



Lockheed Martin Corporation

4th Quarter 2021

Earnings Results Conference Call

**Tuesday, January 25, 2022
11:00 a.m. ET**

Webcast login at: www.lockheedmartin.com/investor

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

January 25, 2022 at: www.lockheedmartin.com/investor

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

January 25, 2022 through midnight January 26, 2022

Access the audio replay at:

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Replay confirmation code: 3758622

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, including potential supply chain disruptions, facility closures, work stoppages, program delays, payment policies and regulations, the company's ability to recover its costs under contracts and impacts of uncertainty regarding the implementation of vaccine mandates or other requirements; budget uncertainty, the risk of future budget cuts, 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 company's 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 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 partner and U.S. Government sanctions on Turkey and its removal from the F-35 program); 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; the competitive environment for the company's products and services, including increased pricing pressures, aggressive pricing in the absence of cost realism evaluation criteria, competition from emerging competitors including startups and non-traditional defense contractors, and bid protests; the timing and customer acceptance of product deliveries and performance milestones; the company's ability to develop 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 and dividend payments; the company's ability to recover costs under U.S. Government contracts, our mix of fixed-price and cost-reimbursable contracts and the impacts of cost overruns and significant increases in inflation; 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; actual returns on pension plan assets and the impact of pension related legislation; the successful operation of joint ventures that the company does 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 the company's Lockheed Martin Ventures Fund that are marked to market; risks related to the company's proposed acquisition of Aerojet Rocketdyne, including the failure to obtain, delays in obtaining or adverse conditions contained in any required regulatory approvals and the company's ability to successfully and timely integrate the business and realize synergies and other expected benefits of the transaction; the company's efforts to increase the efficiency of its operations and improve the affordability of its products and services; the risk of an impairment of the company's assets, including the potential impairment of goodwill recorded as a result of the acquisition of the Sikorsky 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, 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 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. The company'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 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.

