



Lockheed Martin Corporation

1st Quarter 2022

Earnings Results Conference Call

**Tuesday, April 19, 2022
11:00 a.m. ET**

Webcast login at: www.lockheedmartin.com/investor

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

April 19, 2022 at: www.lockheedmartin.com/investor

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April 19, 2022 through midnight April 20, 2022

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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 supply chain disruptions and delays, labor challenges associated with employee absences, travel restrictions, site access, program delays, changes in customer payment policies and the impacts of potential 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 F-35 program; 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 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 partners, U.S. Government sanctions on Turkey and its removal from the F-35 program, and potential indirect effects of sanctions on Russia); 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 competition from emerging competitors including startups and non-traditional defense contractors; the timing of contract awards as well as 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, dividend payments and financing transactions; the company's ability to recover costs under U.S. Government contracts, the 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, and actual returns on pension plan assets and the impact of pension related legislation; 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; 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; climate change and changes to laws, regulations, policies, markets 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. 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 the presentation. 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.

1Q 2022 Overview



- **Generated Sales of \$15.0 Billion**
- **Achieved Segment Operating Profit* of \$1.7 Billion and Increased Segment Operating Margin* to 11.1%**
- **Earnings Per Share of \$6.44**
- **Delivered \$1.1 Billion in Free Cash Flow**
- **Continued Capital Deployment Strategy with \$2.0 Billion of Repurchases and ~\$800M of Dividends**

