



# Lockheed Martin Corp.

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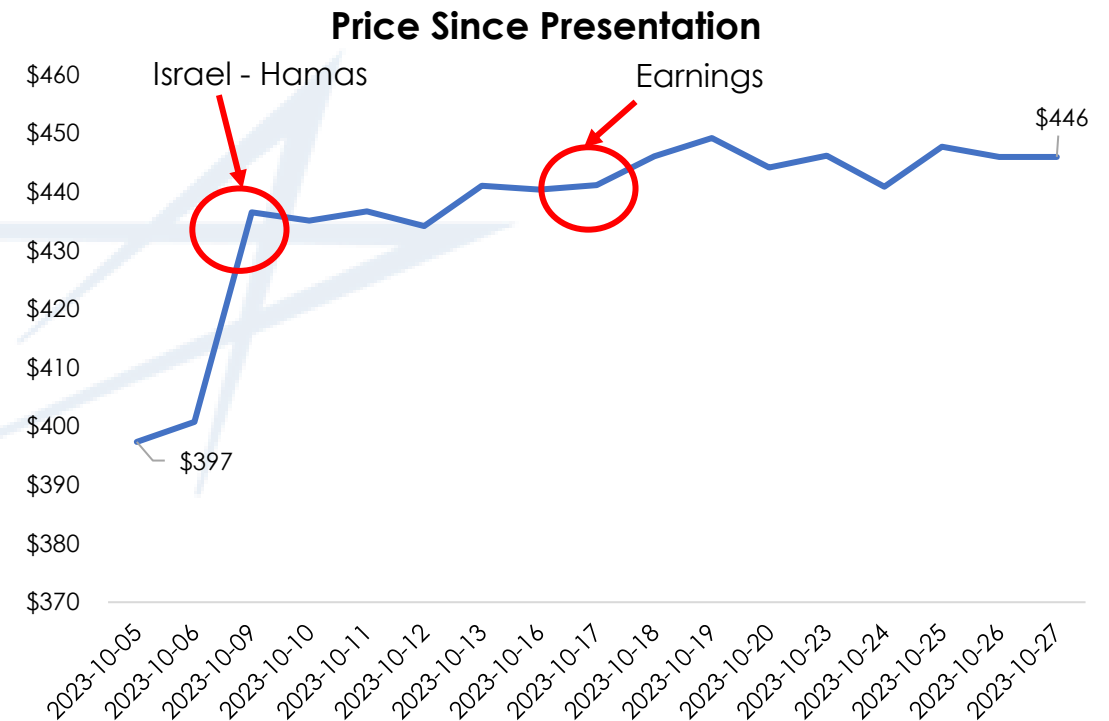
3Q23 Results



# Beat or Miss?

3Q23 Results

- Beat revenue estimates by 0.9%
- Beat EPS estimates by 1.9%



# Results

## 3Q23 Results

- Sales grew 1.8%
- Operating profit decreased -5.8%
- Net income decreased -5.3%

### Net sales

Cost of sales<sup>2</sup>

Gross profit

Other income, net

### Operating profit

Interest expense

Non-service FAS pension income (expense)

Other non-operating income (expense), net<sup>3</sup>

Earnings before income taxes

Income tax expense

### Net earnings

Effective tax rate

### Earnings per common share

Basic

Diluted

### Weighted average shares outstanding

Basic

Diluted

Quarters Ended			
Sept. 24, 2023	Sept. 25, 2022		Variance
\$ 16,878	\$ 16,583		1.8%
(14,830)	(14,463)		2.5%
2,048	2,120		-3.4%
(6)	39		-115.4%
2,042	2,159		-5.4%
(237)	(145)		63.4%
111	111		0.0%
37	(26)		-242.3%
1,953	2,099		-7.0%
(269)	(321)		-16.2%
<u>\$ 1,684</u>	<u>\$ 1,778</u>		<u>-5.3%</u>
<u>13.8%</u>	<u>15.3%</u>		<u>-9.8%</u>
\$ 6.75	\$ 6.73		0.3%
\$ 6.73	\$ 6.71		0.3%
249.3	264.1		-5.6%
250.2	265.1		-5.6%



