

**Exhibit MYP-1, Multiyear Procurement Criteria**Date:  
September 2023**Appropriation / Budget Activity:**

1507 Weapons Procurement - Navy / Other Missiles (BA-02)

**P-1 Item Nomenclature:**

LRASM (AGM-158)

**1. Multiyear Procurement Description:**

This proposed Multiyear Procurement (MYP) covers the purchase of 477 AGM-158's Long Range Anti-Ship Missiles (LRASMs) in fiscal year (FY) 2024 through FY 2028 under a single five-year fixed price type contract. The LRASM program includes seven years Production (FY2017-2023) to date.

In the FY 2024 budget request, the Department of Defense is initiating a Multiyear Procurement (MYP) strategy for AMRAAM; JASSM; LRASM; and STANDARD MISSILE-6, under the Large Lot Procurement (LLP) concept in which individual MYPs would be executed in a concurrent and overlapping multiyear strategy so that synergies in production across different but related programs can generate efficiencies and result in greater production capacity, accelerated delivery, and lower unit costs. LLP represents an evolution of the existing MYP contracting and financing strategy, that leverages the savings generated through the use of Economic Order Quantities (EOQ) financing to procure additional lots of missiles under a Buy-to-Budget concept, to further improve efficiencies and yields. In addition, the MYP supports the procurement of critical munitions and enables substantial progress towards improving inventory objective requirements to meet the National Defense Strategy.

**2. Benefit to the Government:****a. Substantial Savings:**

Implementation of this proposed MYP will yield opportunity for cost savings through the term of the contract. Specifically, cost savings for FY2024 through FY2028 attributable to this MYP strategy is estimated at \$129 Million (TY\$), or 8.6%. Under this multiyear contract, savings derived from the MYP structure will be applied towards additional procurement quantities under the Buy-to-Budget principle. This estimated savings is based on a comparison of the estimated prices for five single year contracts to the estimated price for one five year multiyear contract. No formal CAPE estimate has been done as of February 2023. Once an official estimate is done, the projected savings will be updated.

Savings associated with this MYP will principally be achieved as a result of Economic Order Quantity (EOQ) investments. Procuring select components using EOQ money will allow the prime contractor and/or subcontractor(s) to order multiple lots of components at a reduced price. Additionally, the Defense Industrial Base (DIB) money in FY 2024 will offer industry motivation to implement production and facilitization improvements necessary to reduce costs throughout the life of the LRASM program. These cost reductions are intended to be passed on to the USN in the form of price reductions.

**b. Stability of Requirement:**

The minimum need for the property to be purchased is expected to remain substantially unchanged during the contemplated contract period in terms of production rate, procurement rate, and total quantities.

The LRASM weapon system is the force application component of the Anti-Surface Warfare (ASuW) capability countering against threat capital ships. LRASM is integral to realizing the National Defense Strategy of combat-credible military forces to deter war, protect the security of our nation and to enable the Joint Force to win should deterrence fail. The development and acquisition of LRASM has been structured to be fielded at a pace relevant to maintain overmatch against long-term strategic competition. Specifically, LRASM directly contributes to building a more lethal force and is a critical enabler for joint lethality in contested environments; deterring adversaries from

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aggression; ensuring common domains remain open and maintaining favorable regional balances of power.

The Capability Development Document (CDD) was approved by the Joint Requirements Oversight Council (JROC) in March 2015. LRASM is in full rate production; Lot 7 awarded in Fiscal Year 2022.

**c. Stability of Funding:**

The LRASM program is one of several programs directed to submit a Large Lot Procurement (LLP) Multiyear Procurement (MYP) pilot initiative as part of the FY 2024 President's Budget Request in order to efficiently procure critical munitions and improve inventory objective requirements to meet the National Defense Strategy. An OSD program decision provided funding to expand industrial base capacity and achieve maximum production capacity and added EOQ funding in a Build-to-Budget approach to yield the LLP concept.

The Navy has demonstrated its commitment to a stable funding stream for the LRASM MYP through every step of the budget process by fully funding the requirement.

**d. Stable Configuration:**

The LRASM 1.1 CDR to assess the maturity of the C-1 configuration was successfully conducted in June 2021.

125 baseline AGM-158C production missiles have been delivered to date for both USN and USAF. 320 AGM-158C-1 production missiles have been placed on contract.

Currently, the AGM-158C-3 is in development as an improvement for the AGM158C-1. This ECP will cut into production after the CDR in March 2024. The MYP will be modified for this more capable design when the costs are known.

