



Lockheed Martin Corporation

3rd Quarter 2020

Earnings Results Conference Call

Tuesday, October 20, 2020

11:00 am ET

Webcast login at: www.lockheedmartin.com/investor

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

October 20, 2020 at: www.lockheedmartin.com/investor

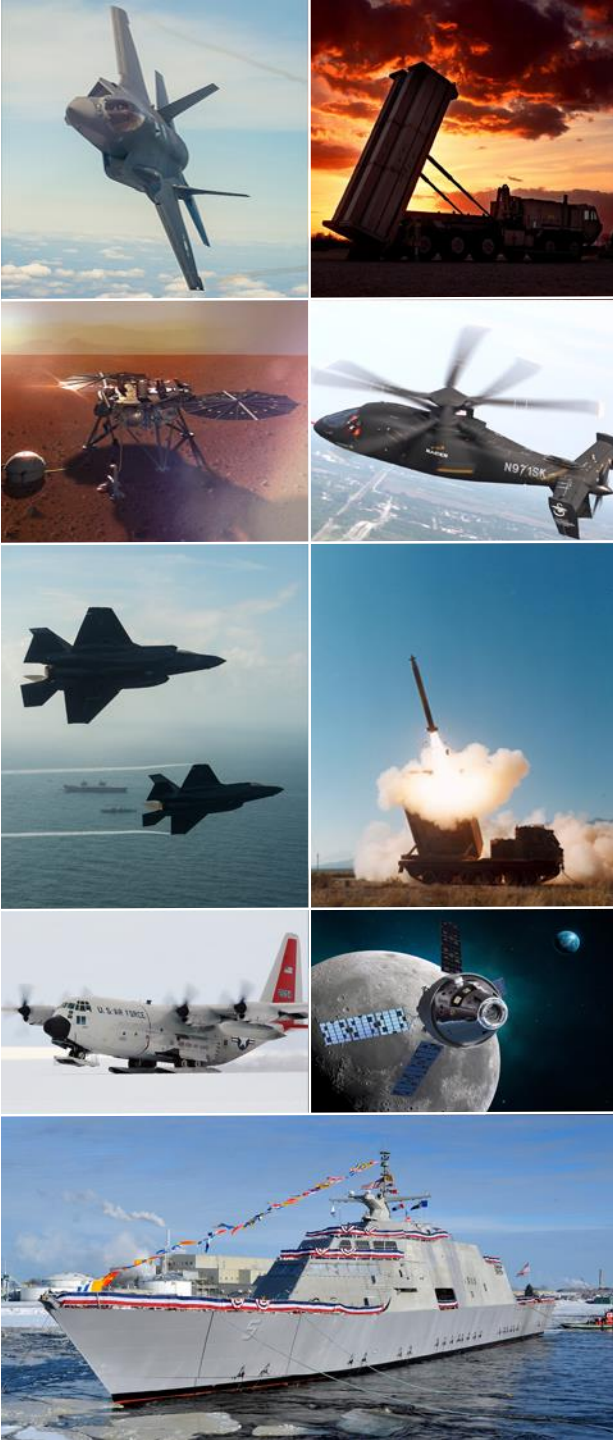
Audio replay available from 2:00 p.m. ET

October 20, 2020 through midnight October 21, 2020

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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 the COVID-19 disease or future 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, changing government funding and acquisition priorities and payment policies and regulations; and potential impacts to the fair value of our assets; 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; Turkey's removal from the F-35 program and potential U.S. Government sanctions on Turkey and the Kingdom of Saudi Arabia); 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; 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, intangible assets and inventory 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, including federal rules prohibiting the use of certain Chinese telecommunications equipment, 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, 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.