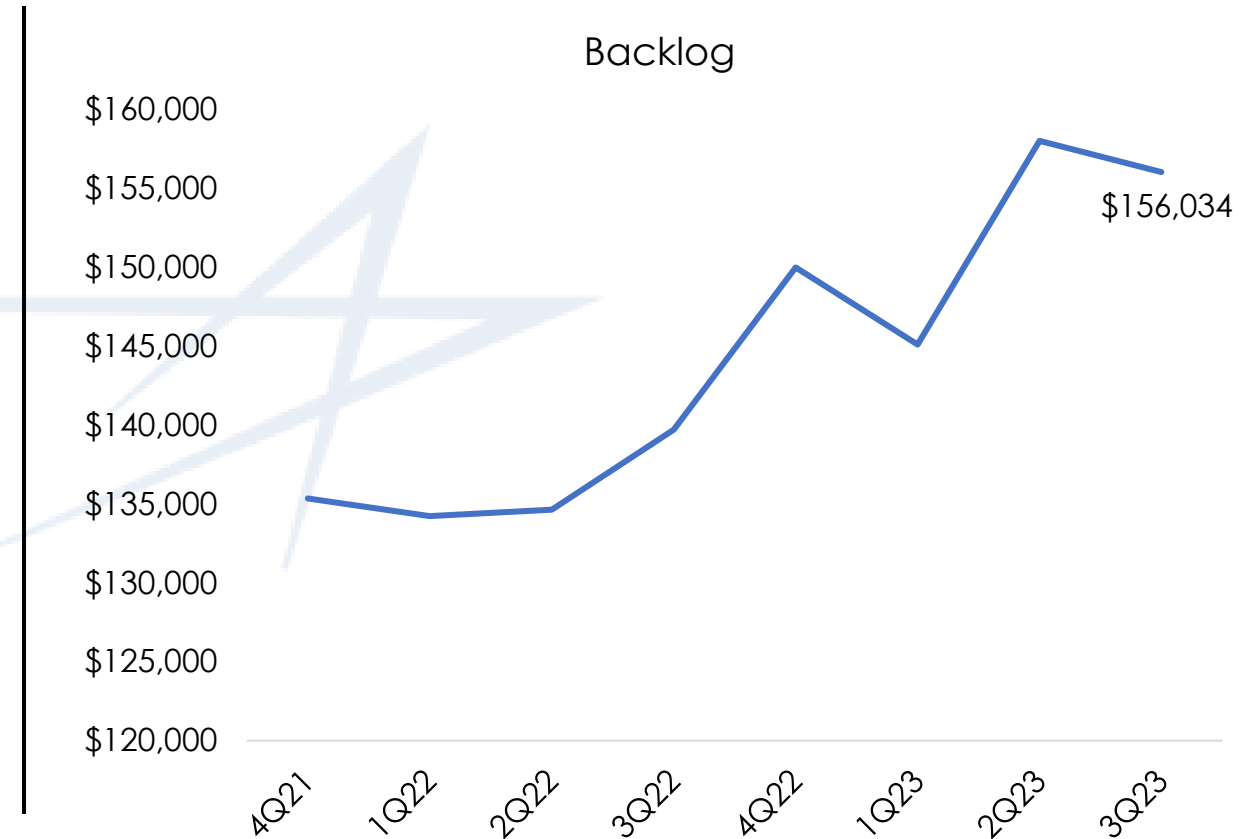
# Backlog

3Q23 Results

- Backlog increased 11.6%

Q3 Awards:

- \$800 million Transport layer 2 tranche for 36 beta satellites
- \$500 million Defense Guam award
- \$1 billion Navy and Coast Guard engineering contract
- \$2.7 billion CH-53K award