**e. Realistic Cost Estimate:**

Cost Estimates reflect experience with LRASM manufacturing since 2017 with the AGM-158C configuration. LRASM actual contract data is used to support cost estimates. The latest Program Life Cycle Cost Estimate (PLCCE) revision was documented in the Joint Component Cost Position (CCP) as part of the LRASM Knowledge Point (KP)-3 documentation in January 2016. The LRASM Life Cycle Cost was updated in the latest Acquisition Program Baseline (APB) revision dated 7 September 2020. LRASM Life Cycle Cost has also been reported in the Annual Selected Acquisition Report (SAR), the latest of which was submitted in April 2022.

The single year funding estimates are based on program office estimates derived from regression analysis of actuals awarded of LRASM. The MYP funding estimates are based on the projected unit cost provided from the USAF (lead contracting office) for the contract. The five year MYP will be a firm fixed price contract. Once the CAPE analysis is complete, the program will update documentation based on the projected analysis of savings.

**f. National Security:**

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LRASM was delivered as an Early Operational Capability (EOC) to meet the most urgent air-launched requirement, significantly reducing Joint Force warfighting risks and positioning the DoD to address evolving surface warfare threats. LRASM remains a viable interim capability pending the determination of the long-term Offensive Anti-Surface Warfare (OASuW) solution by evolving capability necessary to outpace a dynamic threat. The C-1 configuration will ensure continued tactical dominance against capital ships and land strike targets. A stable procurement will also help maintain inventory levels required for the defense of the U.S. Fleet.

The Under Secretary of Defense for Acquisition and Sustainment (USD(A&S)) identified critical shortfalls in critical missile inventory that are essential to meet National Defense Strategy (NDS) priorities. This Large Lot Procurement/Multi-Year Procurement strategy will create synergy and production line efficiencies to maximize manufacturing capacity at the OEMs production base to generate efficiencies. This will help to address the warfighting requirements by delivering weapons at a higher production rate when compared to typical annual contracting approach.

**3. Source of Savings:**

|                    | <b>\$ in Millions</b> |
|--------------------|-----------------------|
| Inflation          | \$ 0.0000             |
| Vendor Procurement | \$ 129.0000           |
| Manufacturing      | \$ 0.0000             |
| Design/Engineering | \$ 0.0000             |
| Tool Design        | \$ 0.0000             |
| Support Equipment  | \$ 0.0000             |
| Other              | \$ 0.0000             |
| Workload Savings   | \$ 0.0000             |
| <b>Total</b>       | <b>\$ 129.0000</b>    |

**4. Advantages of the MYP:**

The proposed multi-year contract provides significant savings over a year-by-year contracting approach. Savings from economic order quantities and independent planning result in benefit to industry and government. In addition to providing substantial cost savings, MYP will provide the following benefits: (1) generate significant savings compared to the annual procurement cost estimates; (2) provide a long-term commitment to industry, thereby stabilizing employment and the industrial base; (3) reduce disruptions in vendor delivery schedules; and (4) improve procurement stability. MYP would permit the use of EOQ procurement to reduce the cost of subcontractor effort, material, and components, enabling greater production efficiencies and substantial cost savings.

**5. Impact on Defense Industrial Base:**

Implementation of this proposed MYP will have a favorable impact on the industrial base. The stability afforded by the use of a MYP will allow the prime contractor to enter into long-term agreements with suppliers, at every tier, which provides cost avoidance. Such long term agreements incentivize both the prime and the subcontractors to invest in process improvements such as those previously cited, which will yield long-term benefits in terms of product quality and cost. The stability of the prime multiyear contract will also foster

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improved competition at the subcontractor level, as the offer of a longer-term business arrangement will encourage more aggressive pursuit of a contract award. The contractor and subcontractors will be at a reduced risk when implementing production process improvements, facility improvements, tooling design improvements, and fabrication process improvements. The ability for the government and industry to enter into long-term agreement will allow industry the opportunity to place capital investments upfront, which reduces the overall cost and improves the quality of the LRASM program.

