GEN'L. DYNAMICS NYSE-GD

RECENT PRICE **173.92** | P/E RATIO **14.1** (Trailing: 14.5 Median: 14.0) | RELATIVE P/E RATIO **0.83** | DIV'D YLD **2.3%** | **VALUE LINE**

TIMELINESS 2 Raised 9/20/19
SAFETY 1 Raised 3/30/01
TECHNICAL 3 Raised 3/6/20
BETA .95 (1.00 = Market)

18-Month Target Price Range
Low-High **Midpoint (% to Mid)**
$158-$240 $199 (15%)

2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	280	(+60%)	*15%*
Low	230	(+30%)	*10%*

Institutional Decisions

	1Q2019	2Q2019	3Q2019
to Buy	481	490	476
to Sell	484	464	454
Hld's(000)	249901	250510	250504

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
High:	70.8	79.0	78.3	74.5	95.8	146.1	153.8	180.1	214.8	230.0	193.8	190.1								
Low:	35.3	55.5	53.9	61.1	64.5	93.9	130.9	121.6	172.4	143.9	152.4	173.3								
	48.73	53.06	59.30	67.43	75.77	82.92	87.26	91.68	89.58	88.34	93.01	101.13	103.67	104.32	125.37	135.87	*140.45*	*149.55*	Revenues per sh	*171.25*
	3.83	4.52	5.16	6.20	7.47	7.70	8.59	8.82	8.27	8.61	9.55	11.08	11.63	11.29	14.27	14.89	*15.65*	*16.70*	"Cash Flow" per sh	*20.15*
	3.02	3.63	4.20	5.10	6.13	6.20	6.82	6.94	6.48	7.03	7.83	9.08	9.87	9.56	11.22	11.98	*12.70*	*13.55*	Earnings per sh [A]	*16.55*
	.72	.78	.89	1.10	1.40	1.52	1.68	1.88	2.04	2.24	2.48	2.76	3.04	3.36	3.72	4.08	*4.40*	*4.66*	Div'ds Decl'd per sh [B]	*5.46*
	.66	.65	.82	1.17	1.27	1.00	.99	1.29	1.27	1.25	1.57	1.83	1.30	1.44	2.39	3.41	*3.35*	*3.30*	Cap'l Spending per sh	*3.40*
	17.96	20.34	24.22	29.13	26.00	32.21	35.79	37.12	32.20	41.03	35.66	34.51	36.29	38.52	40.64	46.88	*55.15*	*65.00*	Book Value per sh [C]	*97.45*
	400.26	400.40	405.79	403.98	386.71	385.70	372.05	356.44	353.67	353.40	331.70	311.16	302.42	296.90	288.70	289.63	*290.00*	*285.00*	Common Shs Outst'g [D]	*280.00*
	16.2	15.3	16.0	16.0	12.9	9.2	9.9	9.9	10.4	11.3	15.2	15.5	14.8	20.5	17.7	14.8	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*15.5*
	.86	.81	.86	.85	.78	.61	.63	.62	.66	.63	.80	.78	.78	1.03	.96	.81			Relative P/E Ratio	*.85*
	1.5%	1.4%	1.3%	1.3%	1.8%	2.7%	2.5%	2.7%	3.0%	2.8%	2.1%	2.0%	2.1%	1.7%	1.9%	2.3%			Avg Ann'l Div'd Yield	*2.1%*
	32466	32677	31682	31218	30852	31469	31353	30973	36193	39350	*40725*	*42625*	Revenues ($mill)	*47945*
	13.9%	13.5%	13.3%	13.6%	14.2%	14.8%	15.2%	14.9%	14.4%	13.9%	*14.0%*	*14.0%*	Operating Margin	*14.5%*
	569.0	592.0	620.0	556.0	496.0	482.0	454.0	441.0	763.0	829.0	*855*	*895*	Depreciation ($mill) [E]	*1005*
	2628.0	2552.0	2305.0	2486.0	2673.0	2965.0	3062.0	2912.0	3358.0	3484.0	*3685*	*3860*	Net Profit ($mill)	*4635*
	30.7%	31.4%	32.7%	31.1%	29.7%	27.7%	27.6%	28.6%	17.8%	17.1%	*19.0%*	*20.0%*	Income Tax Rate	*20.0%*
	8.1%	7.8%	7.3%	8.0%	8.7%	9.4%	9.8%	9.4%	9.3%	8.9%	*9.1%*	*9.1%*	Net Profit Margin	*9.7%*
	3009.0	4223.0	4124.0	5692.0	3656.0	2126.0	2601.0	5229.0	3450.0	2979.0	*2850*	*2985*	Working Cap'l ($mill)	*3355*
	2430.0	3907.0	3908.0	3908.0	3410.0	2898.0	2988.0	3980.0	11444	9010.0	*8325*	*6100*	Long-Term Debt ($mill)	*3275*
	13316	13232	11390	14501	11829	10738	10976	11435	11732	13577	*15990*	*18520*	Shr. Equity ($mill) [C]	*27285*
	17.2%	15.3%	15.6%	13.7%	17.8%	22.0%	22.3%	19.2%	15.3%	16.4%	*23.0%*	*21.0%*	Return on Total Cap'l	*17.0%*
	19.7%	19.3%	20.2%	17.1%	22.6%	27.6%	27.9%	25.5%	28.6%	25.7%	*23.0%*	*21.0%*	Return on Shr. Equity	*17.0%*
	15.0%	14.2%	12.4%	13.1%	15.6%	19.5%	19.6%	16.8%	19.5%	17.2%	*15.0%*	*13.5%*	Retained to Com Eq	*11.5%*
	24%	26%	39%	24%	31%	29%	30%	34%	32%	33%	*34%*	*35%*	All Div'ds to Net Prof	*33%*

% TOT. RETURN 1/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	4.3	7.1
3 yr.	2.2	19.9
5 yr.	44.7	41.0

CAPITAL STRUCTURE as of 12/31/19

Total Debt $11930 mill. **Due in 5 Yrs** $8698 mill.
LT Debt $9010 mill. **LT Interest** $460.0 mill.
(LT int. earned: 10.1x)
(40% of Cap'l)

Leases, Uncapitalized Annual rentals $302 mill.
Pension Assets-12/19 $13.2 bill. **Oblig.** $17.7 bill.
Pfd Stock None
Common Stock 289,627,333 shs.

