



# Lockheed Martin Corporation

## 2nd Quarter 2021 Earnings Results Conference Call

**Monday, July 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

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

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

July 26, 2021 through midnight July 27, 2021

Access the audio replay at:

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

Replay confirmation code: 6011257

# 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, the debt ceiling and the potential for government shutdowns 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 and performance milestones; 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; the impact of pension risk transfers, including potential non-cash 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; 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, 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 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 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, 2020 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.

## 2Q 2021 Overview



- **Achieved Sales of \$17.0 Billion**
- **Achieved Segment Operating Profit\* of \$1.8 Billion and Earnings Per Share of \$6.52**
- **Segment Profit Impacted by Classified Program**
- **Generated \$1.3 Billion in Cash From Operations, Returned \$1.2 Billion of Cash to Stockholders**
- **Increased 2021 Earnings Per Share Outlook**

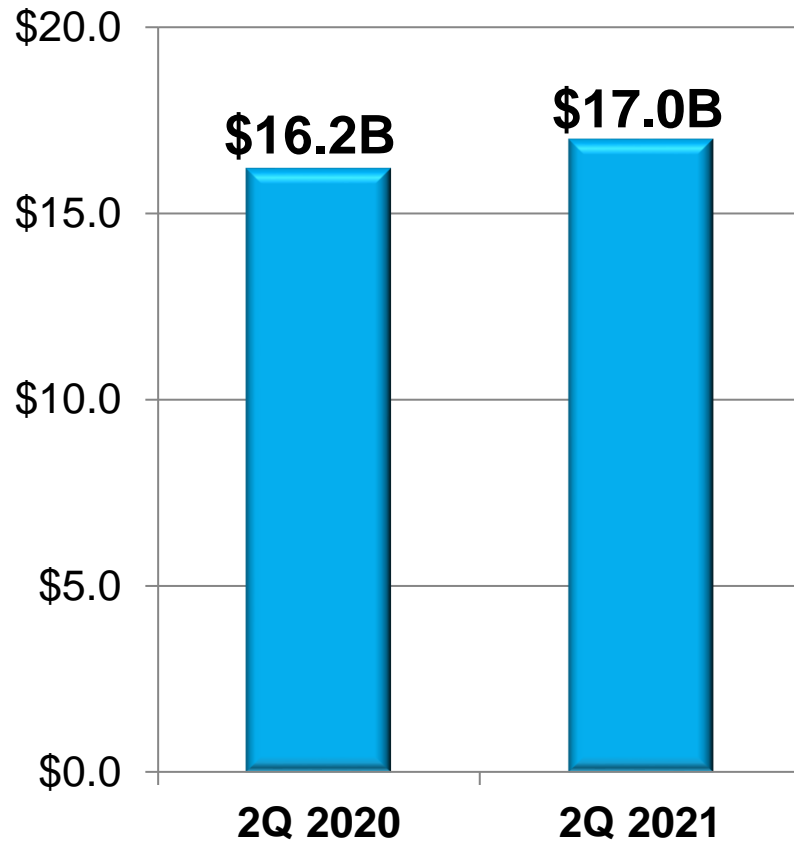
**Full Year Operational Expectations Unchanged**

# 2Q Sales and Segment Operating Profit\*

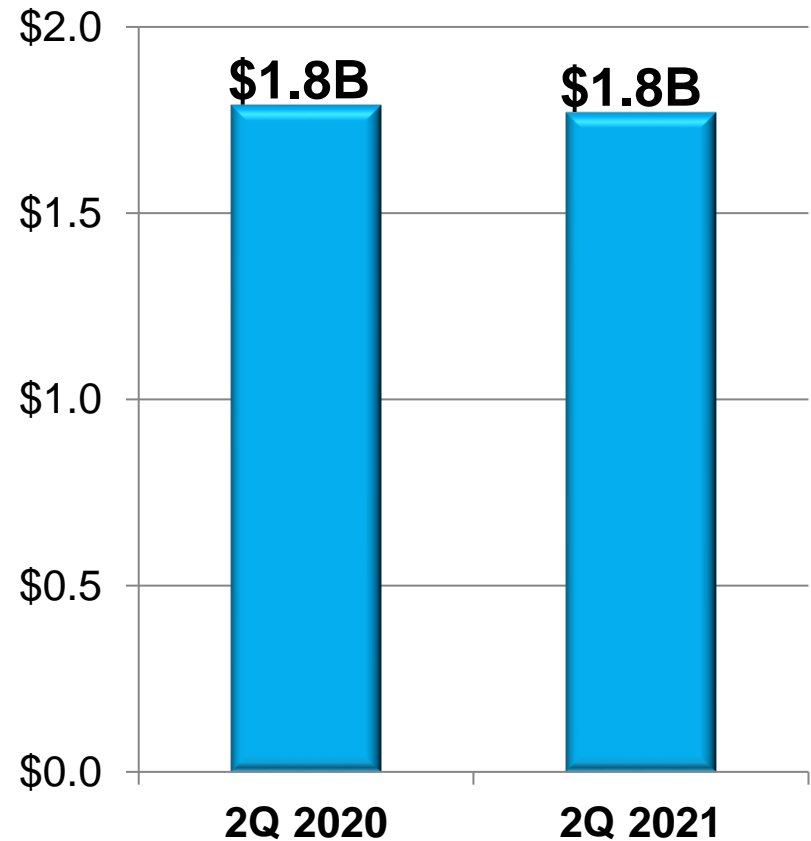
(\$B)



