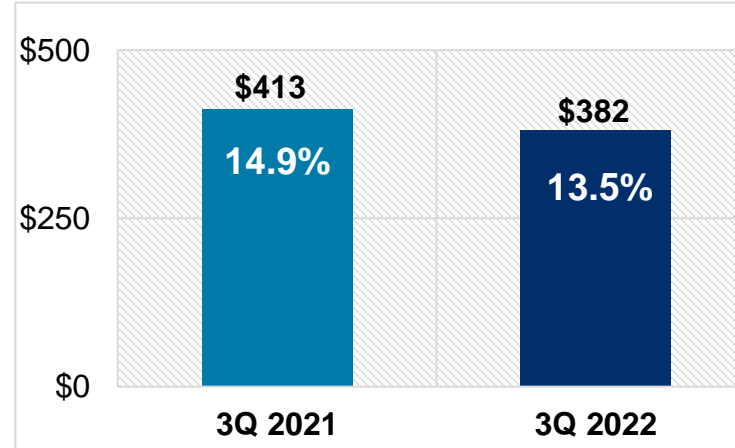
# Missiles and Fire Control

(\$M)

### Sales



### Segment Operating Profit\*



\*See Chart 15 for Definitions of Non-GAAP Measures

## 3rd Quarter Drivers

**Sales: Increased 2% YoY**  
Higher PAC-3 Volume

**Operating Profit: Decreased 8% YoY**  
Lower Favorable Profit Adjustments



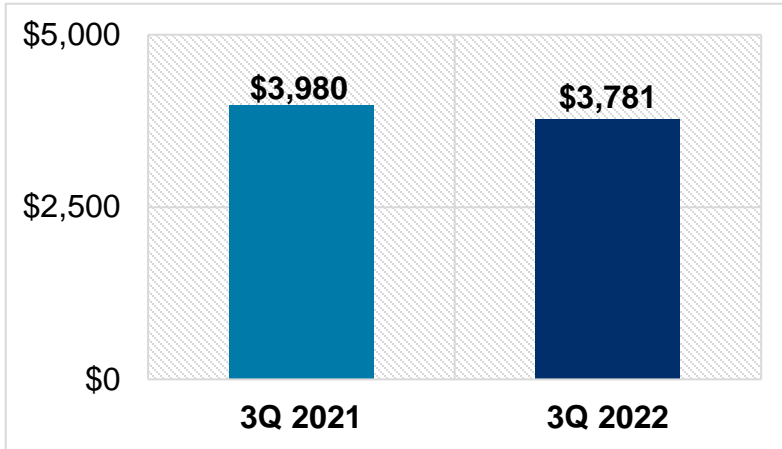
**Awarded Javelin  
Production Contract**



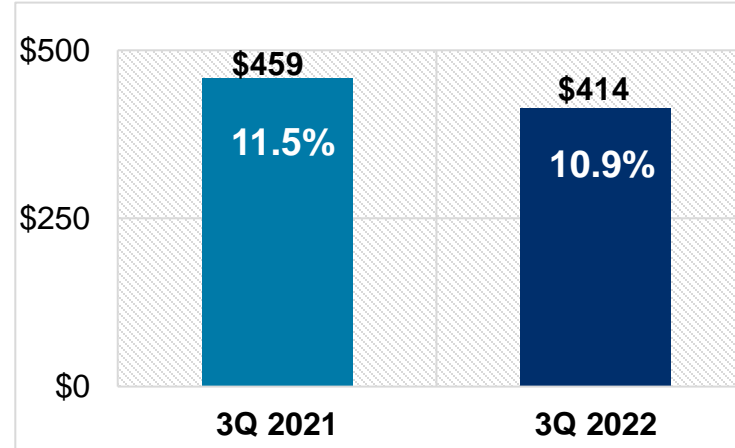
# Rotary and Mission Systems

(\$M)

