



# GENERAL DYNAMICS

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## Fourth-Quarter and Full Year 2020 Highlights

January 27, 2021

# Forward-Looking Statements

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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, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K. 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 for EPS)	Three Months		Variance	
	4Q20	3Q20	\$	%
Revenue	\$10,481	\$9,431	\$1,050	11%
Operating Earnings	\$1,293	\$1,072	\$221	21%
Operating Margin	12.3%	11.4%	+90 bps	
Net Earnings	\$1,002	\$834	\$168	20%
EPS, Diluted	\$3.49	\$2.90	\$0.59	20%
Cash from Operations	\$2,562	\$1,119	\$1,443	129%
Free Cash Flow *	\$2,217	\$903	\$1,314	146%

- **All Segments Contributed to Sequential Increase in Operating Earnings**
- **Generated Free Cash Flow\* of \$2.9B for all of 2020, a \$897M Increase**
- **Attractive Order Trends**
  - Total backlog reached a record \$89.5B due to key awards
  - Gulfstream had best order quarter for the year
  - Technologies total estimated contract value rose 2.5% to record \$41B
  - Major programs received significant funding in FY2021 Appropriations

**Solid Operating Results and Compelling Cash Generation**

# Aerospace

(\$ in millions)	Three Months		Variance	
	4Q20	3Q20	\$	%
Revenue	\$2,435	\$1,975	\$460	23%
Operating Earnings	\$401	\$283	\$118	42%
Operating Margin	16.5%	14.3%	+220 bps	
Backlog	\$11,626	\$11,964	(\$338)	(3%)

- **Gulfstream 4Q Deliveries of 40, led by the G600 and G650**
- **4Q Demonstrated Operating Leverage Despite COVID Disruptions**
- **Best Order Quarter of the Year**
  - Nice sequential improvement in orders
  - 0.96x book-to-bill
  - Solid U.S. demand
- **Double-Digit Sequential Increase in Service Revenue**
  - Gulfstream service up sequentially
  - Jet's charter and management business expanded to satisfy new demand
- **G700 Flight Test Program Continues on Schedule**

Strong Operational Performance and Improving Demand Environment

# Marine Systems

(\$ in millions)	Three Months		Variance	
	4Q20	3Q20	\$	%
<b>Revenue</b>	\$2,857	\$2,405	\$452	19%
<b>Operating Earnings</b>	\$247	\$223	\$24	11%
<b>Operating Margin</b>	8.6%	9.3%	- 70 bps	
<b>Backlog</b>	\$49,982	\$41,082	\$8,900	22%

- **Volume Increased 19% Sequentially and 9% for the Year**
  - Virginia Block V and Columbia continue to drive growth in Electric Boat revenue
- **Operating Earnings Grew Faster than Revenue Grew for the year**
  - Full-year operating margins up 10 bps to 8.6%
- **Backlog up 22%; Provides Foundation for Continued Growth**
  - \$9.5B from U.S. Navy for construction of first two Columbia Submarines
  - Awards in the year for the 5<sup>th</sup> and 6<sup>th</sup> T-AO Oilers plus new service contracts at NASSCO

Sustained Growth Combined with a Focus on Operating Excellence

# Combat Systems

(\$ in millions)	Three Months		Variance	
	4Q20	3Q20	\$	%
Revenue	\$1,960	\$1,801	\$159	9%
Operating Earnings	\$309	\$270	\$39	14%
Operating Margin	15.8%	15.0%	+80 bps	
Backlog	\$14,567	\$14,711	(\$144)	(1%)

- **Revenue for 2020 reached \$7.2B, up 3% after 12.3% Growth in 2019**
  - U.S. business grew about 5%, somewhat offset by COVID impact at ELS
  - Sequential revenue up 9% signifying some COVID recovery
- **Operating Earnings for 2020 Expanded by 4.5% to Over \$1.0B**
  - Quarterly margins up 140 bps year over year
  - ELS recovery from COVID shutdown with solid sequential improvement in profits
  - U.S. generated higher margins for 4Q and year
- **Significant Awards Increase Total Estimated Contract Value to \$24.3B**
  - \$4.3B contract from U.S. Army for the next generation Abrams Tank (M1A2 SEPv3)
  - \$1.2B contract for the Stryker SHORAD, a highly versatile solution for mobile air defense

Continued Growth and Superb Operating Performance

# Basis for GD Technologies Reporting Segment

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- **Rationale for New Segment Reporting**