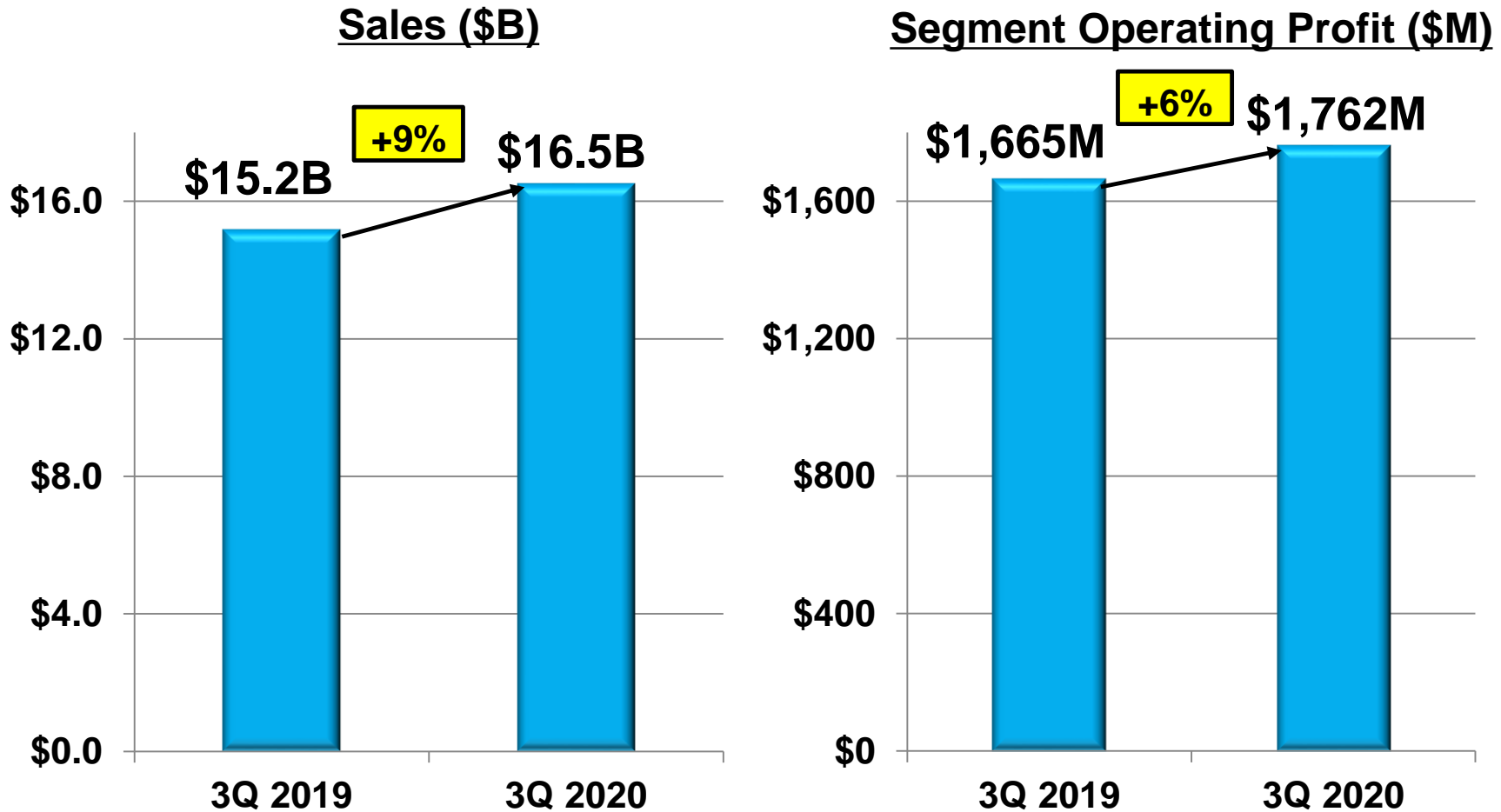
3Q 2020 Overview



- **Achieved Record Quarterly Sales of \$16.5 Billion**
- **Achieved Segment Operating Profit* of \$1.8 Billion and Earnings Per Share of \$6.25 from Continuing Operations**
- **Generated \$1.9 Billion in Cash from Operations**
- **Returned ~\$757 Million of Cash to Stockholders through Dividends and Share Repurchases**
- **Record Backlog for Ninth Consecutive Quarter**
- **Provided 2021 Trending Data**