**6. Multiyear Procurement Summary:**

|                                      | <u>Annual<br/>Contracts</u> | <u>MultiYear<br/>Contract</u> |
|--------------------------------------|-----------------------------|-------------------------------|
| Quantity                             | 477                         | 477                           |
| Total Contract Price                 | \$1,508.450                 | \$1,379.170                   |
| Cancellation Ceiling (highest point) |                             |                               |
| Funded                               |                             | \$ 0.000                      |
| Unfunded                             |                             | \$ 0.000                      |
| \$ Cost Avoidance Over Annual        |                             | \$129.280                     |
| % Cost Avoidance Over Annual         |                             | 8.6%                          |

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| Exhibit MYP-2 Total Program Funding Plan (NAVY) |         |        |        |        |        | Date: September 2023                                |       |       |      |      |      |      |         |  |
|---|---------|--------|--------|--------|--------|---|-------|-------|------|------|------|------|---------|--|
| PROCUREMENT                                     |         |        |        |        |        | P-1 Line Item Nomenclature - LRASM (AGM-158) (NAVY) |       |       |      |      |      |      |         |  |
|   | 2024    | 2025   | 2026   | 2027   | 2028   | 2029  | 2030  | 2031  | 2032 | 2033 | 2034 | 2035 | TOTAL   |  |
| <b>Procurement Quantity</b>                     | 81      | 47     | 100    | 124    | 125    |   |       |       |      |      |      |      | 477     |  |
| <b>Annual Procurement</b>                       |         |        |        |        |        |   |       |       |      |      |      |      |         |  |
| Gross Cost                                      | 298.8   | 170.1  | 335.6  | 410.7  | 418.3  |   |       |       |      |      |      |      | 1633.4  |  |
| Less PY Adv Procurement                         |         |        |        |        |        |   |       |       |      |      |      |      |         |  |
| Net Procurement (= P-1)                         | 298.8   | 170.1  | 335.6  | 410.7  | 418.3  |   |       |       |      |      |      |      | 1633.4  |  |
| Plus CY Adv Procurement                         |         |        |        |        |        |   |       |       |      |      |      |      |         |  |
| Weapon System Cost                              | 298.8   | 170.1  | 335.6  | 410.7  | 418.3  |   |       |       |      |      |      |      | 1633.4  |  |
| <b>Multiyear Procurement</b>                    |         |        |        |        |        |   |       |       |      |      |      |      |         |  |
| Gross Cost (P-1)                                | 320.9   | 142.1  | 295.7  | 366.5  | 371.7  |   |       |       |      |      |      |      | 1496.9  |  |
| Less PY Adv Procurement                         |         | (58.8) | (58.8) | (58.8) | (58.8) |   |       |       |      |      |      |      | (235.1) |  |
| Net Procurement (= P-1)                         | 320.9   | 83.4   | 237.0  | 307.7  | 313.0  |   |       |       |      |      |      |      | 1261.8  |  |
| <b>Advance Procurement</b>                      |         |        |        |        |        |   |       |       |      |      |      |      |         |  |
| For FY25  | 58.8    |        |        |        |        |   |       |       |      |      |      |      | 58.8    |  |
| For FY26  | 17.6    | 41.1   |        |        |        |   |       |       |      |      |      |      | 58.8    |  |
| For FY27  | 11.8    | 14.6   | 32.3   |        |        |   |       |       |      |      |      |      | 58.8    |  |
| For FY28  |         | 11.8   | 14.7   | 32.3   |        |   |       |       |      |      |      |      | 58.8    |  |
| Plus CY Adv Procurement                         | 88.2    | 67.5   | 47.0   | 32.3   |        |   |       |       |      |      |      |      | 235.1   |  |
| Weapon System Cost                              | 409.1   | 150.9  | 284.0  | 340.0  | 313.0  |   |       |       |      |      |      |      | 1496.9  |  |
| <b>Multiyear Savings (\$)</b>                   | (110.3) | 19.2   | 51.6   | 70.7   | 105.3  |   |       |       |      |      |      |      | 136.5   |  |
| Multiyear Savings (%) (total only)              |         |        |        |        |        |   |       |       |      |      |      |      | 8.4%    |  |
| Cancellation Ceiling, Funded                    |         |        |        |        |        |   |       |       |      |      |      |      |         |  |
| Cancellation Ceiling, Unfunded                  |         |        |        |        |        |   |       |       |      |      |      |      |         |  |
| <b>OUTLAYS</b>                                  |         |        |        |        |        |   |       |       |      |      |      |      |         |  |
| Annual  | 35.9    | 116.6  | 174.2  | 243.6  | 323.2  | 316.4   | 209.8 | 114.0 | 60.8 | 24.2 | 10.4 | 4.2  | 1633.4  |  |
| Multiyear                                       | 49.1    | 149.8  | 191.1  | 228.7  | 282.0  | 258.7   | 168.3 | 91.8  | 47.4 | 18.9 | 8.1  | 3.1  | 1496.9  |  |
| Savings   | (13.2)  | (33.2) | (16.9) | 15.0   | 41.2   | 57.7  | 41.6  | 22.2  | 13.4 | 5.3  | 2.3  | 1.1  | 136.5   |  |

P-1 Shopping List - Item No  
02-2291

\* Numbers may not add due to rounding.