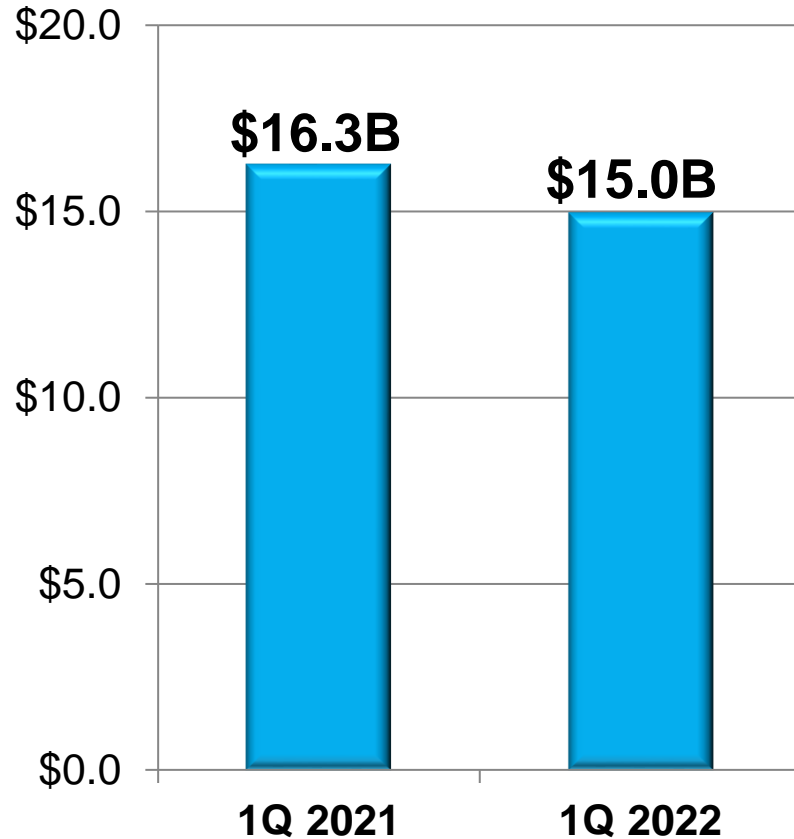
Maintaining Full Year Outlook

1Q Sales and Segment Operating Profit*

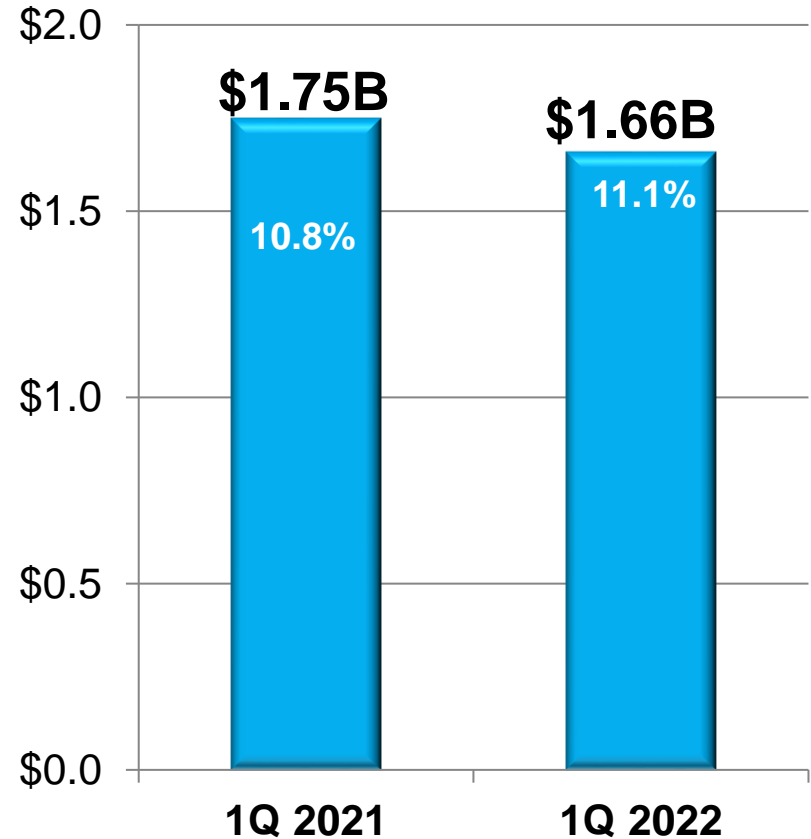
(\$B)