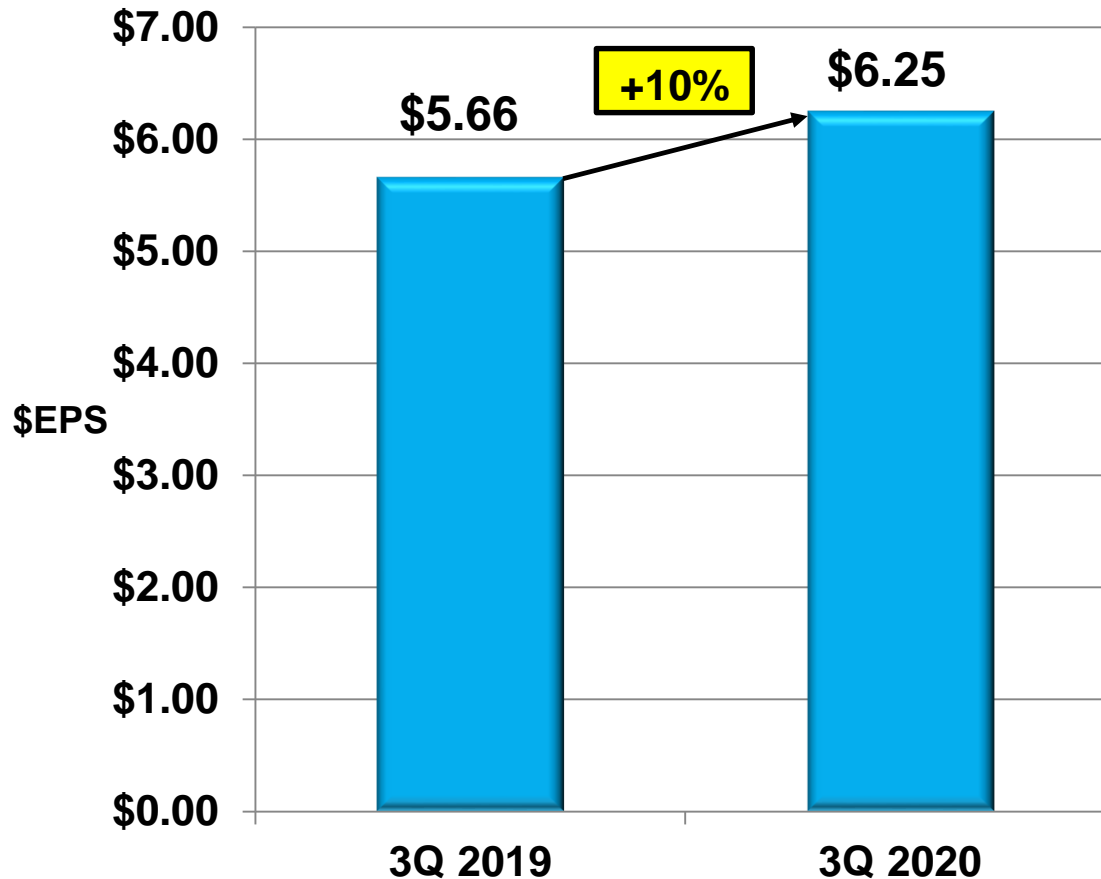
**Strong Quarterly Results...
Increasing 2020 Full Year Outlook**

