



Lockheed Martin Corporation

1st Quarter 2021

Earnings Results Conference Call

**Tuesday, April 20, 2021
11:00 a.m. ET**

Webcast login at: www.lockheedmartin.com/investor

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

April 20, 2021 at: www.lockheedmartin.com/investor

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

April 20, 2021 through midnight April 21, 2021

Access the audio replay at:

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

Replay confirmation code: 1713659

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 our business, including potential supply chain disruptions, facility closures, work stoppages, program delays, payment policies and regulations and our ability to recover our costs under contracts; budget uncertainty, the risk of future budget cuts, and changing funding and acquisition priorities; our reliance on contracts with the U.S. Government, which are dependent on U.S. Government funding and can be terminated for convenience, and our 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 our largest, the F-35 program; planned production rates and orders for significant programs; compliance with stringent performance and reliability standards; 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 and government actions that disrupt our supply chain or prevent the sale or delivery of our products (such as delays in approvals for exports requiring Congressional notification); 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 and planned orders; 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 develop new technologies and products, including emerging digital and network technologies and capabilities; our 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 us or our suppliers; 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; 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 and the impact of the American Rescue Plan Act of 2021; the successful operation of joint ventures that we do not control; realizing the anticipated benefits of acquisitions or divestitures, investments, joint ventures, teaming arrangements or internal reorganizations, and market volatility in the fair value of investments in our Lockheed Martin Ventures Fund that are marked to market; risks related to our proposed acquisition of Aerojet Rocketdyne, including the failure to obtain, delays in obtaining or adverse conditions contained in any required regulatory 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; changes in accounting, taxation, 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 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, 2020 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.

1Q 2021 Overview

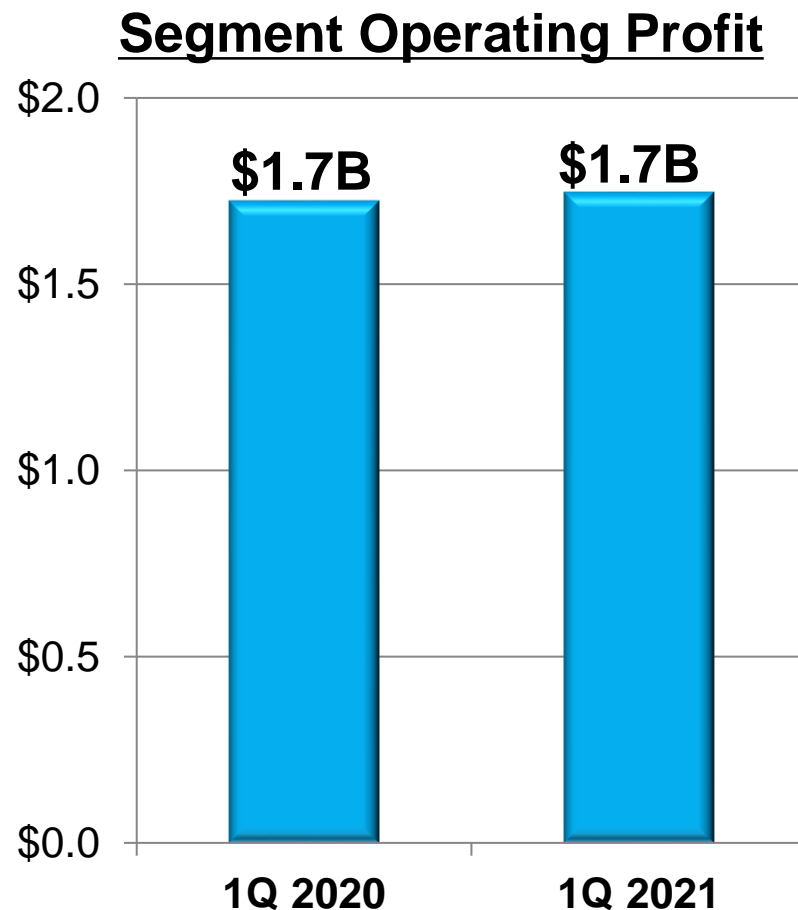
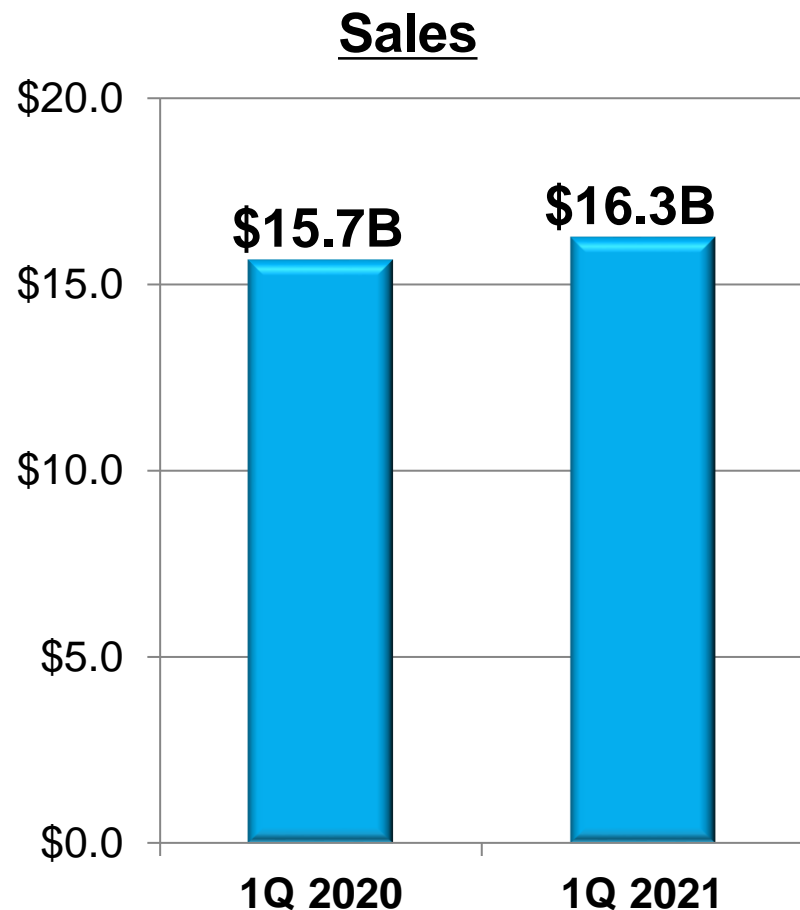