Sales



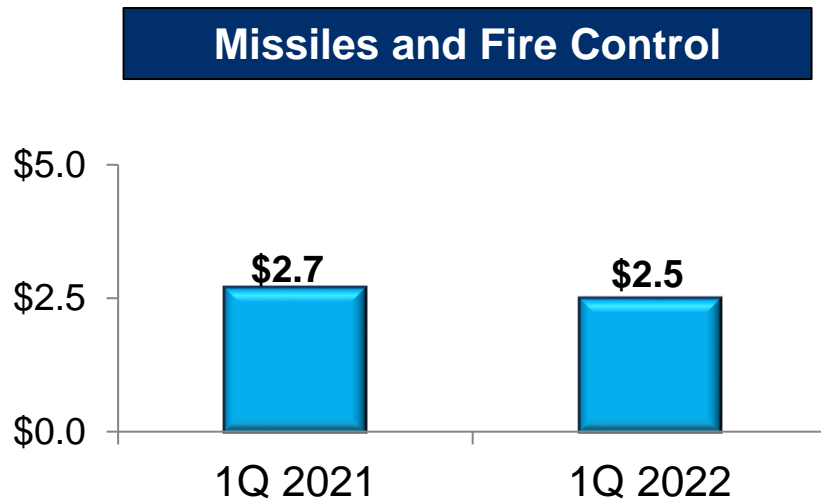
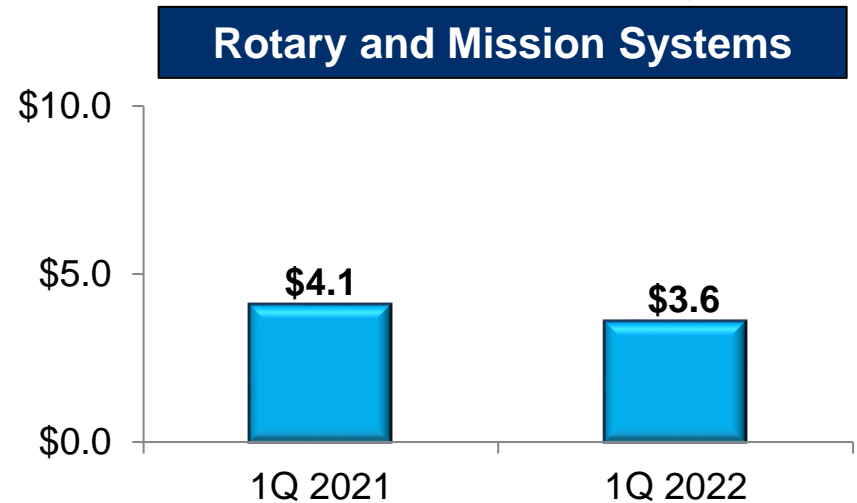
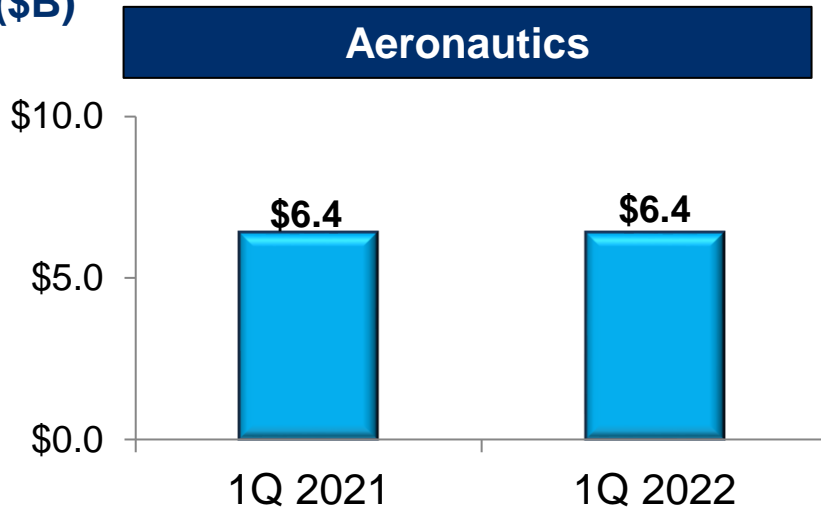
Segment Operating Profit



**Year-Over-Year Results Affected By
Program Timing and Omicron Impacts**

Sales by Segment

(\$B)