3Q Sales and Segment Operating Profit*



**Year-over-Year Increases for
Sales and Segment Operating Profit**

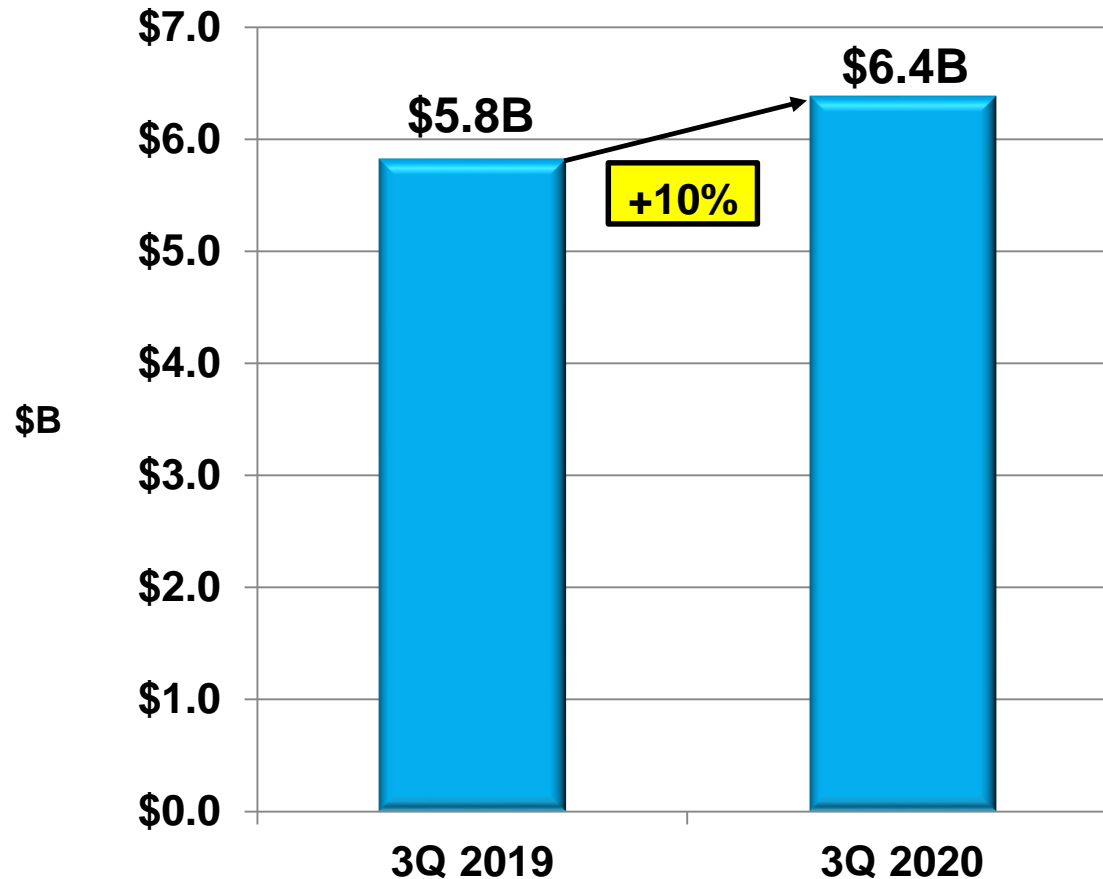
3Q Earnings Per Share from Continuing Ops



Continued Strong Growth in Earnings Per Share



3Q YTD Cash From Operations



Strong Cash Generation Year-to-Date

2020 Outlook Update

(\$M, Except EPS)