Sales



Segment Operating Profit\*



\*See Chart 15 for Definitions of Non-GAAP Measures

## 3rd Quarter Drivers

**Sales: Decreased 5% YoY**  
Reduced Black Hawk Volume

**Operating Profit: Decreased 10% YoY**  
Lower Volume and Favorable Profit  
Adjustments on Black Hawk

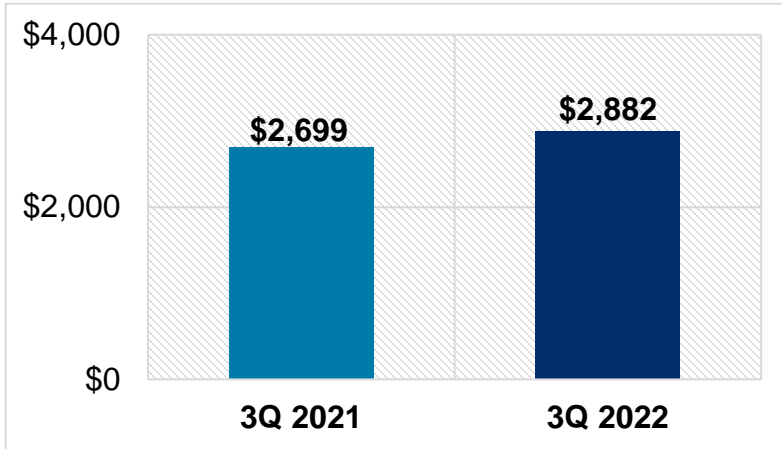
Australia Awarded  
12 MH-60R Helicopters



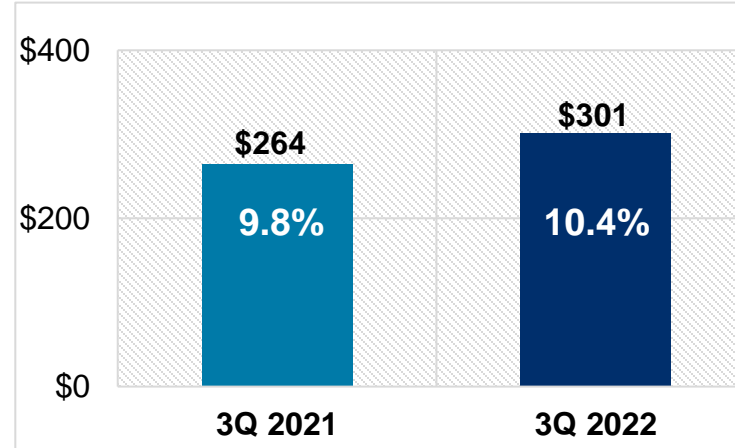
# Space

(\$M)