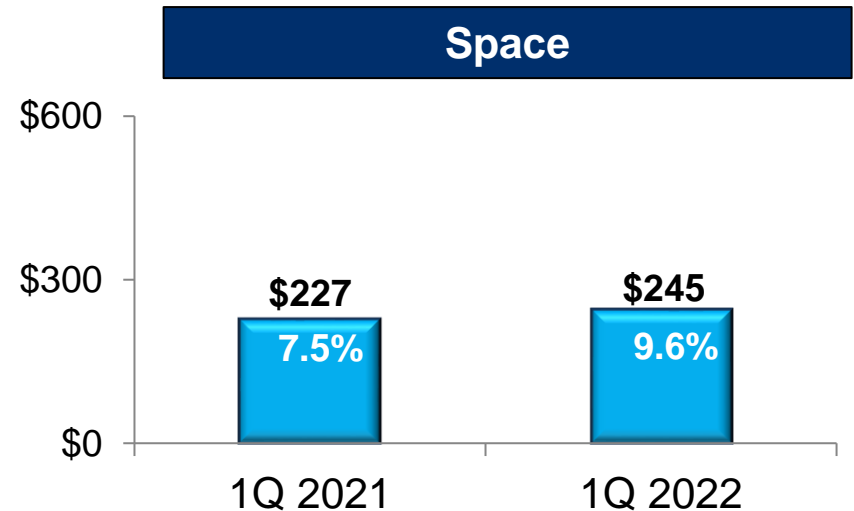
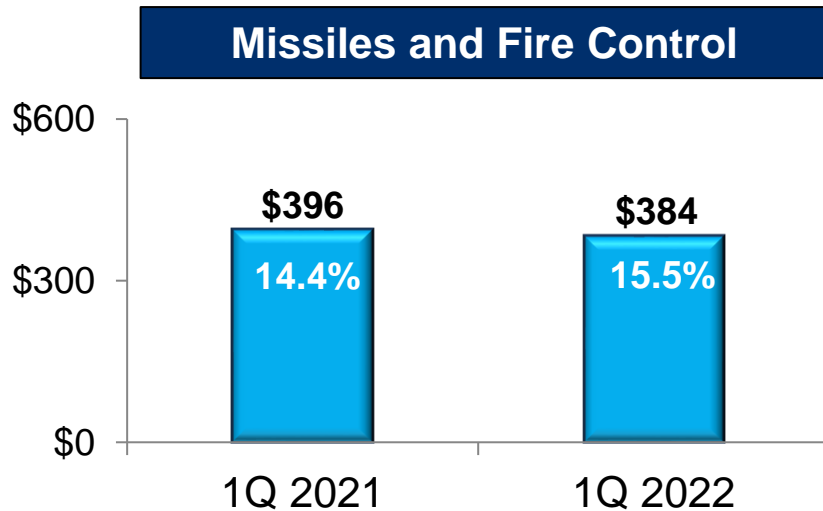
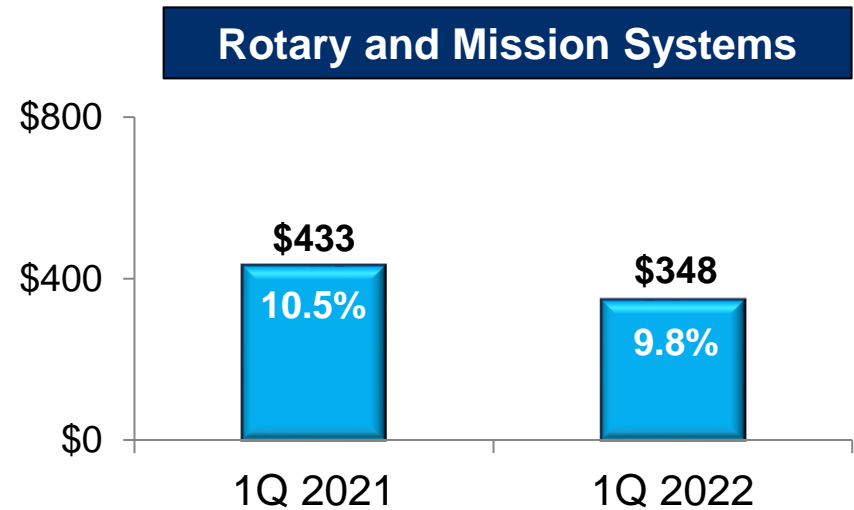
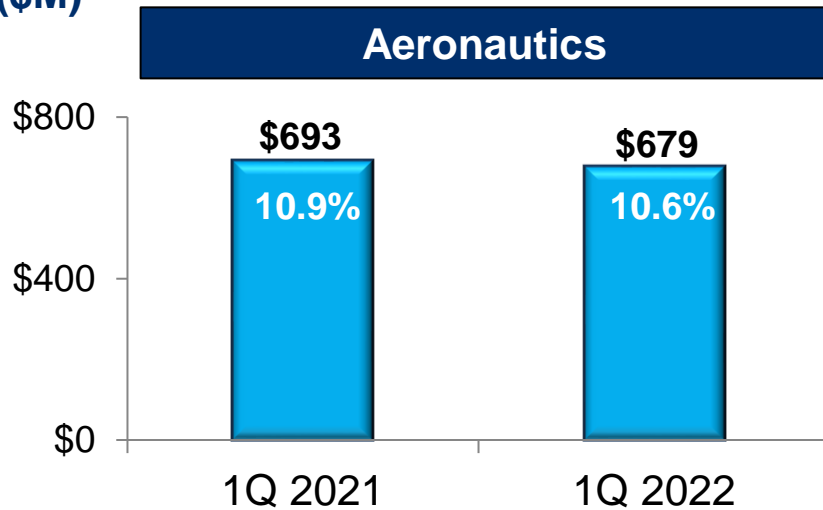