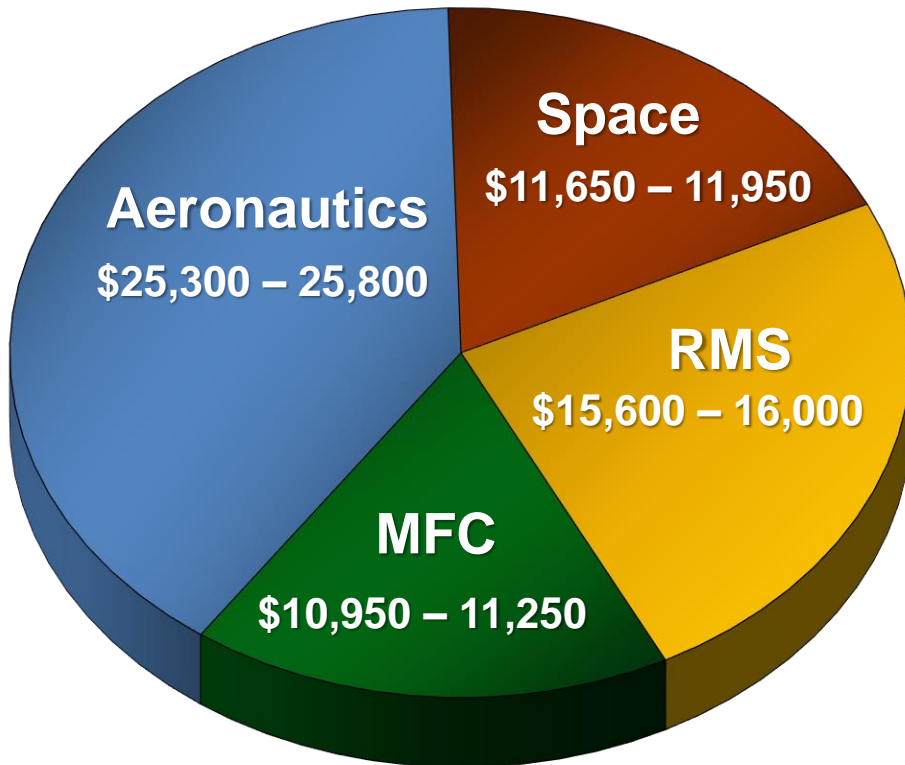


	Prior Outlook (July)	October 2020 Outlook
Sales	\$63,500 – \$65,000	~ \$65,250
Segment Operating Profit*	\$6,900 – \$7,050	~ \$7,125
Net FAS/CAS Pension Adjustment**	~ \$2,090	~ \$2,090
Diluted EPS from Continuing Ops	\$23.75 – \$24.05	~ \$24.45
Cash from Operations	≥ \$8,000	≥ \$8,000

2020 Sales Outlook (\$M)

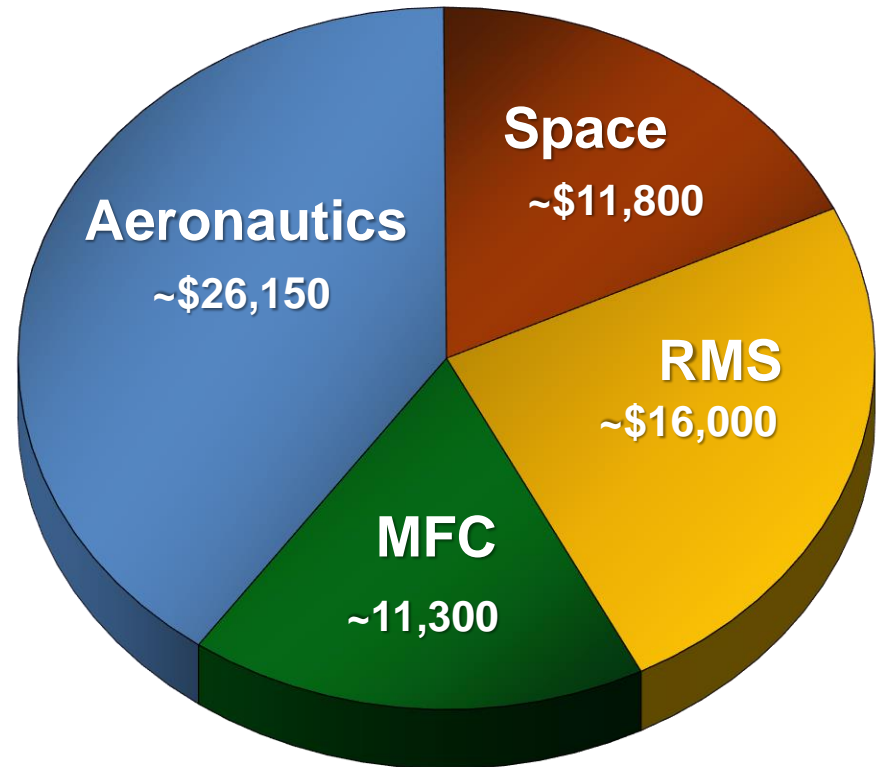


Sales (Prior)



\$63,500 – 65,000M

Sales (Current)



~\$65,250

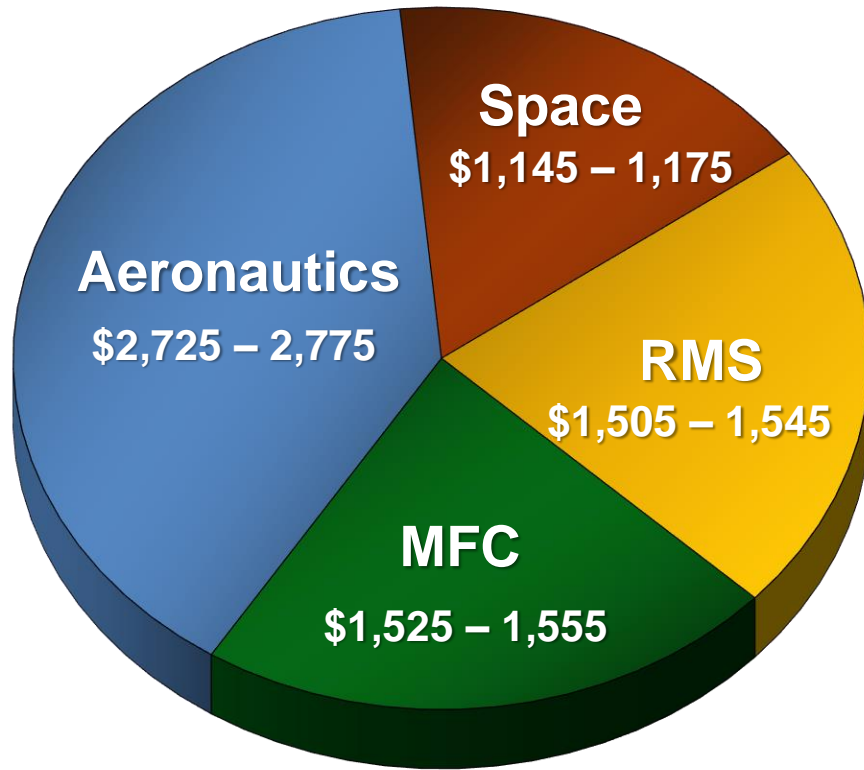
Sales Increased ~ \$1 Billion Over Prior Midpoint

