



GENERAL DYNAMICS

Fourth-Quarter and Full-Year 2019 Highlights and 2020 Outlook

January 29, 2020

Forward-Looking Statements

This presentation contains information about the company's expectations of future performance, including future financial or operating performance. This information constitutes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, and is identified by words such as "forecast" or "outlook". Forward-looking statements are based on management's current expectations, estimates, projections and assumptions. **These statements are not guarantees of future performance and involve risks and uncertainties, which are difficult to predict.** Therefore, actual future results and trends may differ materially from what is forecast in forward-looking statements due to a variety of factors. Additional information regarding these factors is contained in the company's filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q. All forward-looking statements speak only as of the date they were made. General Dynamics does not undertake any obligation to update or publicly release any revisions to any forward-looking statements to reflect events, circumstances or changes in expectations after the date of this presentation.

Financial Highlights

(\$ in millions, except EPS)	Three Months			Full Year		
	4Q19	4Q18	% Change	2019	2018	% Change
Revenue	\$10,773	\$10,378	3.8%	\$39,350	\$36,193	8.7%
Operating Earnings	\$1,328	\$1,226	8.3%	\$4,648	\$4,457	4.3%
EBITDA*	\$1,528	\$1,465	4.3%	\$5,491	\$5,204	5.5%
Earnings from Cont. Ops.	\$1,020	\$909	12.2%	\$3,484	\$3,358	3.8%
Earnings per Share**	\$3.51	\$3.07	14.3%	\$11.98	\$11.22	6.8%

- 4Q revenue up 3.8%; 2019 up 8.7% or \$3.2B
 - Aerospace 4Q up 8.4%; 2019 up 15.9% or \$1.3B
 - Defense Segments delivered over 6% growth for 2019
- 4Q operating earnings up 8.3%; 2019 up 4.3% or \$191M
 - All five Segments grew operating earnings in 2019
 - 4Q operating margins expanded 50 bps to 12.3%, driven by Aerospace
- Record-high backlog of \$86.9B, up 28.1% vs. 2018
 - 4Q book-to-bill of 2.8x; 2019 book-to-bill of 1.5x
 - Aerospace orders were highest in over a decade and second best ever
 - Virginia Block V award of \$22.2B provides visibility to the end of the decade

**Focusing on
operating
excellence
delivers solid
performance**

* See Appendix (page 11) regarding this non-GAAP financial measure

** EPS is diluted from Cont. Ops.

Aerospace

- Backlog up 17.4% vs. 2018, even with substantially higher deliveries
 - G700 launch and strong demand across the portfolio led to best order year in over a decade
 - Backlog increased to \$13.3B, up \$2.0B vs. 2018
 - Business jet* book-to-bill of 2.0x in 4Q; 1.4x in 2019
- Milestone year for Gulfstream fleet
 - Certification and first deliveries of G600
 - Announced G700 – EIS expected in 2022
 - Delivered 400th G650 and 600th G550
- Expanded global service footprint
 - Added nearly 1M sq. ft. at 11 locations, including:
 - Service centers at Savannah, Appleton and Van Nuys
 - FBO expansions and additions at West Palm Beach, Scottsdale, Europe and the Middle East

2019 revenue up 15.9% to \$9.8B;
4Q up 8.4% to \$2.9B

- *Delivered 147 aircraft in 2019 vs. 121 in 2018*

2019 operating margins of 15.6%;
4Q up 230 bps to 16.4%

- *Margins of 17.3% excluding pre-owned revenue*
- *Four quarters of sequential margin expansion*

Creating Enduring Value

* Value of new Gulfstream aircraft orders vs new Gulfstream aircraft deliveries

Combat Systems

- Full year revenue up 12.3% to \$7.0B
 - Ramp up of U.S. Abrams and Mobile Protected Firepower
 - Began deliveries of AJAX vehicles to British Army
- Solid backlog with diverse opportunities
 - Awarded \$1.3B in 2019 for Canadian ACSVs
 - Awarded \$875M in 2019 for U.S. Abrams, including \$465M in Q4 for SEPV3 upgrades
 - Awarded \$150M in 4Q for Swiss Eagle vehicles
 - Continued demand for munitions and ordnance
- FY20 Appropriations bill supports ongoing plans for U.S. Army modernization

2019 revenue up 12.3% to \$7B;
4Q up 13.1% to \$2B

- *All three business units expanded*

2019 operating earnings of \$1B;
4Q up 8.8% to \$284M

**Achieving strong results by satisfying global ground
force modernization needs**

Information Technology

- Total Estimated Contract Value of \$28.1B up 12.4%
 - Backlog of \$9.1B up 14.7%, driven by FedCiv and Intel
 - 4Q orders up over 70% vs. 4Q18
- 2019 win rate of 73%; 91% recompete rate
- Awarded \$800M in 4Q to support several state health insurance programs
 - Additional \$420M in estimated potential contract value
- Awarded \$355M in 4Q for several key contracts for classified customers
- Integration ahead of schedule, demonstrating ability to improve operating efficiencies
 - Reduction in footprint, exited 36 facilities