### Sales



### Segment Operating Profit\*

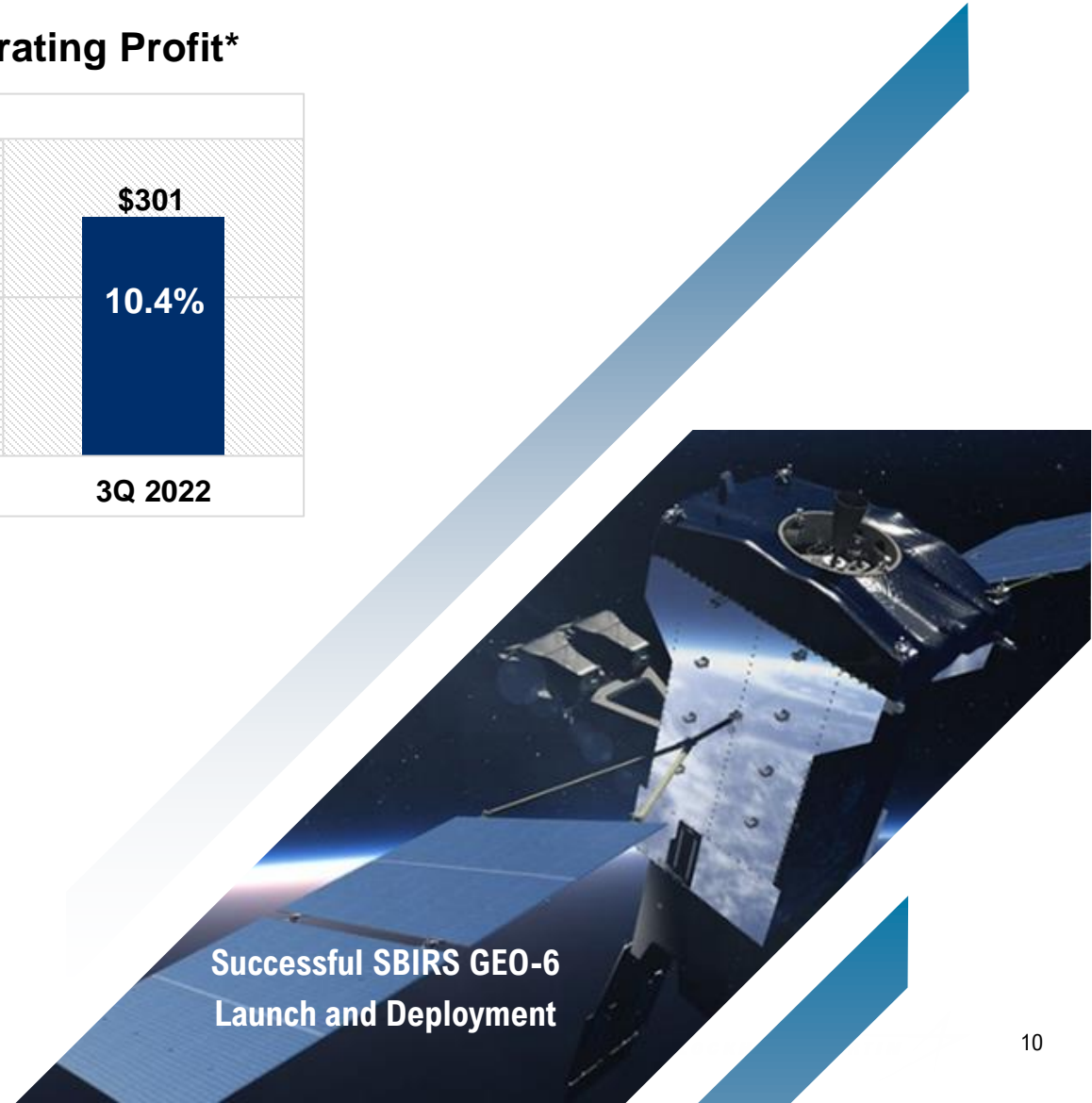


\*See Chart 15 for Definitions of Non-GAAP Measures

## 3rd Quarter Drivers

**Sales: Increased 7% YoY**  
NGI Ramp-Up

**Operating Profit: Increased 14% YoY**  
Higher ULA Equity Income



**Successful SBIRS GEO-6  
Launch and Deployment**

# 2022 Outlook



	Prior Outlook	October Update
Sales	~\$65,250	~\$65,250
Segment Operating Profit	~\$7,175	~\$7,175
Total FAS / CAS Pension Adj.	~\$740	~\$740
<i>Add: Pension Settlement Charge</i>	\$1,470	\$1,470
Total FAS / CAS Pension Adj. – Adjusted*	~\$2,210	~\$2,210
Diluted EPS	~\$21.55	~\$21.55
Cash From Operations	≥ \$7,900	≥ \$7,900
<i>Capital Expenditures</i>	~(\$1,900)	~(\$1,900)
Free Cash Flow*	≥ \$6,000	≥ \$6,000
<b>Share Repurchases</b>	~\$4,000	~\$8,000

\*See Chart 15 for Definitions of Non-GAAP Measures

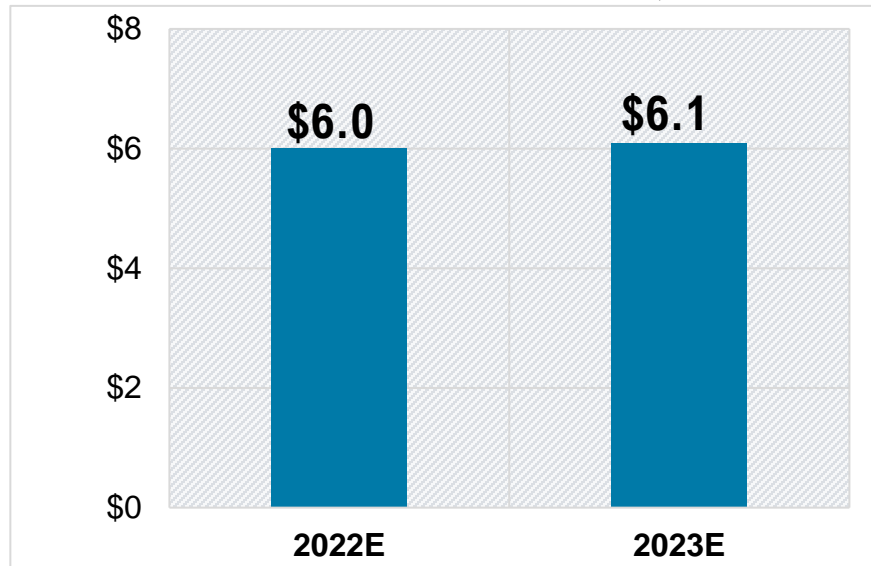
See the company's third quarter earnings release for a description of the assumptions on which the 2022 Outlook is based.