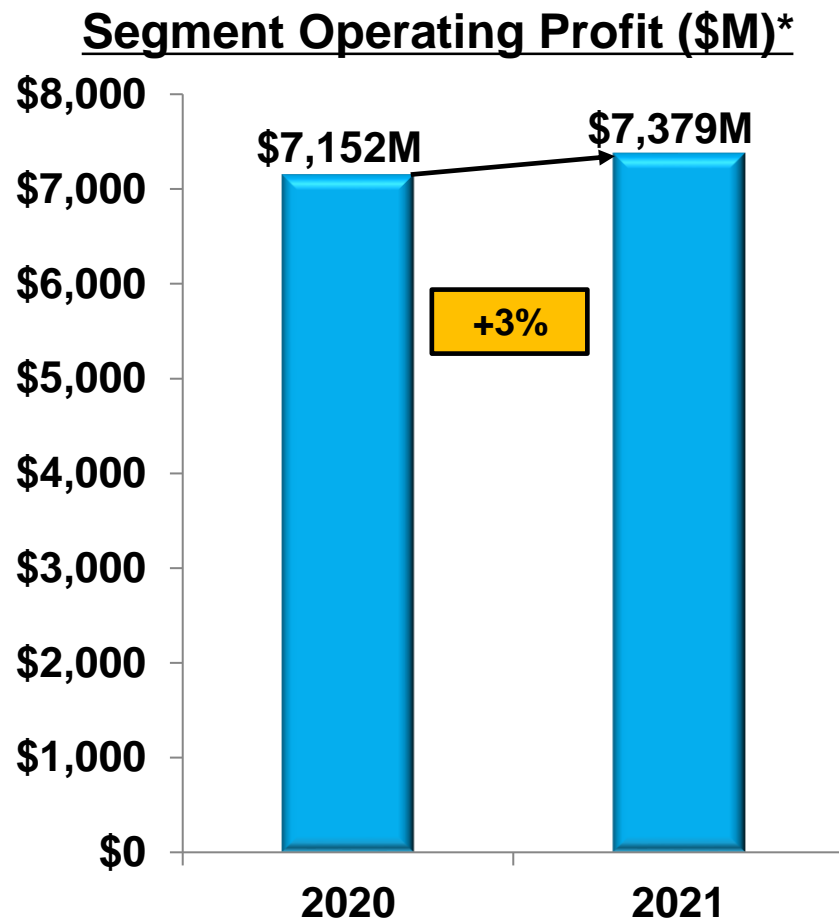
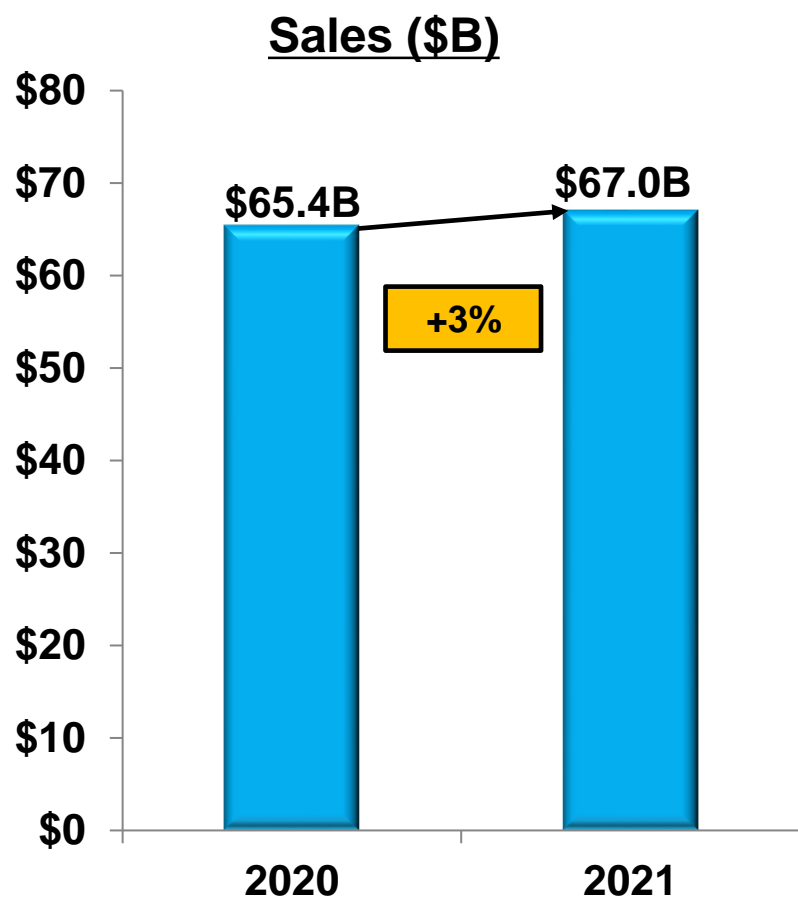
2021 Overview



- **Achieved Sales of \$67.0 Billion**
- **Achieved Segment Operating Profit* of \$7.4 Billion and Earnings Per Share of \$22.76**
- **Generated \$9.2 Billion in Cash from Operations**
- **Reinvested \$3.0 Billion in R&D and Capital Expenditures**
- **Returned \$7.0 Billion of Cash to Stockholders Including \$4.1B of Share Repurchases**