- **Achieved Sales of \$16.3 Billion**
- **Achieved Segment Operating Profit* of \$1.7 Billion and Earnings Per Share of \$6.56**
- **Generated \$1.7 Billion in Cash From Operations**
- **Executed Accelerated Share Repurchase Program and Returned \$1.7 Billion of Cash to Stockholders**
- **Increased Full-Year Outlook for Key Financial Metrics**

Strong Start to 2021

1Q Sales and Segment Operating Profit*

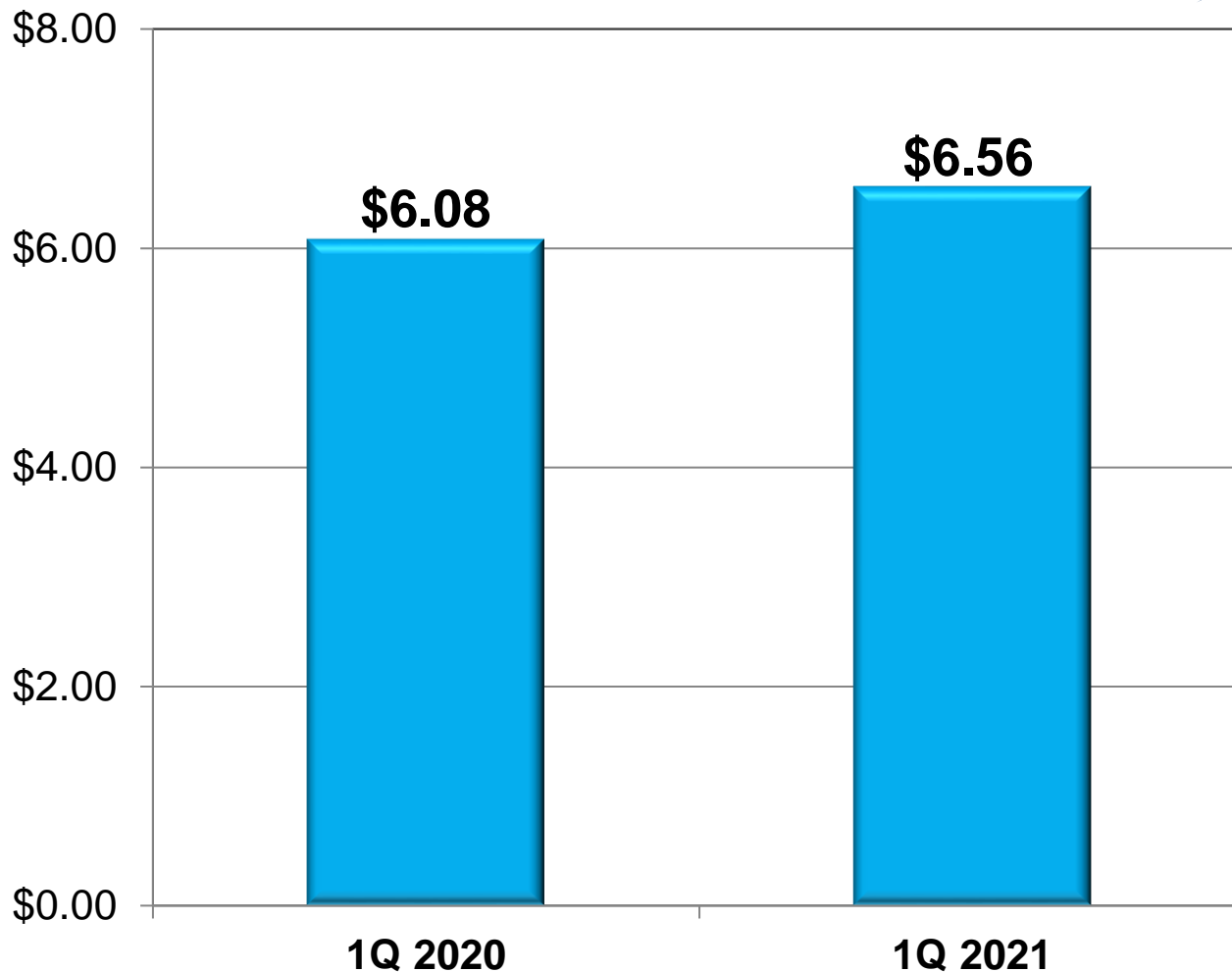
(\$B)