2019 revenue up 1.9% to \$8.4B

2019 EBITDA margins up
60 bps to 12.6%*

2019 cash flow over
140% of implied net income

**Building competitive capabilities to serve
advanced IT markets**

* See Appendix (page 12) regarding this non-GAAP financial measure

Mission Systems

- 2019 book-to-bill of 1.0x on a 4.5% revenue increase
 - Awarded MUOS sustainment contract with a maximum value of \$730M in Q4 for the Navy's next-gen satellite communication system
 - Awarded \$530M from the Army in 2019 for computing and comms equipment under the CHS-5 program
 - Awarded submarine fire-control system modifications contract with a maximum value of \$300M in Q4
- Introduced new miniature NSA-certified encryptor
- Fielded new GPS capability, Mounted Assured Positioning and Timing System (MAPS)

2019 revenue up 4.5% to \$4.9B;
4Q up 2.5% to \$1.3B

- *All LOBs expanded in 2019*
- *Notable strength in naval, air and electronic systems LOB*

2019 operating margins of 13.8%;
Q4 up 20 bps to 14.7%

**Capturing solid growth by delivering advanced C4ISR
and cybersecurity to the defense market**

Marine Systems

- Awarded \$22.2B in 4Q for Virginia Block V
 - Largest shipbuilding contract in U.S. Navy history
 - Brings new capabilities to the submarine fleet
- Backlog of \$44.2B up 66.1%
 - Highest order year in company history
 - Over \$1.3B of Columbia orders in 2019
 - Over \$1.0B of ESB orders in 2019
 - Awarded \$435M in 4Q for Virginia design and development
 - Awarded \$300M in 4Q for maintenance and repair of DDG-51, LCS and LSD ships

2019 revenue up 8% to \$9.2B;
4Q up 11.7% to \$2.6B

- *Higher volumes at all three shipyards*
- *Virginia Block V and Columbia submarines led the advance in 2019*

2019 operating earnings up
3.2% to \$785M

2019 capital expenditures up
over 80% to \$449M

- *Investing to advance productivity and increase volumes*

Workforce increased
6% in 2019

Preparing to capture growth embedded in the backlog

Financial Guidance

2019 Actual			2020 Guidance	
EPS*	\$11.98		\$12.55 – 12.60	
	Revenue (\$B)	Operating Margin	Revenue (\$B)	Operating Margin
Aerospace	\$9.8 147 deliveries	15.6%	≈ \$10.0 ≈150 deliveries	15.7 – 15.8%
Combat Systems	\$7.0	14.2%	≈ \$7.3	≈ 14.3%
Information Technology	\$8.4	7.5%	\$8.4 – 8.5	≈ 7.6%
Mission Systems	\$4.9	13.8%	\$5.0 – 5.1	≈ 14.1%
Marine Systems	\$9.2	8.5%	≈ \$9.8	≈ 8.6%

* Diluted from continuing operations

Appendix

Non-GAAP Financial Measures – General Dynamics

\$M	Fourth Quarter		Twelve Months	
	2019	2018	2019	2018
Earnings before interest, taxes, depreciation and amortization:				
Earnings from continuing operations	\$ 1,020	\$ 909	\$ 3,484	\$ 3,358
Interest, net	110	112	460	356
Provision for income tax, net	194	223	718	727
Depreciation of property, plant and equipment	114	121	466	436
Amortization of intangible and finance lease right-of-use assets	90	100	363	327
Earnings before interest, taxes, depreciation and amortization *	\$ 1,528	\$ 1,465	\$ 5,491	\$ 5,204

- * We believe earnings before interest, taxes, depreciation and amortization (EBITDA) is a useful measure for investors because it provides another measure of our profitability and our ability to service our debt. We calculate EBITDA by adding back interest, taxes, depreciation and amortization to earnings from continuing operations. The most directly comparable GAAP measure to EBITDA is earnings from continuing operations.

Non-GAAP Financial Measures – Information Technology

\$M	Twelve Months	
	2019	2018
Earnings before interest, taxes, depreciation and amortization:		
Operating earnings	\$ 628	\$ 608
Other, net	53	52
Depreciation of property, plant and equipment	82	128
Amortization of intangible and finance lease right-of-use assets	295	205
Earnings before interest, taxes, depreciation and amortization*	<u>\$ 1,058</u>	<u>\$ 993</u>

- * We believe the Information Technology segment's earnings before interest, taxes, depreciation and amortization (EBITDA) is a useful measure for investors because it provides another measure of the segment's operating performance. We calculate the Information Technology segment's EBITDA by adding other income, depreciation and amortization to operating earnings. The most directly comparable GAAP measure to the Information Technology segment's EBITDA is operating earnings.

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