# 2023 Trending Data

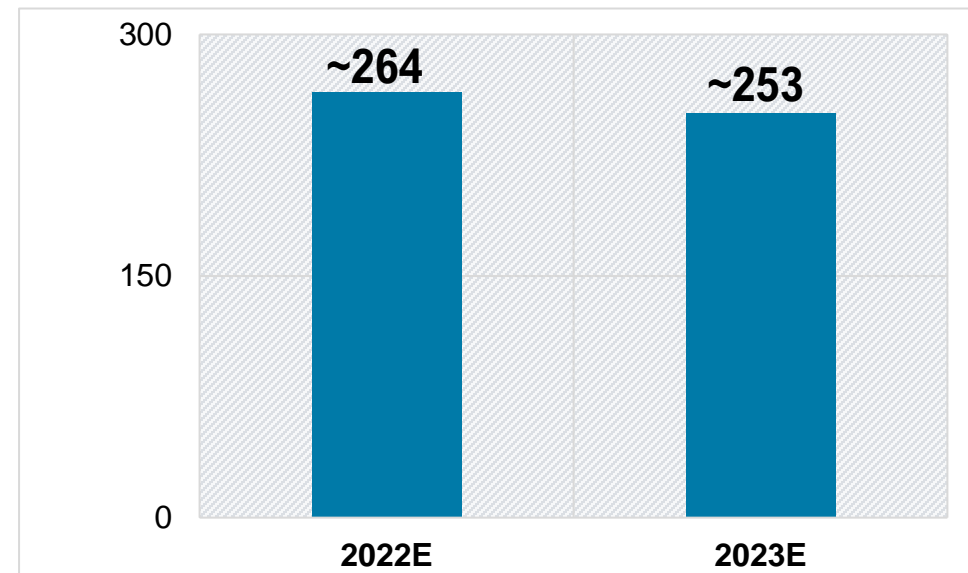


- Sales Flattish
- Margins ~(20-30) bps Lower

**Free Cash Flow (\$B)** <sup>1,2</sup>



**Weighted Average Share Count (M)**



## Delivering Shareholder Value Through Sustained Free Cash Flow and Reduced Share Count

(1) See Chart 15 for Definitions of Non-GAAP Measures

(2) Assumes No Pension Cash Contribution

See the company's third quarter earnings release for a description of the assumptions on which the 2022 Outlook is based, which are generally applicable to the 2023 Trending Data.

# Summary

- Solid 3Q Financial and Operational Performance, Increasing Full-Year Cash Deployment
- Investing in Technologies to Drive Innovation and Support Customer Missions
- Solid Fundamentals, Strong Cash Generation, and Disciplined & Dynamic Capital Deployment Drive Long-Term Value Creation
- Strong Long-Term Growth Prospects
- Aggressively returning capital to shareholders: increased share repurchase authorization to \$14 billion, doubled repurchase outlook through year-end 2022, and increased dividend by 7%

***LOCKHEED MARTIN***



# 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 management believes 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, the company's definitions for non-GAAP financial measures may differ from similarly titled measures used by other companies or analysts.

## Free Cash Flow (non-GAAP)

Free cash flow is cash from operations less capital expenditures. The company's capital expenditures are comprised of equipment and facilities infrastructure and information technology (inclusive of costs for the development or purchase of internal-use software that are capitalized). The company uses free cash flow to evaluate its business performance and overall liquidity and is a performance goal in the company's annual and long-term incentive plans. The company believes free cash flow is a useful measure for investors because it represents the amount of cash generated from operations after reinvesting in the business and that may be available to return to stockholders and creditors (through dividends, stock repurchase and debt repayments) or available to fund acquisitions. The entire free cash flow amount is not necessarily available for discretionary expenditures, however, because it does not account for certain mandatory expenditures, such as the repayment of maturing debt and pension contributions.