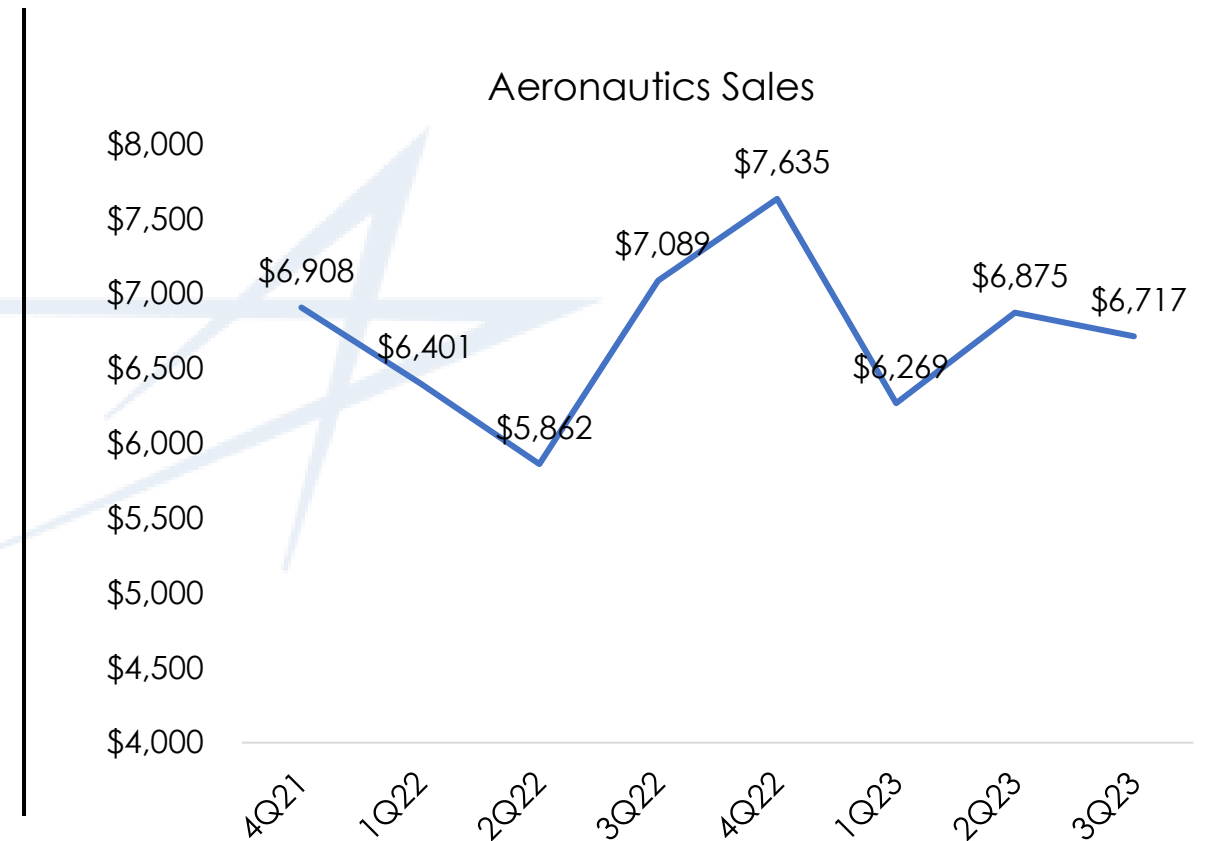


# Top Line Drivers - Aeronautics

3Q23 Results

## Sales decreased 5%

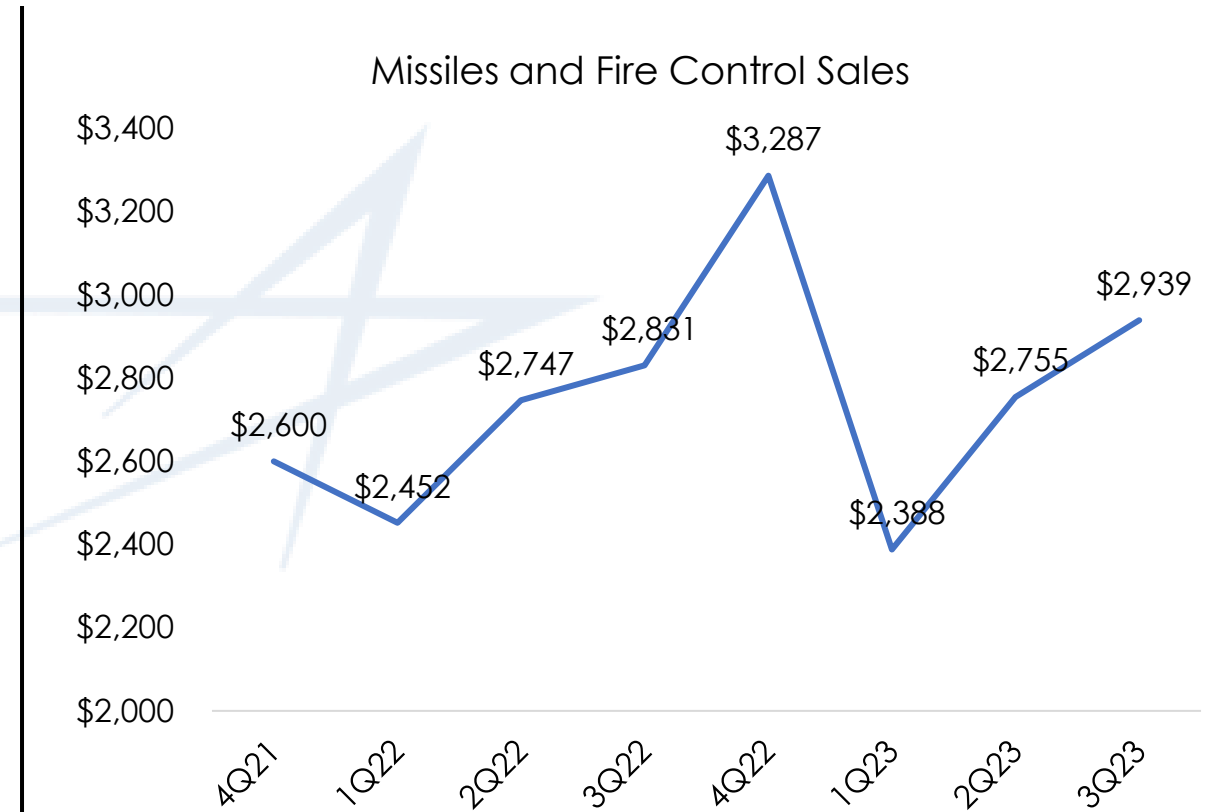
- Lower volume on F-35
- Delivered 30 F-35 jets
- Didn't update delivery guidance