## Sales



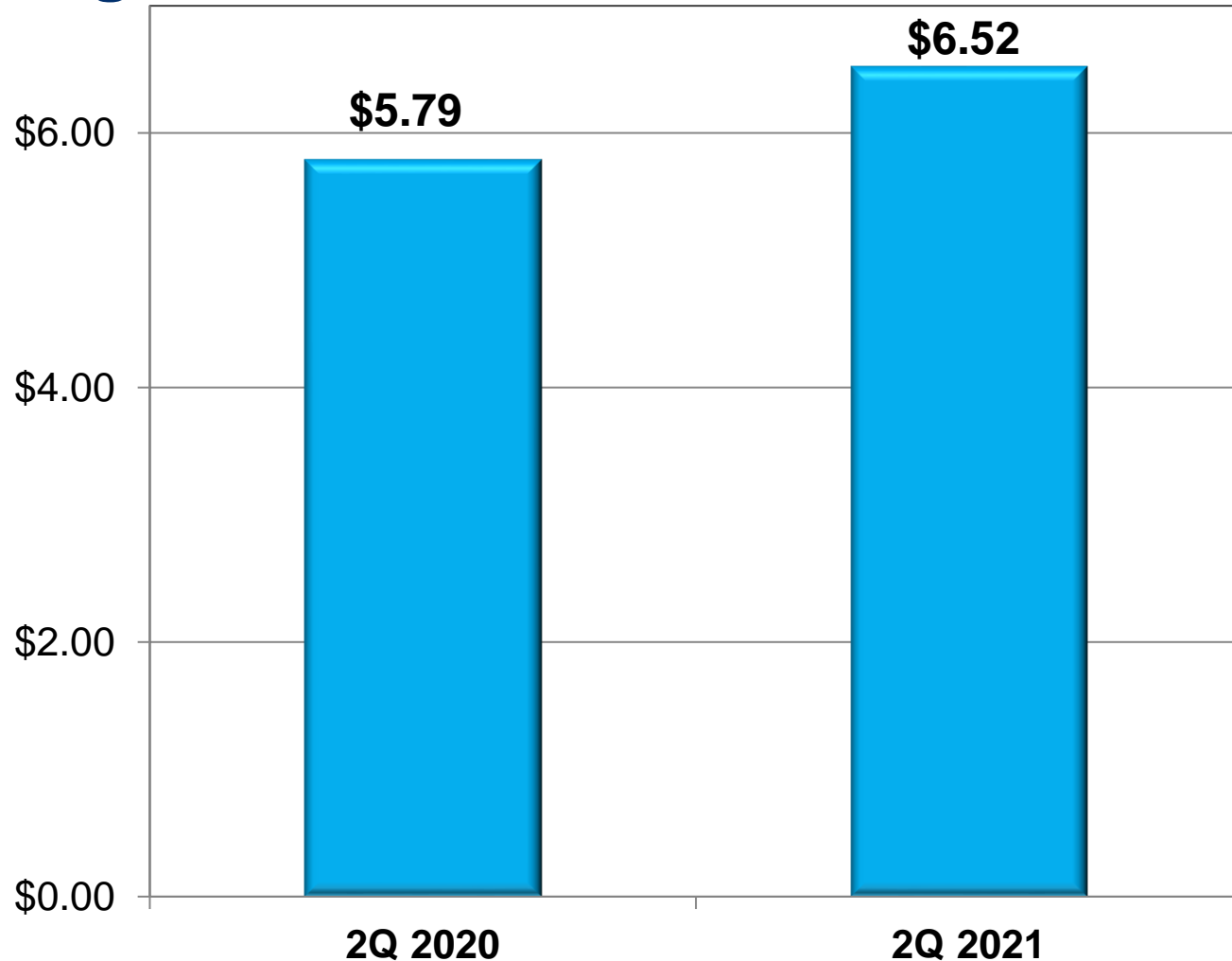
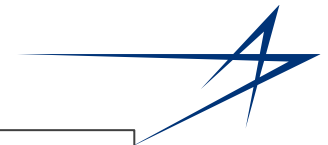
## Segment Operating Profit