**+4% Growth in Sales,
Solid Segment Operating Profit**

1Q Earnings Per Share

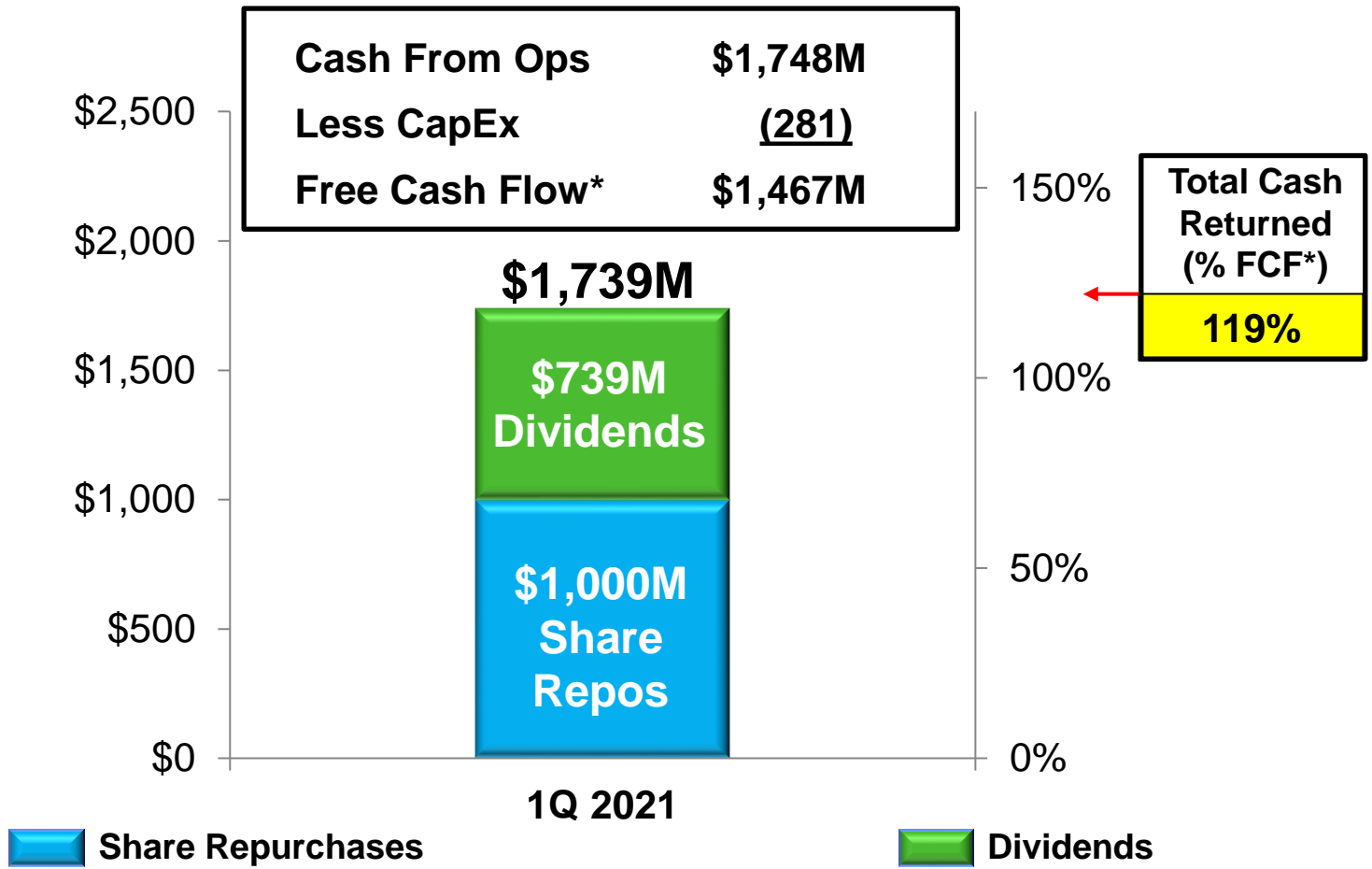
(\$EPS)



8% Increase in Earnings Per Share

Cash Returned to Stockholders

(\$M)



Continued Strong Cash Returns to Stockholders

2021 Outlook Update

(\$M, Except EPS)



	Prior Outlook	April 2021 Outlook
Sales	\$67,100 – 68,500	\$67,300 – \$68,700
Segment Operating Profit*	\$7,355 – \$7,495	\$7,380 – \$7,520
Net FAS / CAS Pension Adj.**	~\$2,330	~\$2,330
Diluted EPS	\$26.00 – \$26.30	\$26.40 – \$26.70
Cash From Operations	≥ \$8,300	≥ \$8,900