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| Exhibit MYP-3 Total Contract Funding Plan (NAVY) |        |        |        |        |        | Date: September 2023                                |       |       |      |      |      |      |  |         |  |
|--|--------|--------|--------|--------|--------|---|-------|-------|------|------|------|------|--|---------|--|
| PROCUREMENT                                      |        |        |        |        |        | P-1 Line Item Nomenclature - LRASM (AGM-158) (NAVY) |       |       |      |      |      |      |  |         |  |
|  | 2024   | 2025   | 2026   | 2027   | 2028   | 2029  | 2030  | 2031  | 2032 | 2033 | 2034 | 2035 |  | TOTAL   |  |
| <b>Procurement Quantity</b>                      | 81     | 47     | 100    | 124    | 125    |   |       |       |      |      |      |      |  | 477     |  |
| <b>Annual Procurement</b>                        |        |        |        |        |        |   |       |       |      |      |      |      |  |         |  |
| Gross Cost                                       | 276.5  | 159.2  | 310.0  | 378.1  | 384.6  |   |       |       |      |      |      |      |  | 1508.5  |  |
| Less PY Adv Procurement                          |        |        |        |        |        |   |       |       |      |      |      |      |  |         |  |
| Net Procurement (= P-1)                          | 276.5  | 159.2  | 310.0  | 378.1  | 384.6  |   |       |       |      |      |      |      |  | 1508.5  |  |
| Plus CY Adv Procurement                          |        |        |        |        |        |   |       |       |      |      |      |      |  |         |  |
| Contract Price                                   | 276.5  | 159.2  | 310.0  | 378.1  | 384.6  |   |       |       |      |      |      |      |  | 1508.5  |  |
| <b>Multiyear Procurement</b>                     |        |        |        |        |        |   |       |       |      |      |      |      |  |         |  |
| Gross Cost (P-1)                                 | 232.6  | 136.5  | 289.8  | 359.2  | 361.1  |   |       |       |      |      |      |      |  | 1379.2  |  |
| Less PY Adv Procurement                          |        | (58.8) | (58.8) | (58.8) | (58.8) |   |       |       |      |      |      |      |  | (235.1) |  |
| Net Procurement (= P-1)                          | 232.6  | 77.7   | 231.0  | 300.4  | 302.4  |   |       |       |      |      |      |      |  | 1144.1  |  |
| <b>Advance Procurement</b>                       |        |        |        |        |        |   |       |       |      |      |      |      |  |         |  |
| For FY25   | 58.8   |        |        |        |        |   |       |       |      |      |      |      |  | 58.8    |  |
| For FY26   | 17.6   | 41.1   |        |        |        |   |       |       |      |      |      |      |  | 58.8    |  |
| For FY27   | 11.8   | 14.6   | 32.3   |        |        |   |       |       |      |      |      |      |  | 58.8    |  |
| For FY28   |        | 11.8   | 14.7   | 32.3   |        |   |       |       |      |      |      |      |  | 58.8    |  |
| Plus CY Adv Procurement                          | 88.2   | 67.5   | 47.0   | 32.3   |        |   |       |       |      |      |      |      |  | 235.1   |  |
| Contract Price                                   | 320.8  | 145.2  | 278.0  | 332.7  | 302.4  |   |       |       |      |      |      |      |  | 1379.2  |  |
| <b>Multiyear Savings (\$)</b>                    | (44.3) | 14.0   | 32.0   | 45.3   | 82.3   |   |       |       |      |      |      |      |  | 129.3   |  |
| Multiyear Savings (%) (total only)               |        |        |        |        |        |   |       |       |      |      |      |      |  | 8.6%    |  |
| Cancellation Ceiling, Funded                     |        |        |        |        |        |   |       |       |      |      |      |      |  |         |  |
| Cancellation Ceiling, Unfunded                   |        |        |        |        |        |   |       |       |      |      |      |      |  |         |  |
| <b>OUTLAYS</b>                                   |        |        |        |        |        |   |       |       |      |      |      |      |  |         |  |
| Annual   | 33.2   | 108.2  | 161.8  | 225.6  | 298.3  | 291.7   | 193.3 | 105.0 | 56.0 | 22.2 | 9.6  | 3.9  |  | 1508.6  |  |
| Multiyear  | 38.5   | 120.7  | 165.1  | 212.2  | 267.6  | 248.9   | 162.4 | 88.5  | 46.0 | 18.4 | 7.9  | 3.0  |  | 1379.2  |  |
| Savings  | (5.3)  | (12.6) | (3.4)  | 13.4   | 30.7   | 42.7  | 30.9  | 16.6  | 10.0 | 3.9  | 1.7  | 0.8  |  | 129.5   |  |