**Solid Growth in Sales  
Profit Comparable to Prior Year**

# 2Q Earnings Per Share

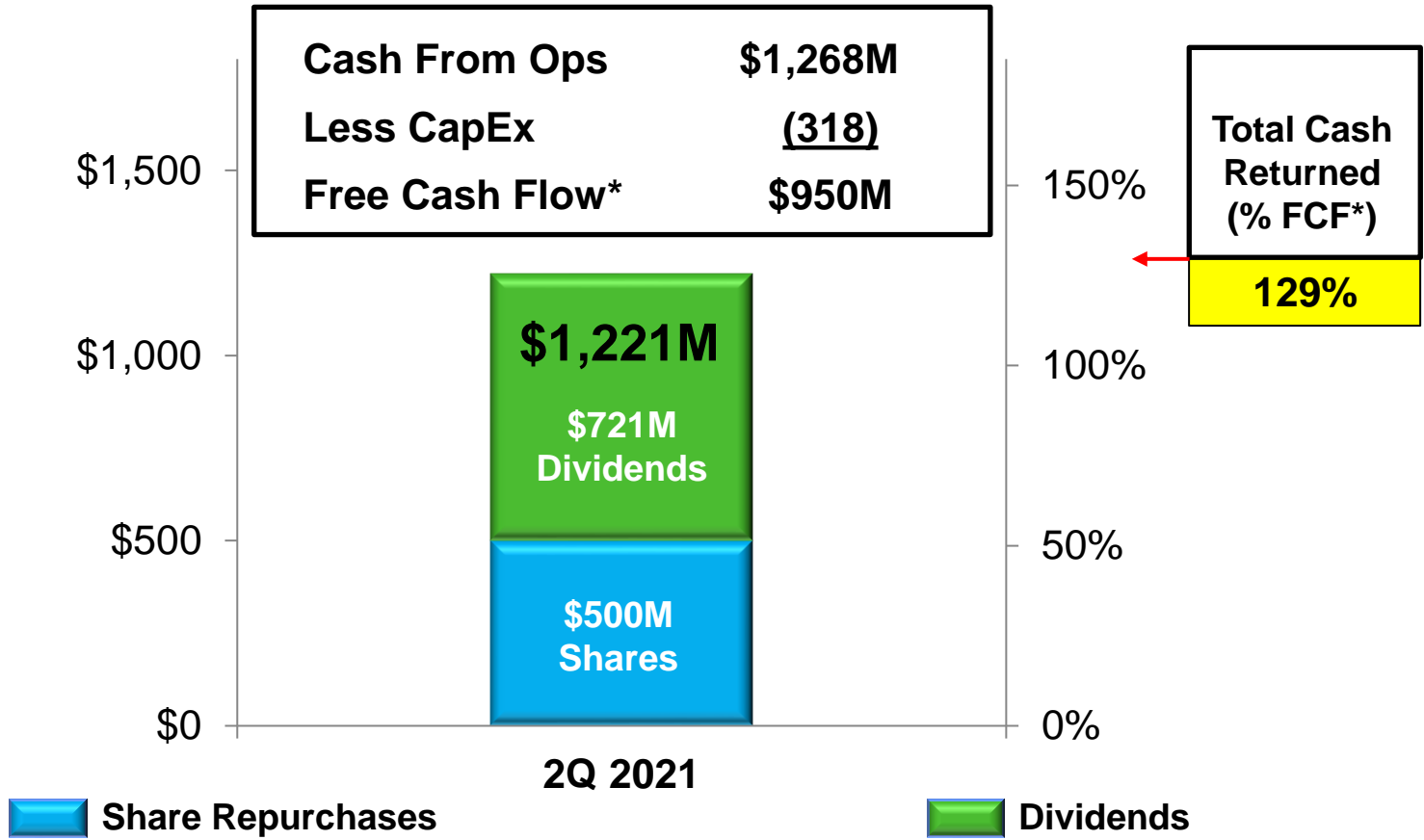
(\$EPS)