2020 Segment Operating Profit* Outlook



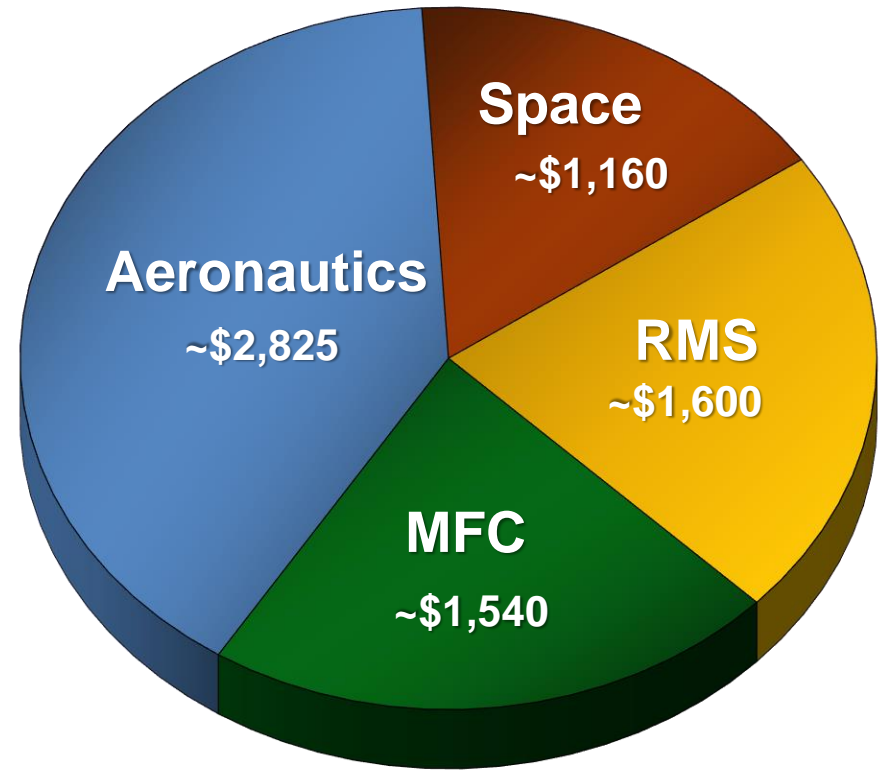
(\$M)

Segment Op Profit (Prior)



\$6,900 - 7,050M

Segment Op Profit (Current)



~\$7,125

**Segment Operating Profit Increased
~ \$150M Over Prior Midpoint**

Preliminary Trends – 2021



2021 Outlook

- Sales Increase to \geq \$67 Billion
- Segment Operating Margin* 10.9% – 11.1%
- Cash from Operations \geq \$8.1 Billion
- Pension Funding Requirement ~\$1.0 Billion
- Share Repurchases \geq \$1.0 Billion
- Debt Maturity ~\$0.5 Billion

FAS/CAS Outlook**

- **2021 Net FAS/CAS Pension Adjustment ~\$2.1 Billion**
 - Assumes 2.5% Discount Rate at Year-End 2020
 - Assumes 7.0% Return on Plan Assets in 2020
 - Assumes 7.0% Long-Term Return on Assets