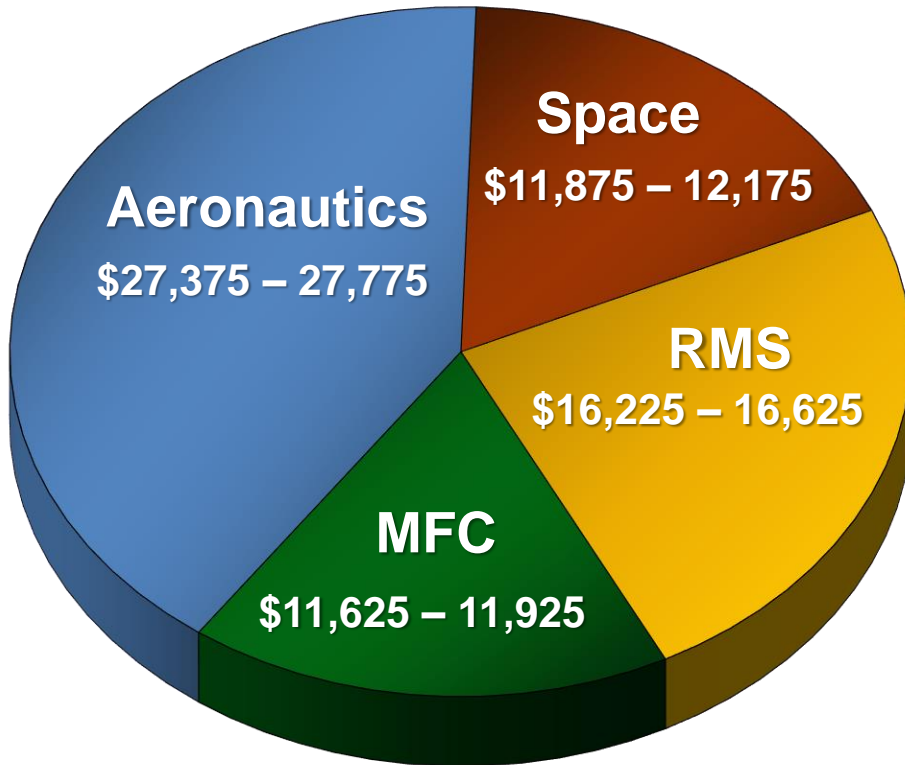
*See Chart 14 for Definitions of Non-GAAP Measures

**See Chart 16 for Appendix II for more detail

2021 Sales Outlook (\$M)

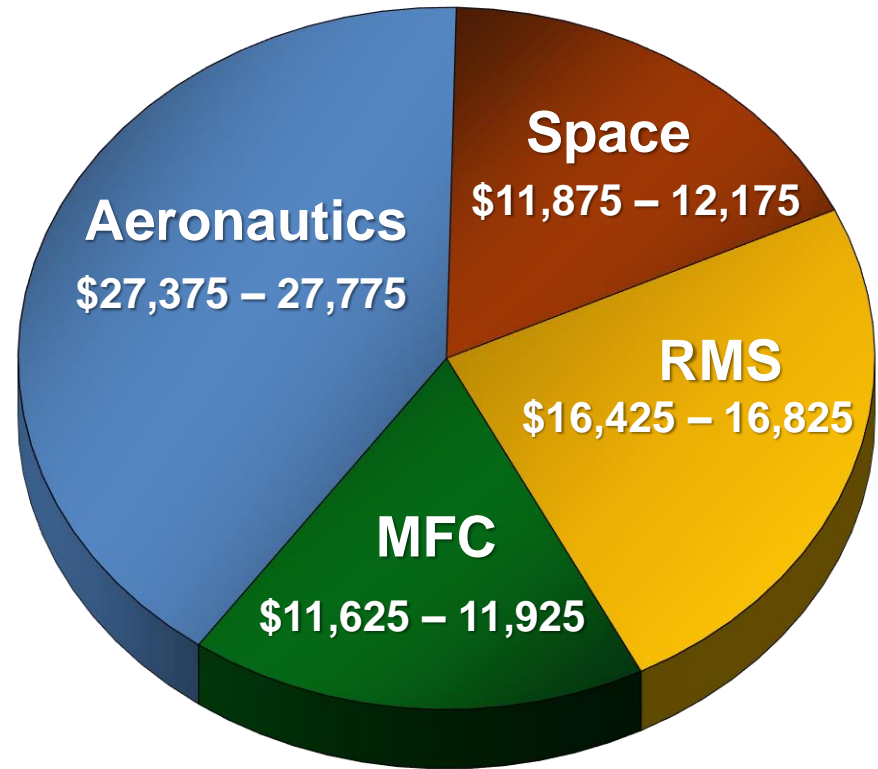


Sales (Prior)



\$67,100 – 68,500M

Sales (Current)