**EPS Increase Driven by Volume, Share Count & FAS/CAS**

# 2Q Cash Returned to Stockholders

(\$M)



**Strong Cash Returns to Stockholders**

# 2021 Outlook Update

(\$M, Except EPS)



	<b>Prior Outlook</b>	<b>July 2021 Outlook</b>
<b>Sales</b>	<b>\$67,300 – 68,700</b>	<b>\$67,300 – \$68,700</b>
<b>Segment Operating Profit*</b>	<b>\$7,380 – \$7,520</b>	<b>\$7,380 – \$7,520</b>
<b>Net FAS / CAS Pension Adj.**</b>	<b>~\$2,330</b>	<b>~\$2,330</b>
<b>Diluted EPS</b>	<b>\$26.40 – \$26.70</b>	<b>\$26.70 – \$27.00</b>
<b>Cash From Operations</b>	<b>≥ \$8,900</b>	<b>≥ \$8,900</b>

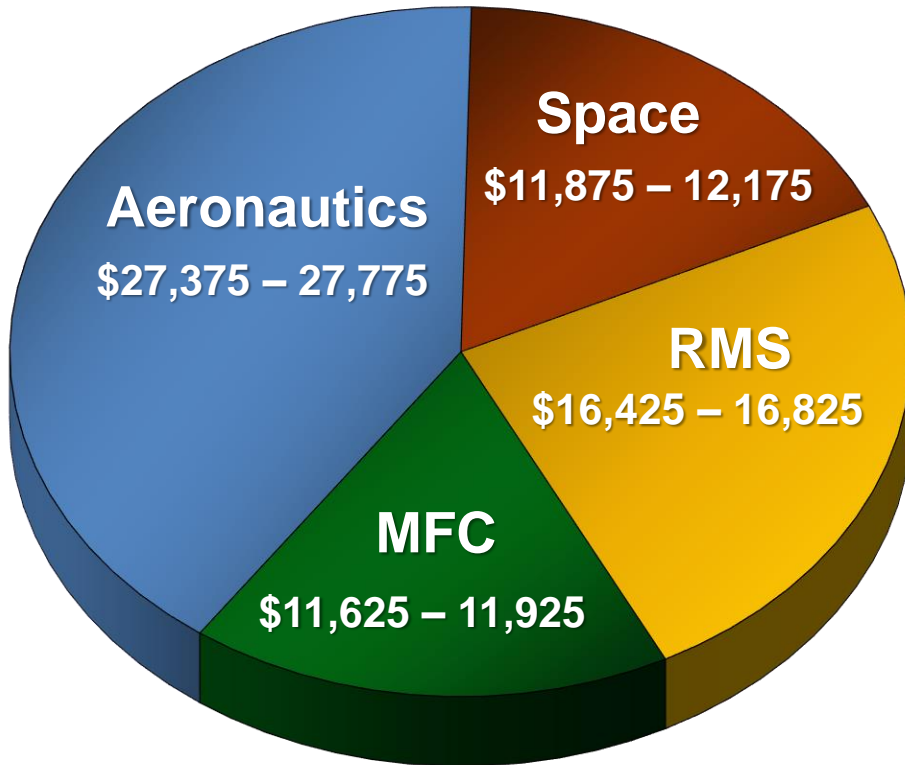
\*See Chart 13 for Definitions of Non-GAAP Measures