# Top Line Drivers – Missiles and Fire Control

3Q23 Results

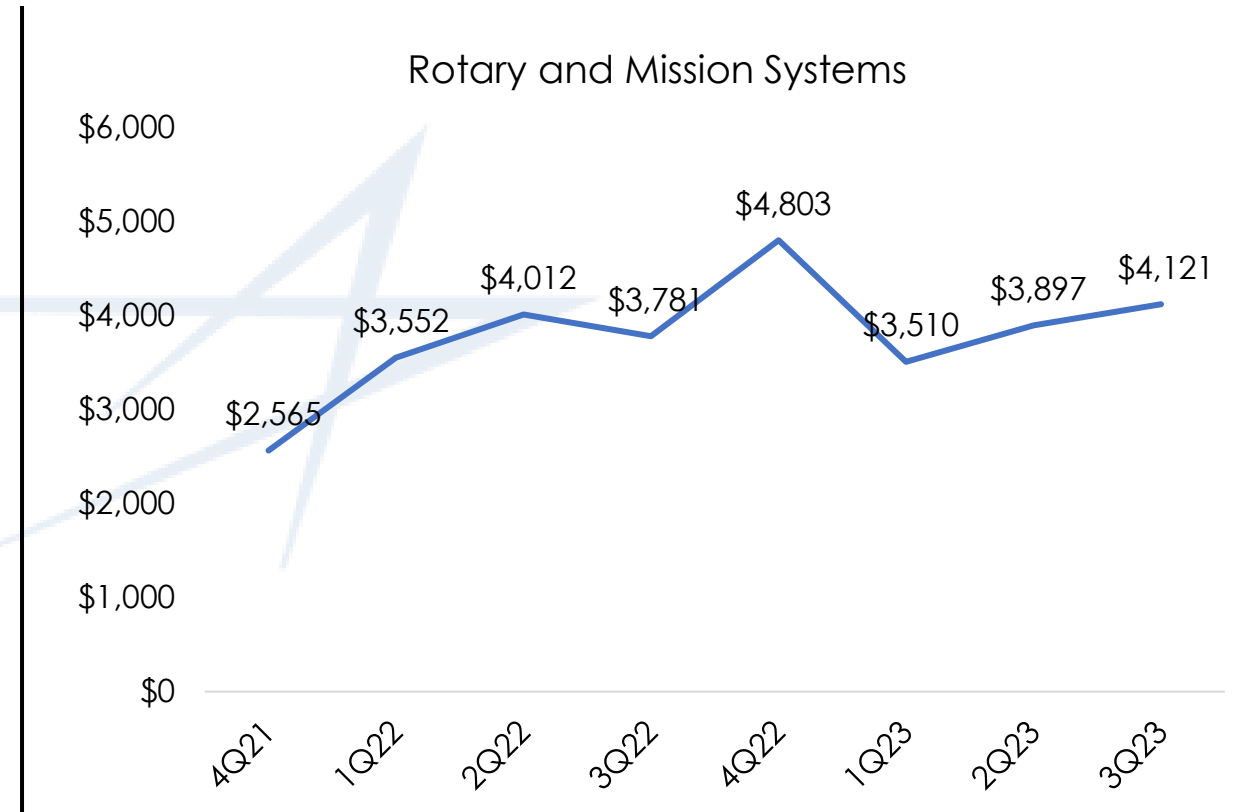
- Sales increased 4%
  - Higher volume at GMLRS and HIMARS
  - Offset by lower volume on PAC - 3



# Top Line Drivers - Rotary

3Q23 Results