Quarterly Increases Expected

Segment Operating Profit* by Segment



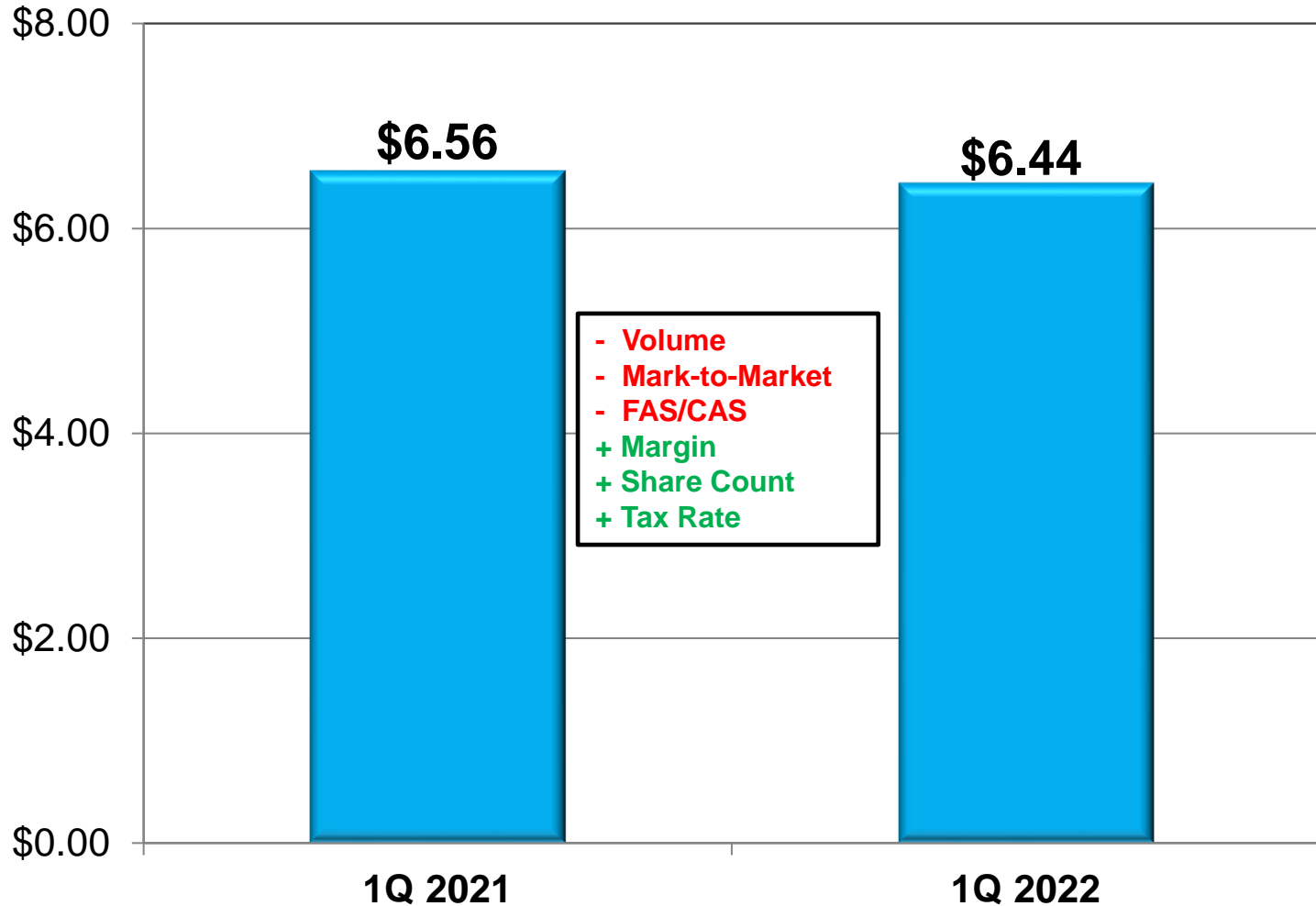
(\$M)