**Achieved or Exceeded 4Q Expectations;
2022 Outlook Consistent with October Trending**

Sales and Segment Operating Profit

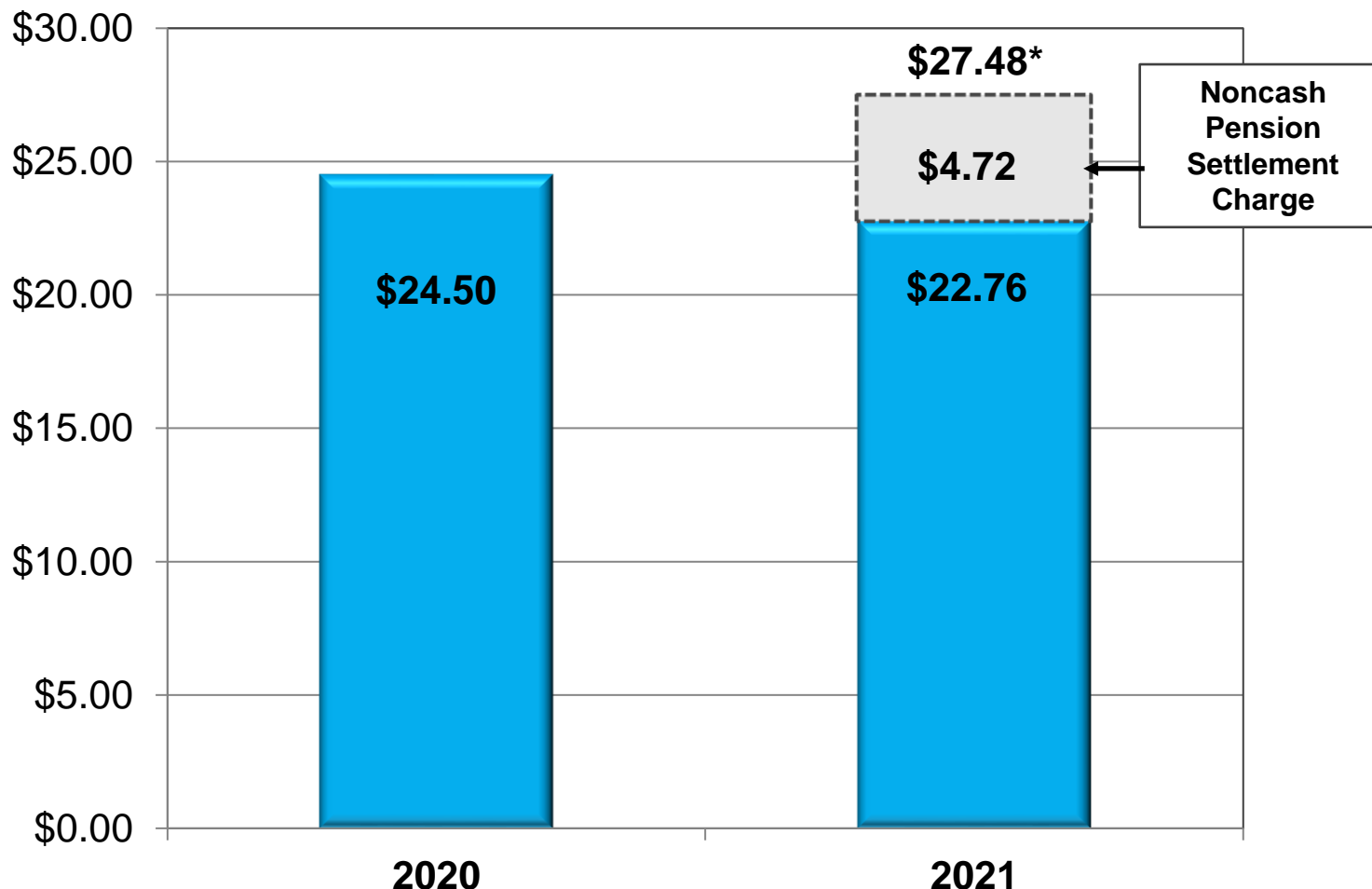


Solid Full Year Performance in Challenging Environment

2021 Diluted Earnings Per Share from Continuing Ops

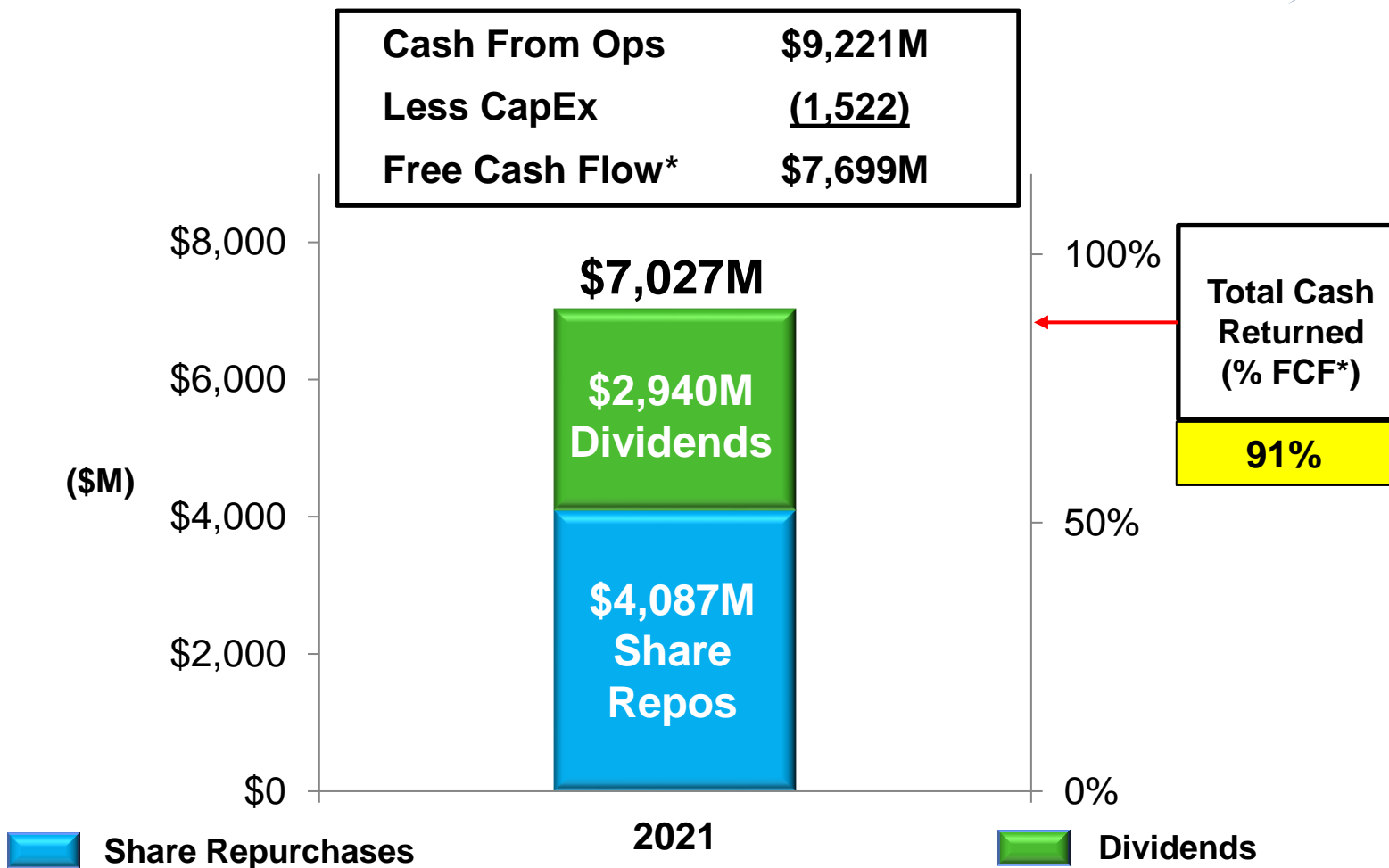


(\$EPS)



Operational Performance and LM Ventures Gains Drive Growth in Adjusted EPS

Cash Returned to Shareholders



Demonstrated Commitment to Return Significant Cash to Shareholders

2022 Outlook Update

(\$M, Except EPS)



Sales	~\$66,000
Segment Operating Profit*	~\$7,175
Net FAS / CAS Pension Adj.**	~\$2,260
Diluted EPS	~\$26.70
Cash From Operations	≥ \$7,900
R&D Capitalization Assumption	~\$500
Cash from Operations (excl. R&D)*	≥ \$8,400