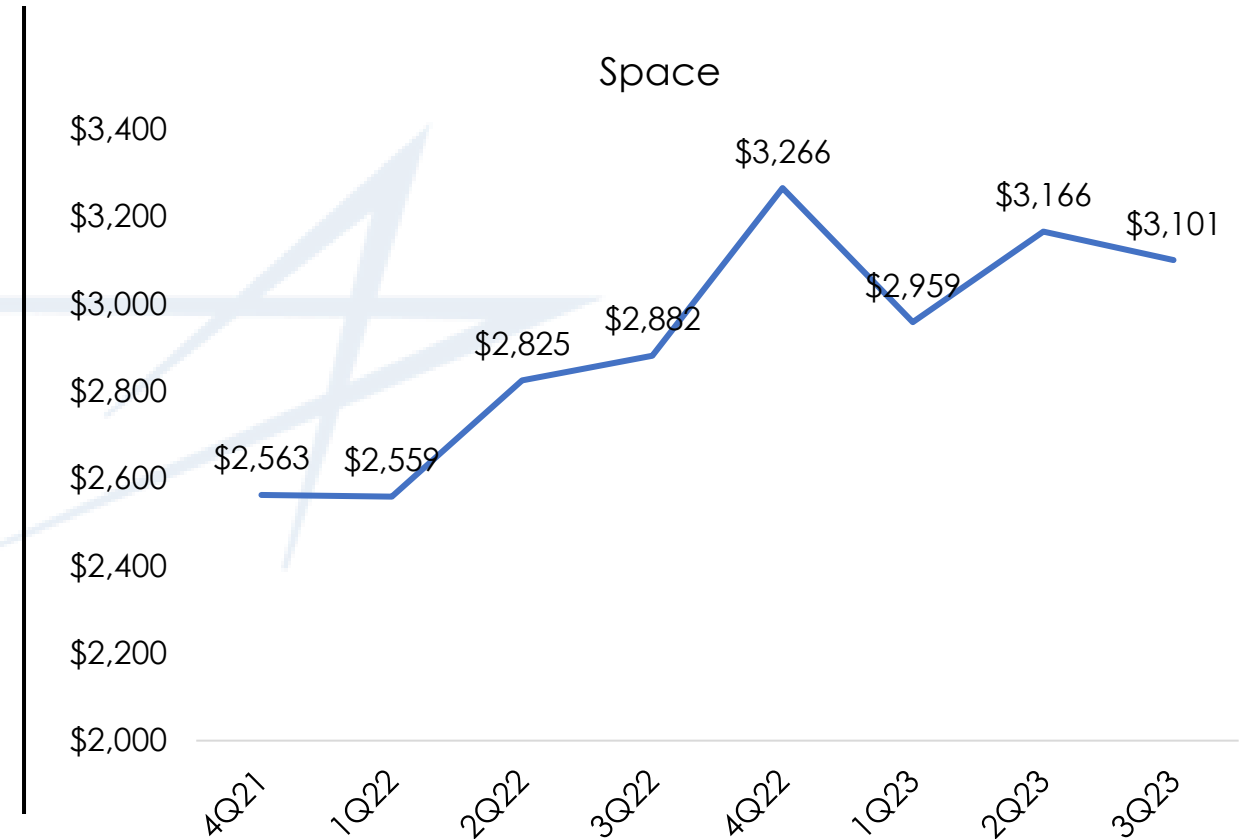
- Sales increased 9%
  - Higher volume on IWSS (Integrated Warfare System & Sensors)
  - Higher volume on C6ISR9 (command, control, comms, computers, cyber-defense, and combative systems)