Solid Operational Performance

1Q Earnings Per Share

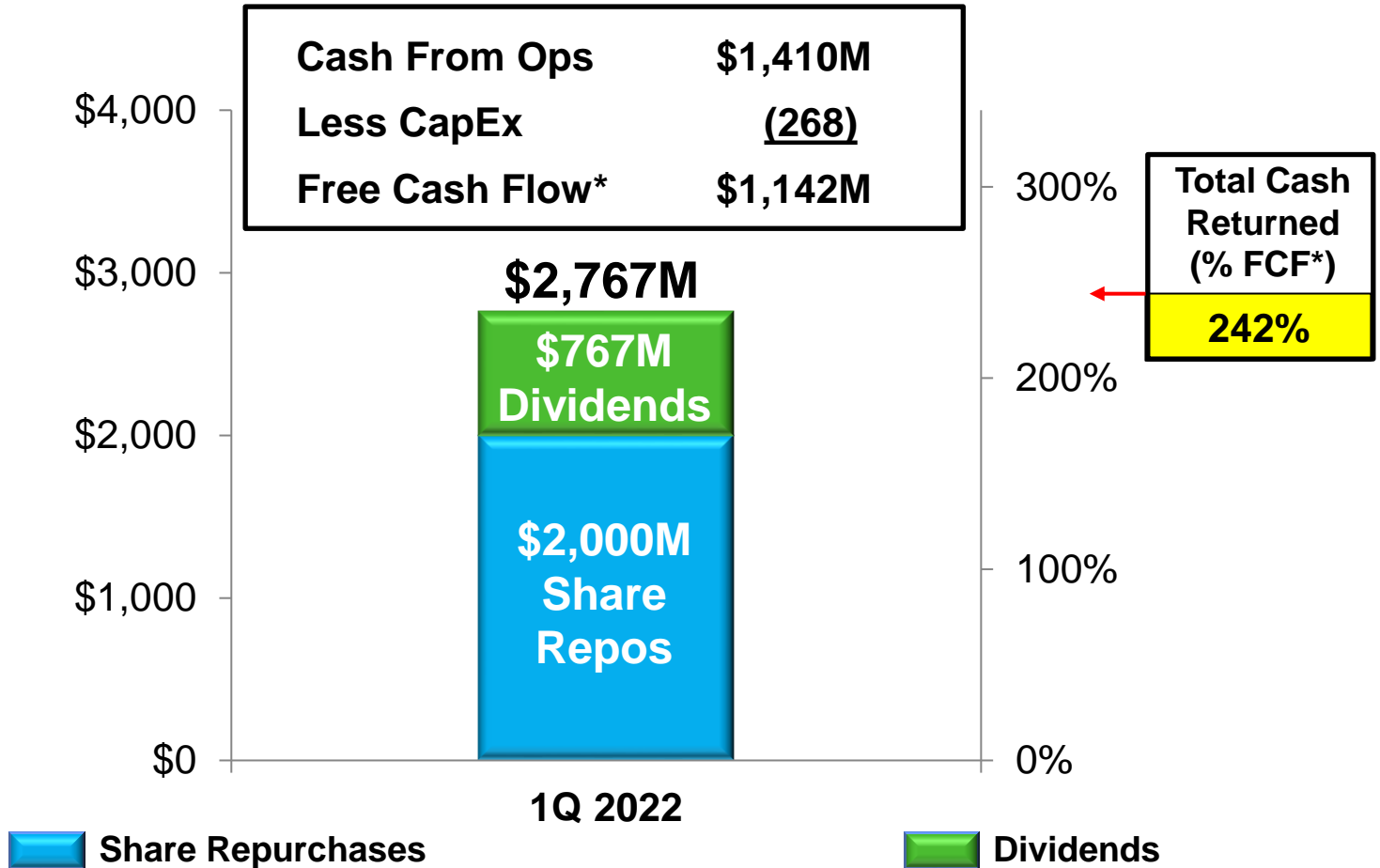
(\$EPS)