\$67,300 – 68,700M

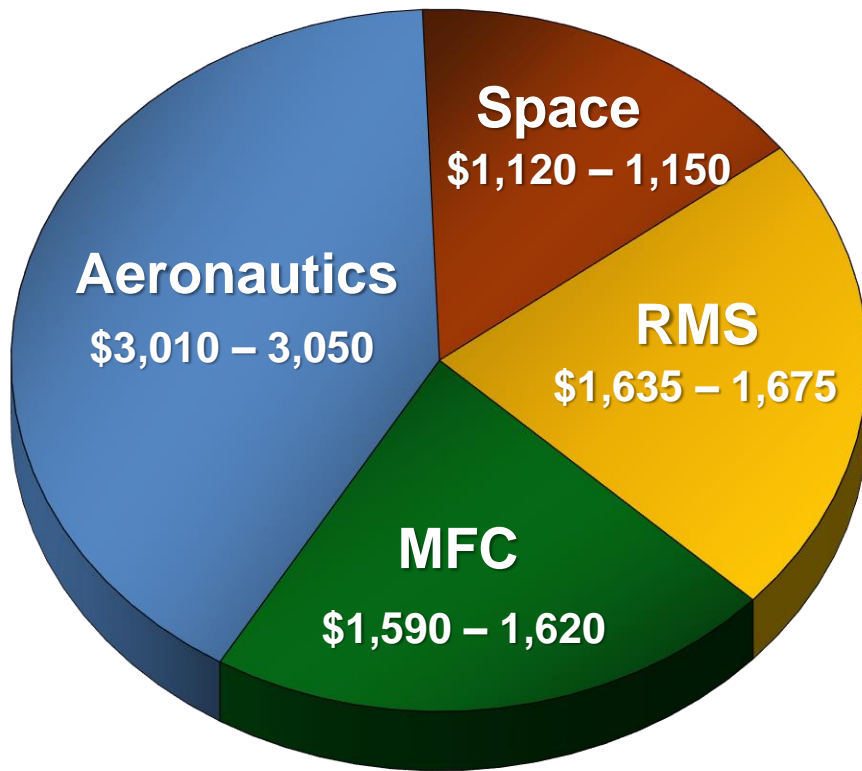
Sales Midpoint Increased \$200M

2021 Segment Operating Profit* Outlook

(\$M)

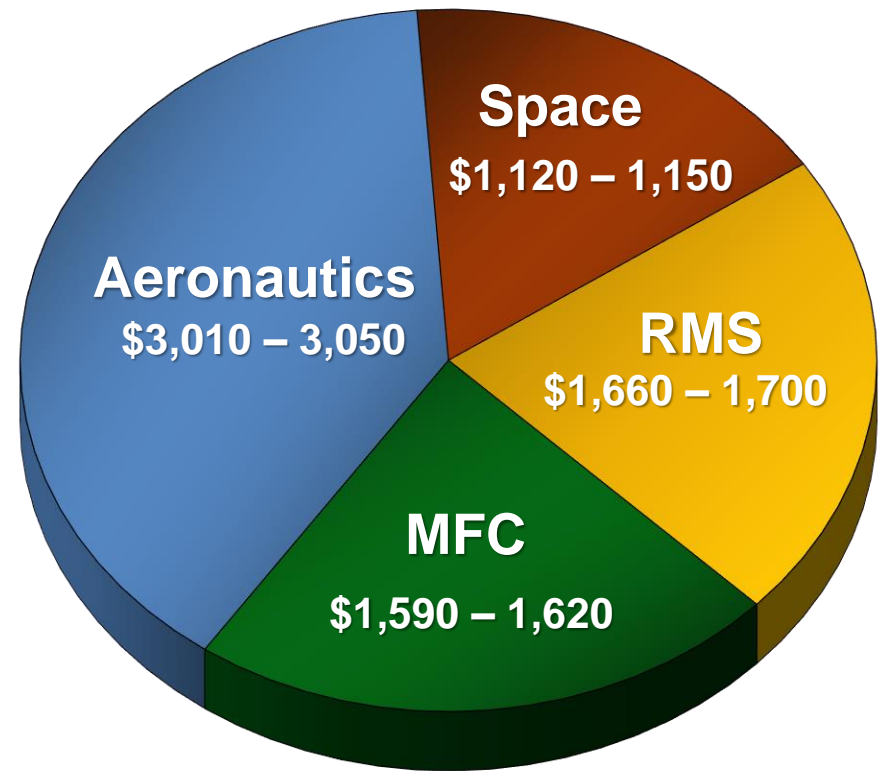


Segment Op Profit (Prior)



