

January 30, 2019

General Dynamics Reports Fourth-Quarter, Full-Year 2018 Results

- Fourth-quarter earnings from continuing operations up 42.9% to \$909 million
- Full-year earnings from continuing operations up 15.3% to \$3.4 billion
- Fourth-quarter diluted EPS from continuing operations up 46.2% to \$3.07
- Full-year diluted EPS from continuing operations up 17.4% to \$11.22
- Company-wide revenue increased 16.9% year-over-year
- Full-year revenue growth in all five segments

FALLS CHURCH, Va. – General Dynamics (NYSE: GD) today reported full-year earnings from continuing operations of \$3.4 billion on revenue of \$36.2 billion, and quarterly earnings from continuing operations of \$909 million on \$10.4 billion in revenue. Year-over-year revenue grew in all five segments.

Fourth-quarter 2018 earnings from continuing operations, which grew 42.9 percent over fourth-quarter 2017, would have grown 20.4 percent absent a one-time, non-cash decrement to earnings in 2017 from the 2017 Tax Cuts and Jobs Act. On a per share basis, diluted earnings per share (EPS) from continuing operations was \$3.07, a 46.2 percent increase over the year-ago quarter. For the year, diluted EPS from continuing operations was \$11.22, a 17.4 percent increase from 2017.

“General Dynamics delivered solid performance in 2018,” said Phebe N. Novakovic, chairman and chief executive officer. “Our Aerospace segment successfully managed through a new model transition while achieving good order intake. Our defense businesses had strong operating performance and continued to book significant new business.”

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Segment Highlights

Aerospace

Aerospace's 2018 full-year revenue was \$8.5 billion, with operating earnings of \$1.5 billion and an operating margin of 17.6 percent, even with its ongoing transition to new aircraft models. Book-to-bill was 0.8-to-1.0 for the quarter and 0.9-to-1.0 for the year. Gulfstream delivered the first all-new G500 in the third quarter and continued G500 deliveries in the fourth quarter.

Combat Systems

Combat Systems reported 2018 full-year revenue of \$6.2 billion, up 4.9 percent over 2017.

Operating earnings were \$962 million and operating margin was 15.4 percent. The group achieved a book-to-bill of 1.3-to-1.0 for the fourth quarter, building on significant awards earlier in the year including M1A2 Abrams tank upgrades and additional Stryker double-V-hull vehicles. The group was also selected to deliver prototype vehicles for the U.S. Army's Mobile Protected Firepower (MPF) program.

Information Technology

Information Technology had 2018 full-year revenue of \$8.3 billion, up 87.5 percent over 2017 and up 4.3 percent excluding the acquisition of CSRA. Operating earnings for the year were \$608 million, up 63 percent over 2017. The combination of General Dynamics Information Technology and CSRA in the second quarter created a premier service provider to customers across defense, intelligence and federal civilian markets. The group achieved a book-to-bill of 1.0-to-1.0 for the year, with \$8 billion in backlog and \$25 billion in total estimated contract value.

Mission Systems

Mission Systems' 2018 full-year revenue was \$4.7 billion, up 5.5 percent over 2017. Operating earnings were \$659 million, up 3.3 percent over 2017. Operating margin for the year was 13.9 percent. The group had a book-to-bill of 1.0-to-1.0 for the year, with many significant orders including a \$3.9 billion maximum potential indefinite delivery, indefinite quantity (IDIQ) contract for the U.S. Army's Common Hardware Systems-5 (CHS-5) program.

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Marine Systems

Marine Systems reported 2018 full-year revenue of \$8.5 billion, up 6.2 percent over 2017. Operating earnings grew by 11.1 percent to \$761 million, and operating margin for the year expanded 40 basis points to 9 percent. In 2018, the segment won several key contracts as well as \$607 million in contract modifications on its \$6.1 billion potential value contract to perform design and development work for the Columbia ballistic missile submarine. Book-to-bill grew year-over-year from 1.2-to-1.0 to 1.3-to-1.0.

Cash

Net cash provided by operating activities for the year totaled \$3.1 billion. Free cash flow from operations, defined as net cash provided by operating activities less capital expenditures, was \$2.5 billion in 2018, after a \$255 million discretionary pension plan contribution.

Capital Deployment

The company repurchased 7.6 million of its outstanding shares in the fourth quarter of 2018, and 10.1 million of its outstanding shares for \$1.8 billion for the year. The company paid out \$1.1 billion in dividends in 2018.

Backlog

Total backlog at the end of 2018 was \$67.9 billion, up 7.4 percent from 2017. The estimated potential contract value, representing management's estimate of value in unfunded IDIQ contracts and unexercised options, was \$35.5 billion, up 43.2 percent from 2017. Total estimated contract value, the sum of all backlog components, was \$103.4 billion, up 17.5 percent from 2017. Orders remained strong across the company with a consolidated book-to-bill of 1.0-to-1.0 for the year.

About General Dynamics

Headquartered in Falls Church, Virginia, General Dynamics is a global aerospace and defense company that offers a broad portfolio of products and services in business aviation; combat vehicles, weapons systems and munitions; IT services; C4ISR solutions; and shipbuilding and ship repair. The company's 2018 revenue was \$36.2 billion. More information is available at www.generaldynamics.com.

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Certain statements made in this press release, including any statements as to future results of operations and financial projections, may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Forward-looking statements are based on management’s expectations, estimates, projections and assumptions. These statements are not guarantees of future performance and involve risks and uncertainties that 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, without limitation, its Annual Report on Form 10-K and its Quarterly Reports on Form 10-Q. All forward-looking statements speak only as of the date they were made. The company does not undertake any obligation to update or publicly release any revisions to forward-looking statements to reflect events, circumstances or changes in expectations after the date of this press release.

WEBCAST INFORMATION: General Dynamics will webcast its fourth-quarter and full-year 2018 financial results conference call at 9 a.m. EST on Wednesday, January 30, 2019. The webcast will be a listen-only audio event available at www.generaldynamics.com. An on-demand replay of the webcast will be available by 12 p.m. on January 30 and will continue for 12 months. To hear a recording of the conference call by telephone, please call 877-344-7529 (international: 412-317-0088); passcode 10127475. The phone replay will be available through February 6, 2019. Charts furnished to investors and securities analysts in connection with General Dynamics’ announcement of its financial results for the quarter and year ended December 31, 2018, are available on its website at www.generaldynamics.com. General Dynamics intends to supplement those charts on its website after its earnings call today to include information about 2019 guidance presented on its earnings call.