Sales Timing Drives Earnings Per Share

Cash Returned to Stockholders

(\$M)



Continued Strong Cash Returns to Stockholders

2022 Outlook

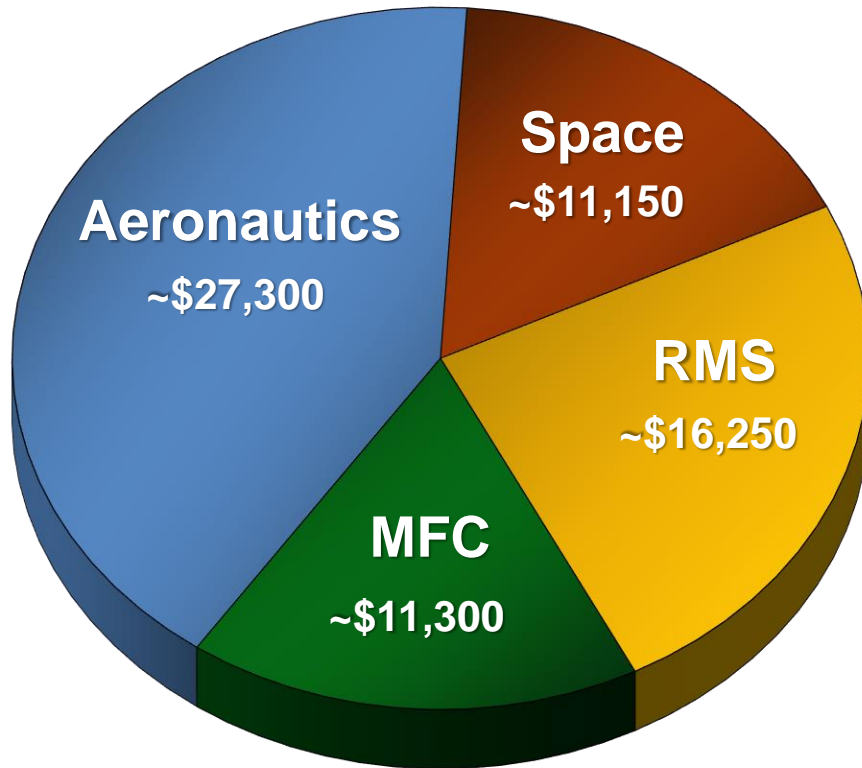
(\$M, Except EPS)



	Prior Outlook	April 2022
Sales	~\$66,000	~\$66,000
Segment Operating Profit*	~\$7,175	~\$7,175
Net FAS / CAS Pension Adj.	~\$2,260	~\$2,260
Diluted EPS	~\$26.70	~\$26.70
Cash From Operations	≥ \$7,900	≥ \$7,900
Capital Expenditures	~(\$1,900)	~(\$1,900)
Free Cash Flow*	≥ \$6,000	≥ \$6,000