# Top Line Drivers - Space

3Q23 Results

- Sales increased 8%
  - Higher volume on NGI ( Next Generation Interceptor)
  - Higher volume on Orion
  - Higher volume on GPS
  - Higher volume on FBS (Fleet ballistic missiles)





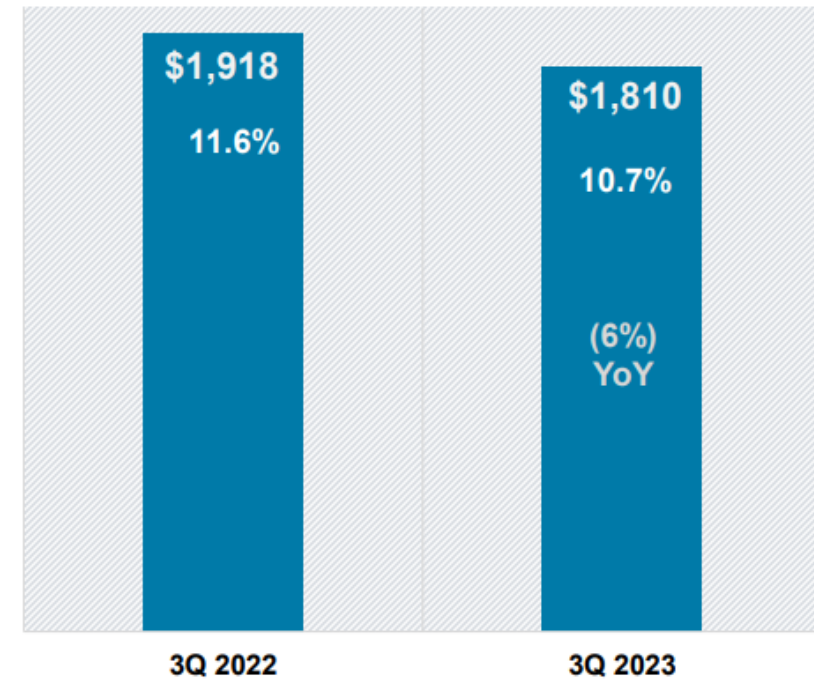
# Expenses

3Q23 Results

Operating margin decreased  
10.7%

- Aeronautics margin decreased from 10.7% to 10%
- MFC margin was flat at 13.5%
- RMS margin decreased from 12.5% to 11.7%
- Space margin decreased from 10.5% to 8.4%