P-1 Shopping List - Item No  
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\* Numbers may not add due to rounding.

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| Exhibit MYP-4 Present Value Analysis (NAVY) |      |        |       |       |       | Date: September 2023                                |       |       |      |      |      |      |  |        |  |
|---|------|--------|-------|-------|-------|---|-------|-------|------|------|------|------|--|--------|--|
| PROCUREMENT                                 |      |        |       |       |       | P-1 Line Item Nomenclature - LRASM (AGM-158) (NAVY) |       |       |      |      |      |      |  |        |  |
|   | 2024 | 2025   | 2026  | 2027  | 2028  | 2029  | 2030  | 2031  | 2032 | 2033 | 2034 | 2035 |  | TOTAL  |  |
| <b>Annual Proposal</b>                      |      |        |       |       |       |   |       |       |      |      |      |      |  |        |  |
| Then Year Cost                              |      | 108.2  | 161.8 | 225.6 | 298.3 | 291.7   | 193.3 | 105.0 | 56.0 | 22.2 | 9.6  | 3.9  |  | 1475.5 |  |
| Constant Year Cost                          |      | 104.0  | 152.5 | 208.5 | 270.3 | 259.1   | 168.3 | 89.7  | 46.9 | 18.3 | 7.7  | 3.0  |  | 1328.2 |  |
| Present Value                               |      | 93.8   | 135.4 | 182.2 | 232.5 | 219.3   | 140.2 | 73.5  | 37.8 | 14.5 | 6.0  | 2.3  |  | 1137.6 |  |
| <b>Multiyear Proposal</b>                   |      |        |       |       |       |   |       |       |      |      |      |      |  |        |  |
| Then Year Cost                              |      | 120.7  | 165.1 | 212.2 | 267.6 | 248.9   | 162.4 | 88.5  | 46.0 | 18.4 | 7.9  | 3.0  |  | 1340.7 |  |
| Constant Year Cost                          |      | 116.1  | 155.7 | 196.1 | 242.5 | 221.1   | 141.4 | 75.5  | 38.5 | 15.1 | 6.3  | 2.4  |  | 1210.6 |  |
| Present Value                               |      | 104.7  | 138.2 | 171.4 | 208.5 | 187.2   | 117.8 | 61.9  | 31.1 | 12.0 | 4.9  | 1.8  |  | 1039.5 |  |
| <b>Difference</b>                           |      |        |       |       |       |   |       |       |      |      |      |      |  |        |  |
| Then Year Cost                              |      | (12.6) | (3.4) | 13.4  | 30.7  | 42.7  | 30.9  | 16.6  | 10.0 | 3.9  | 1.7  | 0.8  |  | 134.8  |  |
| Constant Year Cost                          |      | (12.1) | (3.2) | 12.4  | 27.8  | 37.9  | 26.9  | 14.1  | 8.4  | 3.2  | 1.4  | 0.7  |  | 117.5  |  |
| Present Value                               |      | (10.9) | (2.8) | 10.8  | 23.9  | 32.1  | 22.4  | 11.6  | 6.8  | 2.5  | 1.1  | 0.5  |  | 98.0   |  |
| <b>Multiyear Savings (\$)</b>               |      |        |       |       |       |   |       |       |      |      |      |      |  |        |  |
|   |      | (12.6) | (3.4) | 13.4  | 30.7  | 42.7  | 30.9  | 16.6  | 10.0 | 3.9  | 1.7  | 0.8  |  | 134.8  |  |

**NOTE:** MYP Procurement Period is 12 years. Real Interest Rate for MYP Procurement Period of 12 years is 1.01600000%.  
 (OMB Circular No. A-94, January 2023)

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