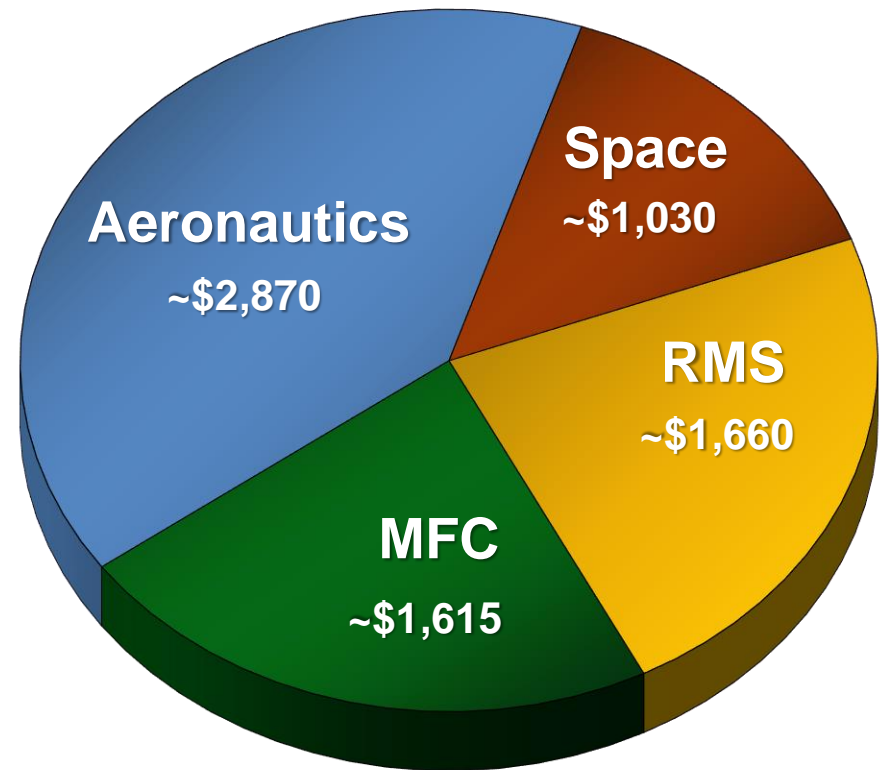
2022 Outlook

Sales



~\$66,000M

Segment Op Profit*



~\$7,175M

Outlook Consistent with January Guidance

Summary



- **Solid 1st Quarter Results**
- **Significant Cash Returned to Stockholders - Executing Disciplined and Dynamic Capital Deployment Strategy**
- **Reaffirmed 2022 Outlook for All Key Financial Metrics**

**Solid Performance Builds Foundation for
Long-Term Growth**



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 management 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, the company's 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. 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). 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.

Definitions of Non-GAAP Measures



Segment Operating Profit / Margin

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.

(\$ 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	~ (\$500)
Consolidated Operating Profit	~\$8,380

	<u>1Q 2022</u>			<u>1Q 2021</u>		
	<u>Sales</u>	<u>Profit</u>	<u>Margin</u>	<u>Sales</u>	<u>Profit</u>	<u>Margin</u>
Segment Operating Profit	\$ 14,964	\$ 1,656	11.1%	\$ 16,258	\$ 1,749	10.8%
Total Unallocated Items	-	277		-	433	
Consolidated Operating Profit (GAAP)	\$ 14,964	\$ 1,933	12.9%	\$ 16,258	\$ 2,182	13.4%

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	~(\$500)
Consolidated Operating Profit	~\$8,380
Non-Operating FAS Pension Income**	~\$555
Effective Tax Rate	~16.9%
Diluted EPS	~\$26.70
<hr/>	
Pension Contribution	~\$0
Share Repurchases (\$)	~\$4,000

*See Chart 13 and 14 for Definitions of Non-GAAP Measures

**See Chart 16 for Appendix II

Appendix II

(\$M)



	2022 Outlook
Total FAS Income and CAS Recovery	
FAS Pension Income	~ \$ 460
CAS Pension Cost	~ 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 Cost	~ 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.