**Segment Operating Profit\* (\$M)**



# Bottom Line

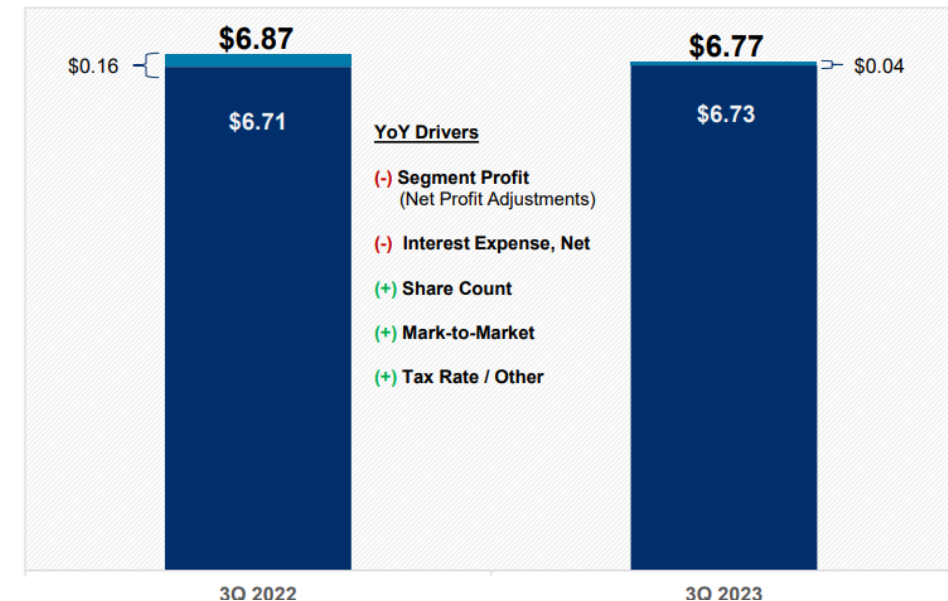
3Q23 Results

EPS grew 0.3%

- Lower tax rate of 13.8% compared to 15.3%
- Shares outstanding decreased - 5.6%

Adjusted EPS\*

GAAP EPS



# Outlook

3Q23 Results

(\$M), Except for EPS	July Outlook	October Outlook
Sales	\$66,250 - \$66,750	\$66,250 - \$66,750
Segment Operating Profit*	\$7,325 - \$7,375	\$7,325 - \$7,375
Total FAS / CAS Pension Adjustment	~\$2,100	~\$2,100
Diluted EPS	~\$27.00 - \$27.20	~\$27.00 - \$27.20
Cash From Operations	≥ \$8,150	~ \$8,150
<i>Capital Expenditures</i>	~(\$1,950)	~(\$1,950)
Free Cash Flow*	≥ \$6,200	≥ \$6,200
Share Repurchases	~\$4,000	~\$6,000