*See Charts 12 and 13 for Definitions of Non-GAAP Measures

**See Chart 15 for Appendix II

Cash from Operations Walkdown

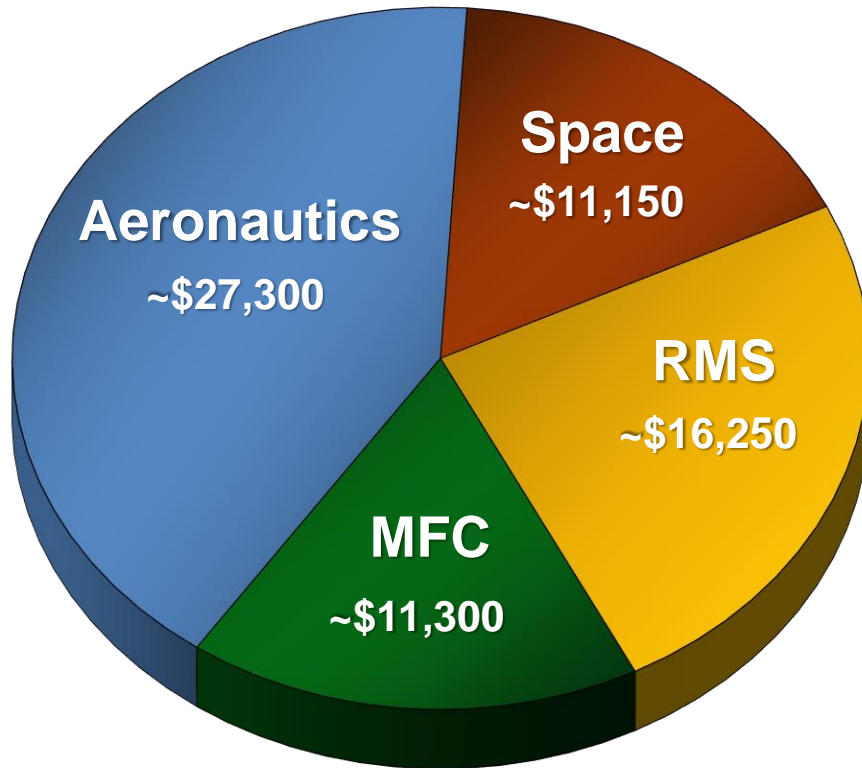
(\$B)

	Actual <u>2021</u>	Outlook <u>2022</u>	Outlook <u>2023</u>	3 Year Total
Prior Cash from Ops. (excl. R&D)*	≥\$8.3B	≥\$8.4B	≥\$8.5B	≥\$25.2B
Cash from Ops. (excl. R&D)*	\$9.2B	≥\$8.4B	≥\$8.5B	≥\$26.1B
R&D Capitalization Assumption	-	~(0.5)	~(0.4)	
Cash from Ops.	\$9.2B	≥\$7.9B	≥\$8.1B	≥\$25.2B
Capital Expenditures	(1.5)	~(1.9)	~(2.0)	
Free Cash Flow*	\$7.7B	≥\$6.0B	≥\$6.1B	