\*\*See Chart 15 for Appendix II for more detail

# 2021 Sales Outlook (\$M)

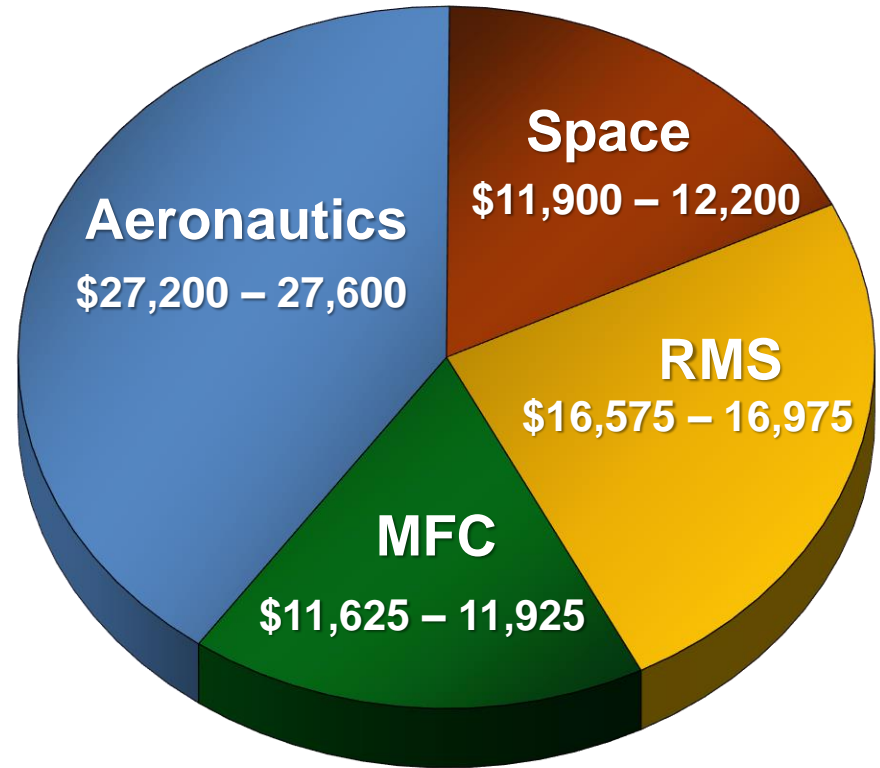


## Sales (Prior)



**\$67,300 – 68,700M**

## Sales (Current)



**\$67,300 – 68,700M**

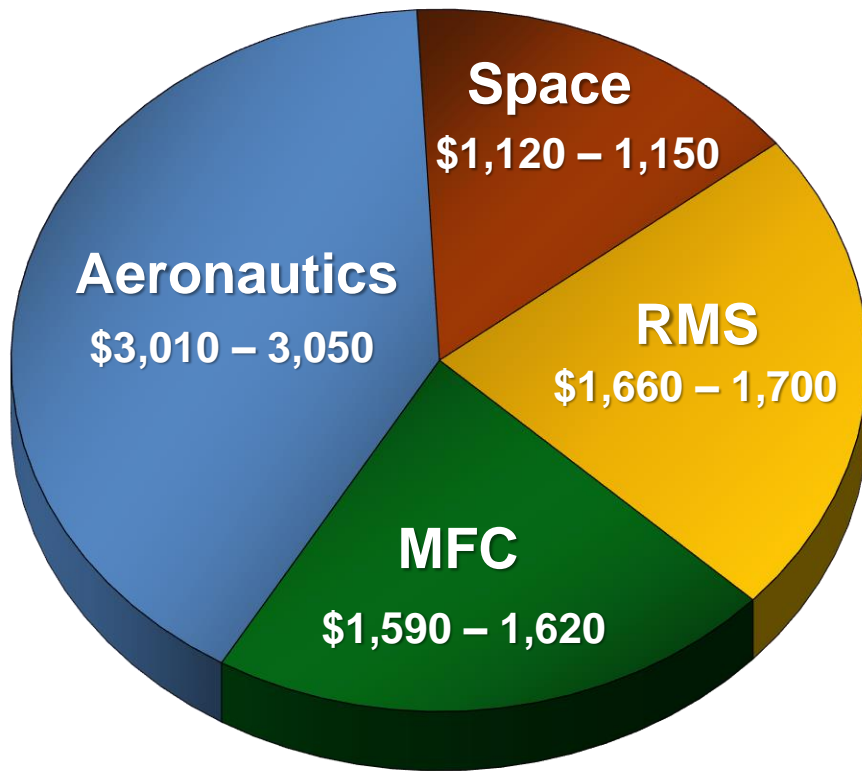
**Total Sales Outlook Unchanged**



# 2021 Segment Operating Profit\* Outlook (\$M)

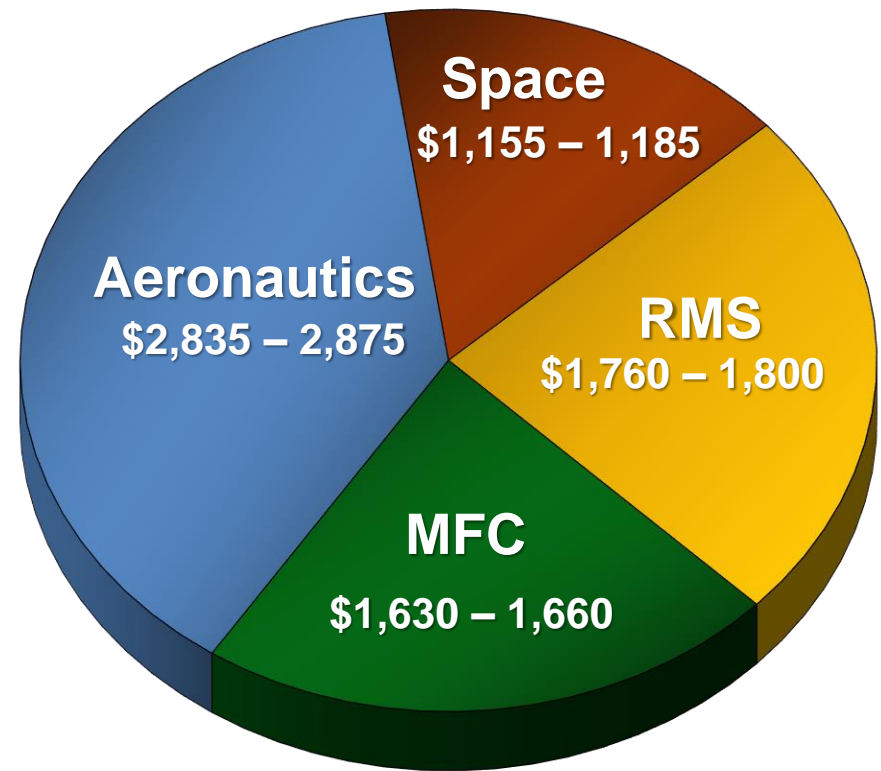


## Segment Op Profit (Prior)



**\$7,380 – 7,520M**

## Segment Op Profit (Current)



**\$7,380 – 7,520M**

**Total Segment Operating Profit Outlook Unchanged**

# 2021 EPS Outlook Reconciliation (\$)



## Diluted EPS

<b>April Guidance Range</b>	<b>\$26.40 - \$26.70</b>
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<b>Aeronautics Classified</b>	<b>(0.61)</b>
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<b>Program Performance / Risk Retirements</b>	<b>0.36</b>
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<b>Other Cost Reductions</b>	<b>0.25</b>
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<b>Investment Gains / Other</b>	<b>0.22</b>
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<b>2<sup>nd</sup> Accelerated Share Repurchase</b>	<b>0.08</b>
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<b>July Guidance Range</b>	<b>\$26.70 - \$27.00</b>
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**Increasing EPS Range by \$0.30**

# Summary



- **Continued Year-Over-Year Sales Growth**
- **Growing Operating Cash Flow**
- **Increasing Earnings Per Share, Maintaining Full Year Outlook for Other Key Financial Metrics**

