



# General Dynamics Corporation (GD)

Updated April 26<sup>th</sup>, 2025 by Prakash Kolli

## Key Metrics

<b>Current Price:</b>	\$272	<b>5 Year CAGR Estimate:</b>	5.5%	<b>Market Cap:</b>	\$72.82B
<b>Fair Value Price:</b>	\$239	<b>5 Year Growth Estimate:</b>	6.0%	<b>Ex-Dividend Date:</b>	04/11/25
<b>% Fair Value:</b>	114%	<b>5 Year Valuation Multiple Estimate:</b>	-2.6%	<b>Dividend Payment Date:</b>	05/09/25
<b>Dividend Yield:</b>	2.2%	<b>5 Year Price Target</b>	\$319	<b>Years Of Dividend Growth:</b>	34
<b>Dividend Risk Score:</b>	A	<b>Sector:</b>	Industrials	<b>Rating:</b>	Hold

## Overview & Current Events

General Dynamics is a US aerospace & defense company that now operates in four business segments: Aerospace (21% of sales), Combat Systems (19%), Marine Systems (26%), and Technologies (33%). General Dynamics combined the IT and Mission Systems segments in 2020. The company's Aerospace segment is focused on business jets and services while the remainder of the company is defense. The company makes the well-known M1 Abrams tank, Stryker vehicle, *Virginia*-class submarine, *Columbia*-class submarine, and Gulfstream business jets. Based on revenue, General Dynamics is the fourth largest defense company. General Dynamics had revenue of approximately \$47.7B in 2024.

General Dynamics reported excellent Q1 2025 results on April 23<sup>rd</sup>, 2025, beating estimates on more revenue in all four segments. Companywide revenue rose 13.9% to \$12,223M from \$10,731M and diluted earnings per share increased 27.1% to \$3.66 from \$2.88 on a year-over-year basis.

Aerospace revenue rose 45.2% to \$3,026M from \$2,084M in the prior year. The total backlog is \$18,999M, declining for the fourth straight quarter but it is 1.5 years of revenue. Gulfstream's book-to-bill ratio was 0.8X. Revenue for Marine Systems increased 7.7% to \$3,589M from \$3,331M on the strength of the *Columbia* and *Virginia*-class submarine programs. The total segment backlog was down to \$38,373M. Combat Systems revenue rose 3.5% to \$2,176M from \$2,102M. The total backlog fell to \$16,928M because production exceeded orders. International customers, M1 upgrade, and ammunition demand are increasing revenue. Technologies revenue increased 6.8% to \$3,432M from \$3,214M. The total estimated contract value was \$47.0B, and the backlog was \$14,357M.

The companywide backlog is \$88.7B of which ~\$73.2B is funded and ~\$20.6B is unfunded. The firm won large orders for ground vehicles, the M1 Abrams upgrade, and the *Virginia*-class submarine.

General Dynamics guided for revenue of ~\$50.3B and earnings per share of ~\$14.75 to \$14.85 in 2025.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$9.08	\$9.87	\$9.95	\$11.22	\$11.98	\$11.00	\$11.55	\$12.19	\$12.02	\$13.63	<b>\$14.92</b>	<b>\$19.97</b>
<b>DPS</b>	\$2.76	\$3.04	\$3.36	\$3.76	\$3.99	\$4.32	\$4.76	\$4.97	\$5.22	\$5.58	<b>\$6.00</b>	<b>\$8.03</b>
<b>Shares<sup>1</sup></b>	327	310	305	299	291	288	282	278	277	278	<b>275</b>	<b>261</b>

General Dynamics' top and bottom lines have grown due to increasing U.S. defense spending, international sales, business jet sales and services. General Dynamics has established naval and ground platforms that support maintenance and modernization contracts as well as future prime contract wins. COVID-19 caused earnings to drop in 2020, but it quickly bounced back. The firm is acquiring business jet service business at small airports.