MARKET CAP: $50.4 billion (Large Cap)

CURRENT POSITION ($MILL.)	2017	2018	12/31/19
Cash Assets	2983	963	902
Receivables	3617	3759	3544
Inventory	5303	5977	6306
Other	6425	7490	9028
Current Assets	18328	18189	19780
Accts Payable	3207	3179	3162
Debt Due	2	973	2920
Other	9890	10587	10719
Current Liab.	13099	14739	16801

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Revenues	5.0%	6.0%	*6.0%*
"Cash Flow"	6.5%	9.0%	*7.0%*
Earnings	6.5%	9.0%	*7.0%*
Dividends	10.5%	10.5%	*6.5%*
Book Value	3.5%	3.0%	*15.0%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2017	7441	7675	7580	8277	30973
2018	7535	9186	9094	10378	36193
2019	9261	9555	9761	10773	39350
2020	*9450*	*10100*	*10125*	*11050*	*40725*
2021	*9925*	*10350*	*10600*	*11750*	*42625*

Calendar	EARNINGS PER SHARE [A] Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2017	2.48	2.45	2.53	2.10	9.56
2018	2.65	2.62	2.89	3.07	11.22
2019	2.56	2.77	3.14	3.51	11.98
2020	*2.70*	*3.00*	*3.15*	*3.85*	*12.70*
2021	*2.95*	*3.15*	*3.50*	*3.95*	*13.55*

Calendar	QUARTERLY DIVIDENDS PAID [B] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	.69	.76	.76	.76	2.97
2017	.76	.84	.84	.84	3.28
2018	.84	.93	.93	.93	3.63
2019	.93	1.02	1.02	1.02	3.99
2020	1.02				

BUSINESS: General Dynamics Corporation has five segments: Aerospace (25% of 2019 companywide sales); Combat Systems (18%); Marine Systems (23%); Mission Systems (13%); Information Systems & Technology (21%). The U.S. Government accounts for 66% of total revenues; foreign sales, 19%. Acq'd 7 businesses for $444 million in 2012; CSRA for $9.7 billion, 4/18. Has approx. 102,900 employees. Officers & directors own 6.9% of common; Longview Asset Management, 11.4%; Capital Research Global, 7.8%; The Vanguard Group, 7.5%; Newport Trust Company, 7.2% (3/19 Proxy). Chairwoman and CEO: Phebe Novakovic. Inc.: DE. Address: 2941 Fairview Park Drive, Suite 100, Falls Church, VA 22042. Telephone: 703-876-3000. Int.: www.generaldynamics.com.

General Dynamics continues to benefit from steady demand across most of its operating segments. During the fourth quarter, the diversified aerospace and defense contractor experienced a 12% year-over-year revenue increase at its Marine unit. The Aerospace division advanced 8%, to $2.9 billion, thanks to a pair of deliveries that took place during the term. Meanwhile, Combat Systems volumes grew a wide 13%, and the Mission Systems segment generated a 2% revenue advance of its own.

The company ought to maintain solid earnings momentum in the year ahead. Based on recent changes to the product mix, and the advances that we anticipate in combat, marine, and aerospace, General Dynamics is unlikely to take much of a step forward on the margin front. However, the company should be able to overcome this headwind through growth on the top line, driven by new Aerospace and Combat offerings including the *Gulfstream G600*, *Abrams* battle tank, and *Stryker* vehicles. General Dynamics is also likely to take on additional investment costs, particularly within the Marine unit, where its Navy customer is demanding new electric boats.

The company is likely to focus on debt repayments in 2020. Last year, General Dynamics converted nearly 60% of its net income to cash, and we think it should surpass this marker in the year ahead. The company completed the period with roughly $11.9 billion in debt on its balance sheet, and lowering that figure should represent a prime directive ahead of investment activity across the remainder of the business.

General Dynamics stock is ranked 2 (Above Average) for Timeliness. Indeed, the equity is in line to outperform the broader market in the year ahead, and should be considered a worthwhile investment option with our highest rank for Safety (1) and top grade for Financial Strength (A++).

Subscribers with a long-term horizon may be less inclined to consider a position here. General Dynamics' dividend is about average relative to the *Value Line* universe, and the recent price leaves little room to run out to 2023-2025.

Robert J. Scrudato *March 6, 2020*

(A) Diluted earnings. May not sum due to changes in share count. Excl. disc. ops.: '07, d2¢; '09, d3¢; '10, d1¢; '11, d7¢; '13, d36¢. Excl. nonrec. items; '04, 6¢; '08, 4¢; '12, d$7.42; '18, d19¢. Next egs. rpt. late April.
(B) Dividends historically paid in early Feb., May, Aug., Nov.
(C) Incl. intangibles. In 2019: $22.0 bill., $75.96/sh.
(D) In mill.
(E) Accelerated depreciation.

Company's Financial Strength	A++
Stock's Price Stability	90
Price Growth Persistence	65
Earnings Predictability	100

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