<u>\$M</u>	<u>3Q 2022</u>	<u>YTD 2022</u>	<u>Full Year 2022 Outlook</u>	<u>Full Year 2023 Trending</u>
Operating Cash Flow	3,133	5,874	~7,900	~8,100
Capital Expenditures	(405)	(977)	~(1,900)	~(2,000)
Free Cash Flow	2,728	4,897	~6,000	~6,100

## Segment Operating Profit / Margin (non-GAAP)

Segment Operating Profit represents operating profit from the company's business segments before unallocated income and expense. This measure is used by the company's senior management in evaluating the performance of the company's business segments and is a performance goal in the company's annual incentive plan. The caption "Total Unallocated Items" reconciles Segment Operating Profit to Consolidated Operating Profit. Business Segment Operating Margin is calculated by dividing Segment Operating Profit by Sales.

<u>\$M</u>	<u>3Q 2022</u>			<u>3Q 2021</u>		
	<u>Sales</u>	<u>Profit</u>	<u>Margin</u>	<u>Sales</u>	<u>Profit</u>	<u>Margin</u>
Segment Operating Profit	\$ 16,583	\$ 1,856	11.2%	\$ 16,028	\$ 1,850	11.5%
Total Unallocated Items	-	303		-	444	
Consolidated Operating Profit (GAAP)	\$ 16,583	\$ 2,159	13.0%	\$ 16,028	\$ 2,294	14.3%

## Total FAS/CAS Pension Adjustment – Adjusted (non-GAAP)

Total FAS/CAS pension adjustment has been adjusted for the second quarter 2022 noncash, non-operating pension settlement charge of \$1.5 billion. Management believes that the exclusion of the pension settlement charge is useful to understanding the company's underlying business performance and comparing performance from period to period.

## Book-to-Bill Ratio

The ratio of orders received to sales recorded for a specified period.

	<u>2022 Outlook (\$M)</u>
<b>Sales</b>	<b>~\$65,250</b>
<b>Segment Operating Profit*</b>	<b>~\$7,175</b>
<b>Segment Margin*</b>	<b>11.0%</b>
<b>FAS/CAS Operating Adjustment**</b>	<b>~\$1,710</b>
<b>Other, net</b>	<b>~(\$570)</b>
<b>Consolidated Operating Profit</b>	<b>~\$8,315</b>
<b>Non-Operating FAS Pension Expense**</b>	<b>~(\$970)</b>
<b>Effective Tax Rate</b>	<b>~14.9%</b>
<b>Diluted EPS</b>	<b>~\$21.55</b>
<b>Pension Contribution</b>	<b>~\$0</b>
<b>Share Repurchases</b>	<b>~\$8,000</b>

\*See Chart 15 for Definitions of Non-GAAP Measures

\*\*See Chart 18 for Pension Detail

3Q Earnings Results Conference Call



# Appendix II



	Prior Guidance (\$M)		October Guidance (\$M)	
	Sales	Segment Operating Profit *	Sales	Segment Operating Profit *
AERO	~\$26,750	~\$2,870	~\$26,750	~\$2,850
MFC	~ 11,200	~ 1,615	~ 11,200	~ 1,625
RMS	~ 16,150	~ 1,660	~ 16,000	~ 1,660
SPACE	~ 11,150	~ 1,030	~ 11,300	~ 1,040
<b>LM Total</b>	~ \$65,250	~ \$7,175	~ \$65,250	~ \$7,175

\*See Chart 15 for Definitions of Non-GAAP Measures

## Updated Business Area Sales and Operating Profit Mix

## 2022 Outlook

### Total FAS income and CAS costs

FAS pension income	~ \$ 410
Pension Settlement Charge	~ (1,470)
Less: CAS pension cost	~ 1,800
Net FAS/CAS pension adjustment	~ <u>\$ 740</u>

### Service and non-service cost reconciliation

FAS pension service cost	~ \$ (90)
Less: CAS pension cost	~ 1,800
FAS/CAS operating adjustment	~ 1,710
Non-operating FAS pension expense	~ (970)
Net FAS/CAS pension adjustment	~ <u>\$ 740</u>