From 2025, we forecast on average 6% annual earnings per share growth out to 2030. Operating margin expansion and a reduction of share count will support earnings per share growth. We now expect dividend growth to be about 6% going forward on average. General Dynamics is a Dividend Aristocrat, and the current payout ratio is reasonable, supporting future dividend increases.

<sup>1</sup> Share count in millions.

Disclosure: This analyst is long GD.



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## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	15.1	17.5	21.3	14.0	14.7	13.5	18.0	20.2	21.5	19.3	18.2	16.0
Avg. Yld.	2.1%	2.0%	2.1%	1.7%	1.9%	2.3%	2.5%	2.9%	2.5%	2.2%	2.2%	2.5%

General Dynamics' stock price is down since our last report, despite beating estimates. Our fair value multiple is 16X, because of consistent performance. It is near the 10-year average. Our 2025 earnings estimate is set at consensus. Our current fair value estimate is \$239. Our 5-year price target is \$319.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	30%	31%	36%	34%	34%	39%	41%	41%	43%	41%	40%	40%

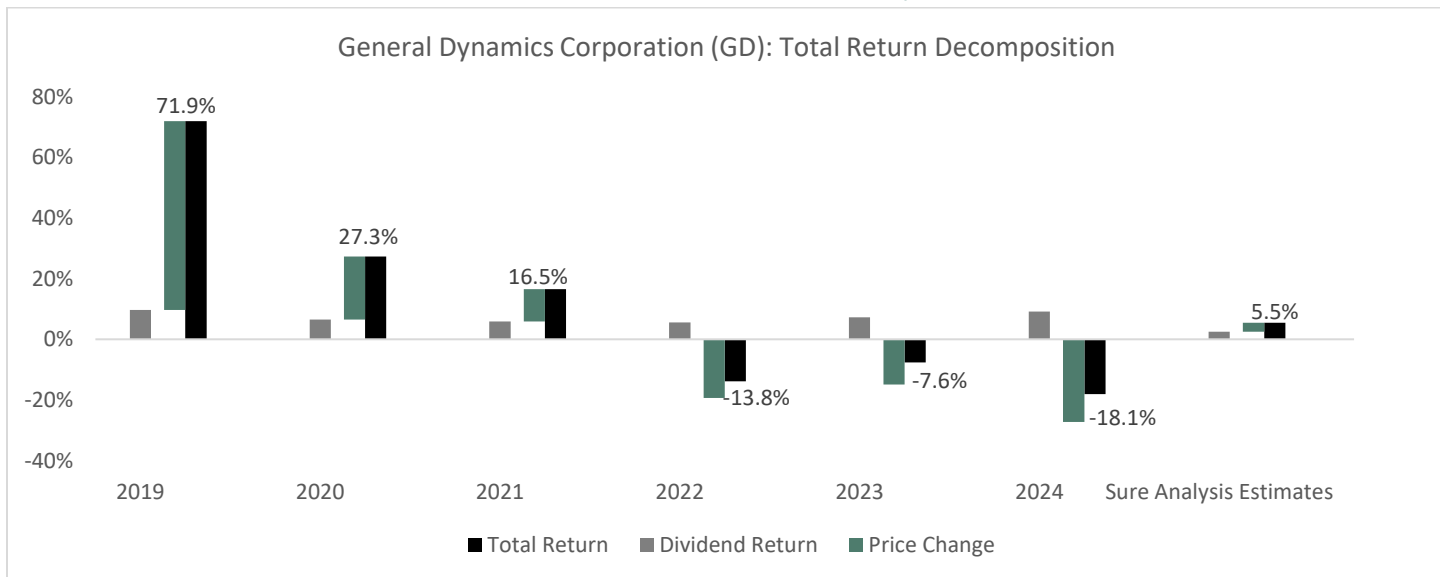
General Dynamics is an entrenched military prime contractor. It has ground and marine platforms that serve as the backbone for the U.S. Army, U.S. Navy, and militaries around the world. This leads to a competitive advantage as these platforms have decades long life cycles and General Dynamics has expertise and experience to perform sustainment and modernization. These characteristics lead to a good degree of recession resistance. However, the company faces risks in program cuts, reduction in federal spending, and cyclicity of the business jet market. General Dynamics is increasing its exposure to information technology and cybersecurity. These are competitive fields with lower margins.