\$7,355 - 7,495M

Segment Op Profit (Current)



\$7,380 - 7,520M

Segment Operating Profit Midpoint Increased \$25M

2021 EPS Walkdown



January Guidance Mid-Point	\$26.15
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LM Ventures Unrealized Gains	~0.18
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Tax Improvement	~0.15
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1Q ASR Impact	~0.10
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Business Segment Performance (RMS)	~0.07
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Severance (RMS)	~(0.10)
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April Guidance Mid-Point	\$26.55
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Strategic Actions and Performance Driving Improvement

Updated Cash From Operations Long-Term Trends

(\$B)



	<u>Outlook 2021</u>	<u>Outlook 2022</u>	<u>Outlook 2023</u>
<i>Prior Cash from Operations*</i>	≥ \$8.3B	~\$8.7B	~\$9.0B
<i>Net Pension Relief Impact</i>	\$0.6B	\$0.3B	\$0.1B
<i>Current Cash from Operations*</i>	≥ \$8.9B	~\$9.0B	~\$9.1B

*Does not include the effect of the Estimated R&D Capitalization Tax Impact of ~\$2.1B in 2022, ~\$1.6B in 2023

\$1B Improvement to 3-Year Cash from Operations Forecast

Summary



- **Strong 1st Quarter Operational and Financial Performance**
- **Increased 2021 Full-Year Outlook**
- **\$1B Increase in 3 Year Operating Cash Flow Outlook**

Executing Strategy for 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 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 (January)</u>			<u>2021 Outlook (April)</u>		
	Sales	Profit	Margin	Sales	Profit	Margin
Sales	\$67,100 – 68,500			\$67,300 – 68,700		
Segment Operating Profit	\$7,355 – 7,495			\$7,380 – 7,520		
Mid-Point Segment Margin	11.0%			11.0%		
FAS / CAS Operating Adjustment	~\$1,955			~\$1,955		
Other, net	~(\$270)			~(\$355)		
Consolidated Operating Profit	\$9,040 – 9,180			\$8,980 – 9,120		
	<u>1Q 2021</u>			<u>1Q 2020</u>		
	<u>Sales</u>	<u>Profit</u>	<u>Margin</u>	<u>Sales</u>	<u>Profit</u>	<u>Margin</u>
Segment Operating Profit	\$ 16,258	\$ 1,749	10.8%	\$ 15,651	\$ 1,725	11.0%
Total Unallocated Items	-	433		-	397	
Consolidated Operating Profit (GAAP)	\$ 16,258	\$ 2,182	13.4%	\$ 15,651	\$ 2,122	13.6%

Appendix I

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



	<u>2021 April Outlook</u>
Sales	\$67,300 – 68,700
Segment Operating Profit*	\$7,380 – 7,520
Mid-Point Segment Margin	11.0%
FAS/CAS Operating Adjustment**	~1,955
Other, net	~(355)
Consolidated Operating Profit	\$8,980 – 9,120
Non-Operating FAS Pension Expense**	~375
Non-Service Costs for Other Post Retirement Plans	~5
Effective Tax Rate	~17.0%
Diluted EPS	\$26.40 – 26.70
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Pension Contribution	\$0

*See Chart 14 for Definitions of Non-GAAP Measures

**See Chart 16 for Appendix II for more detail

Appendix II

(\$M)



	2021 Outlook
Total FAS income and CAS costs	
FAS pension income	~ \$ 265
Less: CAS pension cost	~ 2,065
Net FAS/CAS pension adjustment	~ <u>\$ 2,330</u>
Service and non-service cost reconciliation	
FAS pension service cost	~ \$ (110)
Less: CAS pension cost	~ 2,065
FAS/CAS operating adjustment	~ 1,955
Non-operating FAS pension income	~ 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 \$5 million, to total non-service credit of \$380 million for 2021.