**Strength of Broad Portfolio Providing Long-Term Value**



# 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 (April)</u>	<u>2021 Outlook (July)</u>
Sales	\$67,300 – 68,700	\$67,300 – 68,700
Segment Operating Profit	\$7,380 – 7,520	\$7,380 – 7,520
Mid-Point Segment Margin	11.0%	11.0%
FAS / CAS Operating Adjustment	~\$1,955	~\$1,955
Other, net	~(\$355)	~(\$300)
Consolidated Operating Profit	\$8,980 – 9,120	\$9,035 – 9,175

	<u>2Q 2021</u>			<u>2Q 2020</u>		
	<u>Sales</u>	<u>Profit</u>	<u>Margin</u>	<u>Sales</u>	<u>Profit</u>	<u>Margin</u>
Segment Operating Profit	\$ 17,029	\$ 1,766	10.4%	\$ 16,220	\$ 1,790	11.0%
Total Unallocated Items	-	426		-	296	
Consolidated Operating Profit (GAAP)	\$ 17,029	\$ 2,192	12.9%	\$ 16,220	\$ 2,086	12.9%

# Appendix I

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



	<u>2021 July 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	~(300)
Consolidated Operating Profit	\$9,035 – 9,175
Non-Operating FAS Pension Expense**	~375
Non-Service Costs for Other Post Retirement Plans	~5
Effective Tax Rate	~17.0%
Diluted EPS	\$26.70 – 27.00
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Pension Contribution	\$0

\*See Chart 13 for Definitions of Non-GAAP Measures

\*\*See Chart 15 for Appendix II for more detail

# Appendix II

(\$M)



	<b>2021 Outlook</b>
<b>Total FAS income and CAS costs</b>	
FAS pension income	~ \$ 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	~ 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.