Holding Full Year Outlook, Increasing Share Repurchases

# Valuation

3Q23 Results

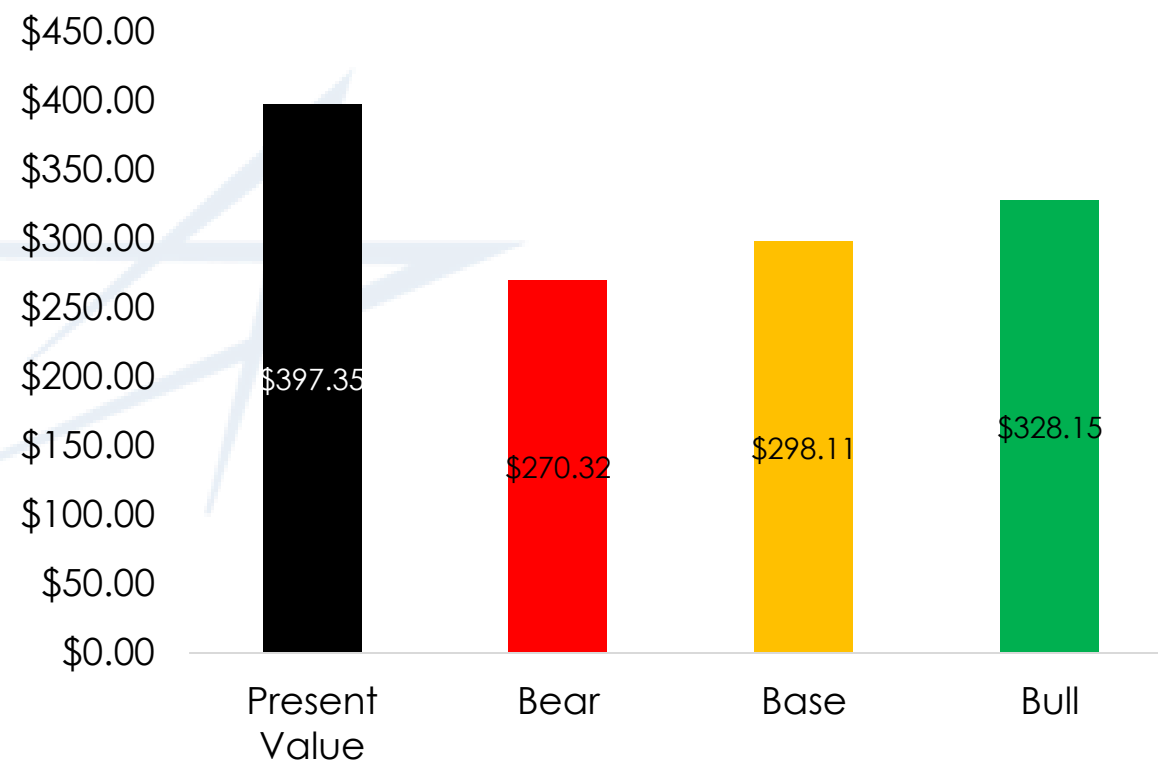
Ticker: LMT Price: \$397.35 5 Year Discounted Cash Flow												
							P/E	Total Return Price	PV	5 YR Return	Annual Return	
Bear	EPS	<u>Current</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	12.0x	\$348.28	\$216.25	(12.4)%	(2.6)%
		\$27.36	\$26.81	\$27.35	\$27.90	\$28.45	\$29.02	15.0x	\$435.35	\$270.32	9.6%	1.8%
			-2%	2%	2%	2%	2%	18.0x	\$522.41	\$324.38	31.5%	5.6%
Base	EPS	<u>Current</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	12.0x	\$384.09	\$238.49	(3.3)%	(0.7)%
		\$27.36	\$27.36	\$28.45	\$29.59	\$30.78	\$32.01	15.0x	\$480.11	\$298.11	20.8%	3.9%
			0%	4%	4%	4%	4%	18.0x	\$576.13	\$357.73	45.0%	7.7%
Bull	EPS	<u>Current</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	12.0x	\$422.79	\$262.52	6.4%	1.2%
		\$27.36	\$27.91	\$29.58	\$31.36	\$33.24	\$35.23	15.0x	\$528.48	\$328.15	33.0%	5.9%
			2%	6%	6%	6%	6%	18.0x	\$634.18	\$393.78	59.6%	9.8%

# Valuation Results

3Q23 Results

Total RoR Sensitivity				
P / E	Est. EPS growth rate			
	1%	3%	5%	
	12.0x	(2.6)%	(0.7)%	1.2%
	15.0x	1.8%	3.9%	5.9%
	18.0x	5.6%	7.7%	9.8%

Market Value vs Intrinsic Value



# What's Happened Since Presentation?

3Q23 Results

- Decided to write calls to sell out of entire position

## Reasoning:

- Low growth
- Supply chain headwinds
- High valuation



# What is a Call Option?

3Q23 Results

- An agreement to sell shares of stock at a pre-determined time and price
- Predetermined price = strike price
- Time = maturity date



# How/ Why Do We Use Call Options

3Q23 Results

- We are paid insurance or “premiums” for putting our shares on the market
- Used to sell at higher prices or raise our cost basis when selling
- Can add additional cashflow to portfolio



# What Contracts Did We Write?

3Q23 Results

- 3 contracts: 100 shares x 3 = 300 shares
- Expiration date: November 17, 2023
- Strike price: \$450 per share
- Premium: \$2547.99 or \$8.49 a share

# What Now?

3Q23 Results

## What Happens if the contracts are exercised?

- We are forced to sell bring our selling price to \$458 a share

## What happens if the Call Option is NOT exercised?

- We keep the \$2,547.99 premium
- It is taxed as a Short-Term Capital Gain
- We write more