**Three Year Cash Flow Significantly Improved
from October Trending Information**

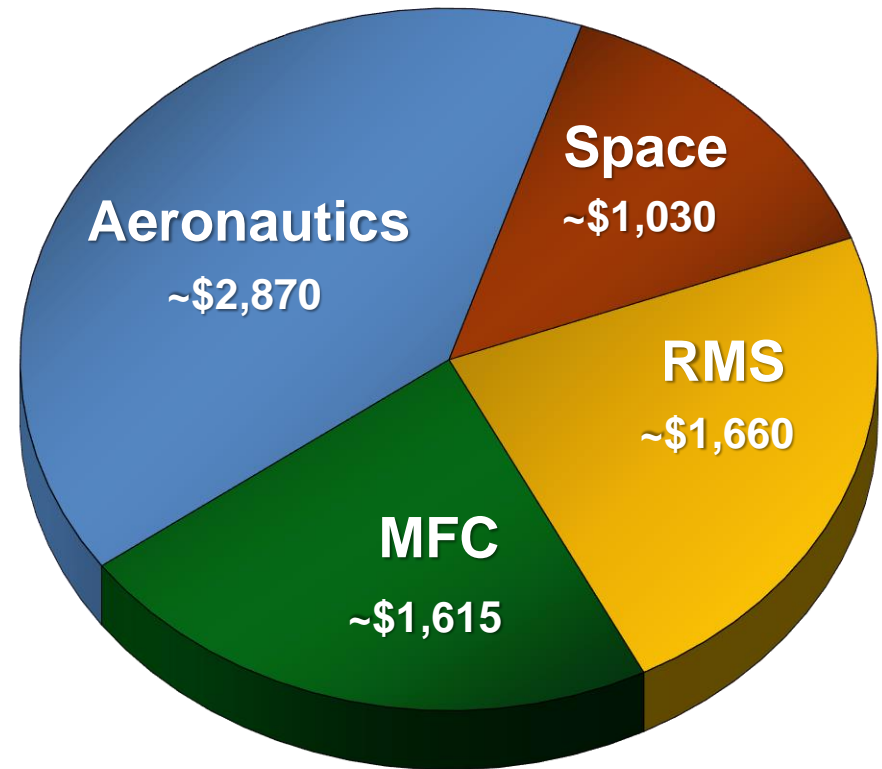
2022 Outlook

Sales



~\$66,000M

Segment Op Profit*



~\$7,175M

Outlook Consistent with October Trending Information

Summary



- **Ended 2021 With Strong 4Q Performance**
- **Record Cash Generated & Returned to Shareholders**
- **2022 Establishes the Foundation for Long-Term Growth**

**Operational Performance and Cash Returns
Drive Growth in 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

Free Cash Flow is cash from operations less capital expenditures. We use free cash flow to evaluate business performance and overall liquidity. We believe 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.

Diluted Earnings Per Share (EPS) - Adjusted

Diluted EPS - Adjusted represents Diluted EPS adjusted for the third quarter 2021 noncash, non-operating pension settlement charge of \$1,665 million (\$1,310, or \$4.72 per share, after tax).

Cash from operations (excluding R&D)

Cash from operations (excluding R&D) is cash from operations excluding the impact of a provision of the Tax Cuts and Jobs Act of 2017 related to research and development costs that went into effect on Jan. 1, 2022. The provision requires that companies capitalize and amortize research and development costs over five years for tax purposes rather than deducting such costs in the year incurred. We believe this adjusted measure of cash from operations is useful to investors because it allows for a comparison against prior periods of our ability to generate cash controlling for the change in tax law, and because the impact of the new tax law will lessen over the course of the five year amortization period and become immaterial in the sixth year.

Definitions of Non-GAAP Measures



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.

(\$ Millions)	<u>2022 Outlook</u>
Sales	~\$66,000
Segment Operating Profit	~\$7,175
Segment Operating Margin	~10.9%
Net FAS/CAS Operating Adjustment	~ \$1,705
Other, net	~ (\$350)
Consolidated Operating Profit	~\$8,530

	<u>2021</u>			<u>2020</u>		
	<u>Sales</u>	<u>Profit</u>	<u>Margin</u>	<u>Sales</u>	<u>Profit</u>	<u>Margin</u>
Segment Operating Profit	\$ 67,044	\$ 7,379	11.0%	\$ 65,398	\$ 7,152	10.9%
Total Unallocated Items	-	1,744		-	1,492	
Consolidated Operating Profit (GAAP)	\$ 67,044	\$ 9,123	13.6%	\$ 65,398	\$ 8,644	13.2%

Appendix I

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



	<u>2022 Outlook</u>
Sales	~\$66,000
Segment Operating Profit*	~\$7,175
Segment Margin*	10.9%
FAS/CAS Operating Adjustment**	~\$1,705
Other, net	~(\$350)
Consolidated Operating Profit	~\$8,530
Non-Operating FAS Pension Income**	~\$555
Effective Tax Rate	~16.9%
Diluted EPS	~\$26.70
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Pension Contribution	~\$0
Share Repurchases (\$)	~\$4,000

*See Chart 12 and 13 for Definitions of Non-GAAP Measures

**See Chart 15 for Appendix II

Appendix II

(\$M)



	2022 Outlook
Total FAS Income and CAS Recovery	
FAS Pension Income	~ \$ 460
CAS Pension Recovery	~ 1,800
Total Net FAS/CAS Pension Adjustment	~ <u>\$2,260</u>
Service and Non-Service Cost Reconciliation	
FAS Pension Service Cost	~ \$ (95)
CAS Pension Recovery	~ 1,800
FAS/CAS Pension Operating Adjustment	~ 1,705
FAS Pension Non-Service Income	~ 555
Total Net FAS/CAS Pension Adjustment	~ <u>\$2,260</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.