General Dynamics' short-term and current long-term debt is \$2,349M and long-term debt is \$7,260M offset by \$1,242M in cash and equivalents. Interest coverage is about 12.5X and the leverage ratio is now about 1.62X.

## Final Thoughts & Recommendation

At present, we are forecasting 5.5% annualized total return through 2030 from a dividend yield of 2.2%, 6% EPS growth, and (-2.6%) P/E multiple contraction. International vehicle, ammunition, and business jet sales are driving top line growth. The backlog is robust but declining and the current administration may change priorities. General Dynamics is a Dividend Aristocrat, and the dividend safety is solid. Dividend growth investors should take a look at this high-quality equity. At the current share price, we maintained our hold rating.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	31781	30561	30973	36193	39350	37925	38469	39407	42272	47716
Gross Profit	6232	5665	6242	6657	6987	6325	6408	6622	6672	7364
Gross Margin	19.6%	18.5%	20.2%	18.4%	17.8%	16.7%	16.7%	16.8%	15.8%	15.4%
SG&A Exp.	1937	1921	2006	2263	2417	2192	2245	2411	2427	2568
D&A Exp.	481	453	441	763	829	878	890	884	863	886
Operating Profit	4295	3744	4236	4394	4570	4133	4163	4211	4245	4796
Op. Margin	13.5%	12.3%	13.7%	12.1%	11.6%	10.9%	10.8%	10.7%	10.0%	10.1%
Net Profit	3036	2572	2912	3345	3484	3167	3257	3390	3315	3782
Net Margin	9.6%	8.4%	9.4%	9.2%	8.9%	8.4%	8.5%	8.6%	7.8%	7.9%
Free Cash Flow	2038	1771	3448	2458	1994	2891	3384	3465	3806	3196
Income Tax	1183	977	1165	727	718	571	616	646	669	758

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	31997	33172	35046	45408	49349	51308	50073	51585	54810	55880
Cash & Equivalents	2785	2334	2983	963	902	2824	1603	1242	1913	1697
Acc. Receivable	3446	3399	3617	3759	3544	3161	3041	3008	3004	2977
Inventories	7723	5118	5303	5977	6306	5745	5340	6322	8578	9724
Goodwill & Int.	12206	12123	12616	22179	21992	22170	22076	22158	22242	22076
Total Liabilities	21259	22871	23611	33676	35371	35647	32432	33017	33511	33817
Accounts Payable	1964	2538	3207	3179	3162	2952	3167	3398	3095	3344
Long-Term Debt	3399	3888	3982	12417	11930	12998	11495	10496	9261	8762
Total Equity	10738	10301	11435	11732	13978	15661	17641	18568	21299	22063
LTD/E Ratio	0.32	0.38	0.35	1.06	0.85	0.83	0.65	0.57	0.43	0.40

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	9.0%	7.9%	8.5%	8.3%	7.4%	6.3%	6.4%	6.7%	6.2%	6.8%
Return on Equity	26.9%	24.4%	26.8%	28.9%	27.1%	21.4%	19.5%	18.7%	16.6%	17.4%
ROIC	20.3%	18.2%	19.7%	16.9%	13.9%	11.6%	11.2%	11.6%	11.1%	12.3%
Shares Out.	311	302	297	289	290	287	282	278	276	276
Revenue/Share	97.29	98.46	101.67	120.98	135.30	131.72	136.41	141.65	153.33	171.95
FCF/Share	6.24	5.71	11.32	8.22	6.86	10.04	12.00	12.46	13.80	11.52

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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