- Accounting change to reflect shifts in the market and the way we are running the business
  - Industry consolidating IT and hardware capabilities
  - Customers requiring solutions melding technology, hardware and software
- Business units increasingly go to market together to deliver end-to-end systems and support solutions
  - Combining differentiated capabilities in advanced electronics and communications with IT enterprise solutions and networks
  - Expands aperture of opportunities
- Significant overlap/commonality of key customers

- **Continue to Provide Operating Transparency**

- Discrete revenue
- Programmatic details

Simplifying Reporting and Sharpening Focus

# Technologies

(\$ in millions)	Three Months		Variance	
	4Q20	3Q20	\$	%
Revenue	\$3,229	\$3,250	(\$21)	(1%)
Operating Earnings	\$352	\$314	\$38	12%
Operating Margin	10.9%	9.7%	+120 bps	
EBITDA *	\$472	\$432	\$40	9%
EBITDA Margin *	14.6%	13.3%	+130 bps	
Total Estimated Contract Value	\$41,041	\$40,005	\$1,036	3%

- **Turning the Corner on COVID Disruptions**
  - Mission Systems generated modest growth from Space, Intel and Cyber programs
  - GDIT core performing well despite some COVID-related weakness
- **Operating Earnings**
  - Leading EBITDA margins
- **Cash Flow Exceeded 150% of Full Year Imputed Net Earnings**
- **Major 4Q Awards: DEOS, EMITS and GSS 2.0 increase Total Est. Contract Value**

Significant New Awards Coupled with Steady Bottom Line Gains

\* See Appendix (page 13) regarding this non-GAAP financial measure



# COVID-19 Update

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- Continuing to ensure safe work environment for our employees remains a top priority
- COVID-related disruptions continue, but businesses managing through challenges and supply chain perturbations

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# Appendix

# Non-GAAP Financial Measures

(\$ in millions)	2020		Twelve Months	
	Fourth Quarter	Third Quarter	2020	2019
<b>Earnings before interest, taxes, depreciation and amortization:</b>				
Net earnings	\$ 1,002	\$ 834	\$ 3,167	\$ 3,484
Interest, net	120	118	477	460
Provision for income tax, net	183	144	571	718
Depreciation of property, plant and equipment	147	122	523	466
Amortization of intangible and finance lease right-of-use assets	88	90	355	363
Earnings before interest, taxes, depreciation and amortization *	<u>\$ 1,540</u>	<u>\$ 1,308</u>	<u>\$ 5,093</u>	<u>\$ 5,491</u>
<b>Free cash flow from operations:</b>				
Net cash provided by operating activities	\$ 2,562	\$ 1,119	\$ 3,858	\$ 2,981
Capital expenditures	(345)	(216)	(967)	(987)
Free cash flow from operations **	<u>\$ 2,217</u>	<u>\$ 903</u>	<u>\$ 2,891</u>	<u>\$ 1,994</u>

\* 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 EBITDA by adding back interest, taxes, depreciation and amortization to net earnings. The most directly comparable GAAP measure EBITDA is net earnings.

\*\* We believe free cash flow from operations is a useful measure for investors because it portrays our ability to generate cash from our businesses for purposes such as repaying maturing debt, funding business acquisitions, repurchasing our common stock and paying dividends. We use free cash flow from operations to assess the quality of our earnings and as a key performance measure in evaluating management. The most directly comparable GAAP measure to free cash flow from operations is net cash provided by operating activities.

# Non-GAAP Financial Measures – Technologies

(\$ in millions)	2020		Twelve Months	
	Fourth Quarter	Third Quarter	2020	2019
<b>Earnings before interest, taxes, depreciation and amortization:</b>				
Operating earnings	\$ 352	\$ 314	\$ 1,211	\$ 1,311
Other, net	12	15	67	52
Depreciation of property, plant and equipment	35	29	132	129
Amortization of intangible and finance lease right-of-use assets	73	74	296	308
Earnings before interest, taxes, depreciation and amortization *	<u>\$ 472</u>	<u>\$ 432</u>	<u>\$ 1,706</u>	<u>\$ 1,800</u>

\* We believe the Technologies 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 Technologies segment's EBITDA by adding other income, depreciation and amortization to operating earnings. The most directly comparable GAAP measure to the Technologies segment's EBITDA is operating earnings.

# **GENERAL DYNAMICS**

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