**Strong Cash and Margin Performance
Driving Value Creation**

Summary



- **Strong Year to Date Performance Across the Portfolio**
- **Increased Sales and Segment Operating Profit* for 2020**
- **2021 Preliminary Trends Indicate Continued Growth and Strong Cash Generation**

**Delivering Operational and Financial Performance and
Generating Long-Term 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 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>2020 Outlook (July)</u>	<u>2020 Outlook (October)</u>
Sales	\$63,500 – 65,000	~ \$65,250
Segment Operating Profit	\$6,900 – 7,050	~ \$7,125
Mid-Point Segment Margin	10.9%	10.9%
FAS/CAS Operating Adjustment	~\$1,875	~\$1,875
Other, net	~(\$390)	~(\$405)
Consolidated Operating Profit	\$8,385 – 8,535	~ \$8,595

	<u>3Q 2020</u>			<u>3Q 2019</u>		
	<u>Sales</u>	<u>Profit</u>	<u>Margin</u>	<u>Sales</u>	<u>Profit</u>	<u>Margin</u>
Segment Operating Profit	\$ 16,495	\$ 1,762	10.7%	\$ 15,171	\$ 1,665	11.0%
Total Unallocated Items	-	385		-	440	
Consolidated Operating Profit (GAAP)	\$ 16,495	\$ 2,147	13.0%	\$ 15,171	\$ 2,105	13.9%

Appendix I

(\$M, Except EPS)



2020 Outlook (October)

Sales	~ \$65,250
Segment Operating Profit*	~ \$7,125
Mid-Point Segment Margin*	10.9%
FAS/CAS Operating Adjustment	~1,875
Other, net	~(405)
Consolidated Operating Profit	~ \$8,595
Non-Operating FAS Pension Income	~215
Non-Service Costs for Other Post Retirement Plans	~(30)
Diluted EPS from Continuing Operations	~ \$24.45

Appendix II



(\$M)

	2020 Outlook	2021 Preliminary Trends
Total FAS income (expense) and CAS costs		
FAS pension income (expense)	~ \$ 115	~ \$ 55
Less: CAS pension cost	~ 1,975	~ 2,065
Net FAS/CAS pension adjustment	<u>~ \$2,090</u>	<u>~ \$2,120</u>
 Service and non-service cost reconciliation		
FAS pension service cost	~ \$ (100)	~ \$ (110)
Less: CAS pension cost	~ 1,975	~ 2,065
FAS/CAS operating adjustment	~ 1,875	~ 1,955
Non-operating FAS pension income (expense)*	~ 215	~ 165
Net FAS/CAS pension adjustment	<u>~ \$2,090</u>	<u>~ \$2,120</u>

- The corporation records the non-service cost components of net periodic benefit cost as part of other non-operating income (expense), 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 (cost) for its qualified defined benefit pension plans in the table above, along with non-service cost for its other postretirement benefit plans of \$30 million, to total non-service credit of \$185 million for 2020.
- The corporation currently expects a total net FAS/CAS pension benefit of approximately \$2.1 billion in 2021. This estimate assumes a 2.5% discount rate (a 75 basis point decrease from the end of 2019), a 7% return on plan assets in 2020, and a 7.0% expected long-term rate of return on plan assets in future years, among other assumptions. A change of plus or minus 25 basis points to the assumed discount rate, with all other assumptions held constant, would result in an incremental increase or decrease of approximately \$15 million to the estimated net 2021 FAS/CAS pension benefit. The impact of changes in the discount rate is significantly less than in prior years (i.e., \$15 million for 2020 compared to \$120 million for 2019) due to the completion of the planned freeze of the corporation's salaried pension plans effective January 1, 2020, which was previously announced on July 1, 2014. A change of 100 basis points to the return on plan assets in 2020 only, with all other assumptions held constant, would impact the net 2021 FAS/CAS pension benefit by approximately \$15 million. The corporation expects to make contributions of approximately \$1 billion to its qualified defined benefit pension plans and anticipates recovering approximately \$2.1 billion of CAS pension cost in 2021. The corporation will complete the annual remeasurement of its postretirement benefit plans, including updating its assumptions, and its estimated 2021 FAS/CAS pension adjustment on December 31, 2020. The final assumptions and actual investment return for 2020 may differ materially from those discussed above.

