



Stock Rating:

Buy

Lockheed Martin Corporation

(NYSE: LMT)

Target Price: \$475 - \$515

Current Price: \$450.40

Analysts

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Investment Thesis

Valuation Summary

We recommend a **BUY** rating on Lockheed Martin Corporation with potential upside of 14%. We believe it is poised for growth due to an uptick in U.S. Defense spending.

Thesis Drivers

Geopolitical tension:

Geopolitical tension fuels Lockheed Martin's revenue growth due to increased demand for defense and security solutions. As nations perceive threats or engage in conflicts, they bolster their military capabilities. Current conflicts between Russia and Ukraine, and Israel and Hamas are the main geopolitical drivers of our thesis.

Pro-shareholder management:

A pro-shareholder management team at Lockheed Martin prioritizes maximizing returns to shareholders through stock repurchases and dividends. Since CEO Jim Taiclet took position in 2020 Lockheed has begun aggressively repurchasing shares, seeing a 272% increase in 2021 followed by a 93% increase in 2022. In this time, Lockheed has seen steady dividend growth around 7.5% per year.

Thesis Risks

Ukraine joining NATO:

If Ukraine joins NATO, the United States will potentially alter its spending initiatives towards deploying U.S. troops into Ukraine, potentially reducing spending on defense contractors like Lockheed Martin.

Unsuccessful US defense bids:

Lockheed Martin relies heavily on winning U.S. government contract bids for its revenue, as the US is its largest customer and makes up 73% of its revenue. If Lockheed consistently loses bids, it could lead to reduced revenue streams.

F-35 Program:

The F-35 program represents 26% of 2023 net sales. Decisions by the U.S. government or international customers to cut spending on this program will have a major impact on Lockheed's business.

Discounted Cash Flow:	\$480.29
Dividend Discount:	\$500.25
Relative (P/E EPS25):	\$532.90

Company Overview

Lockheed Martin is a global security and aerospace company. They primarily focus on defense, space, intelligence, homeland security and information technology. They serve both U.S. and international customers, with the U.S. Government as their principal customer. Lockheed Martin operates in four business segments: Aeronautics, Missiles and Fire Control (MFC), Rotary and Mission Systems (RMS), and Space.

Statistical Highlights

Stock Price

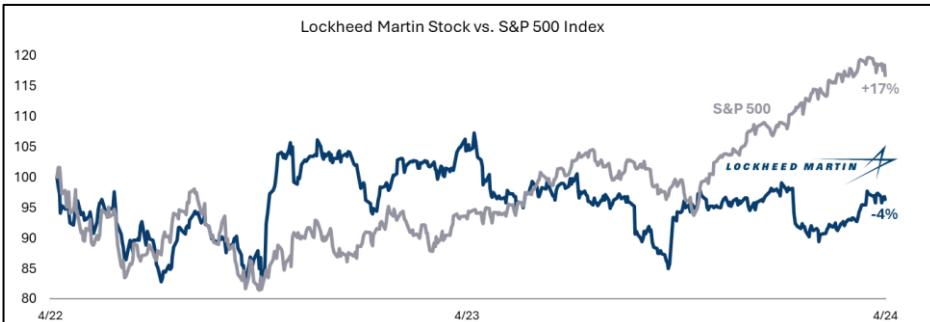
52-Week Range:	\$393.77 - \$508.10
YTD Performance:	(1.25%)

Financials

Market Cap:	\$108.32B
Shares Outstanding:	240M
2023 Revenue:	\$67,571M
2023 Net Income:	\$6,920M
2023 EPS:	\$27.65
2023 Dividend Yield:	2.80%
2023 P/E:	16.3
WACC:	6.30%
Beta:	0.524

2023 Margins & Ratios

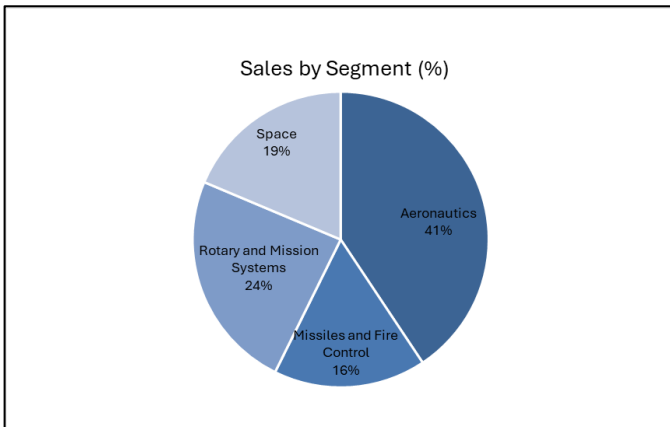
Gross Margin:	12.55%
Profit Margin:	10.24%
ROA:	13.19%
ROE:	74.68%
Quick Ratio:	1.03
Debt-to-Equity:	2.72
2023 EV/Revenue:	1.87



Company Analysis

Revenue Segments

Lockheed Martin generates its revenue from four main units. These include Aeronautics, Rotary & Missions Systems, Space, Missiles & Fire Control. Across all business segments Lockheed Martin generated \$67.57 billion in revenue during 2023. Geographically, 73.9% of this revenue was generated from the United States, 1.6% from China (will be reduced to zero moving forward due to sales by the U.S. to Taiwan), and 1.5% from both Japan and Germany.⁴



Source: 2

Aeronautics

In 2023, Aeronautics accounted for 40.7% of total revenue. This is a 1.8% growth from 2022.⁴ Aeronautics specializes in military aircraft, including combat and air mobility aircraft, unmanned air vehicles and related technologies. Major programs include the F35 Lightning II, C-130 Hercules, F-16 Fighting Falcon, and the F-22 Raptor. The F-35 is Lockheed Martin's most successful program, generating 64% of Aeronautics' revenue, and 26% of total revenue. Aeronautics also focuses on Advanced Development Programs that focus on future systems, including unmanned and manned aerial systems with next generation capabilities.²

Missiles and Fire Control

In 2023, Missiles and Fire Control accounted for 16.7% of total revenue. This is a -0.6% growth from 2022.⁴ MFC provides air and missile defense systems; tactical missiles and air-to-ground precision strike weapon systems; logistics; fire control systems; mission operations support, readiness, engineering

support and integration services; manned and unmanned ground vehicles; and energy management solutions. Major programs include Patriot Advanced Capability-3, Terminal High Altitude Area Defense, the Multiple Launch Rocket System, and the Precision Strike Missile.²

Rotary and Mission Systems

In 2023, Rotary and Mission Systems accounted for 24% of total revenue. This is a 0.6% growth from 2022.⁴ RMS designs, manufactures, services and supports various military and commercial helicopters, surface ships, sea and land-based missile defense systems, radar systems, laser systems, sea and air-based mission and combat systems, command and control mission solutions, cyber solutions, and simulation and training solutions. Major programs include the BLACK HAWK, Seahawk, and CH-35K helicopter programs.²

Space

In 2023, Space accounted for 18.7% of total revenue. This is a 9.3% growth from 2022, and the largest year over year growth across all business segments.⁴ Space is engaged in the research and design, development, engineering and production of satellites, space transportation systems, and strategic, advanced strike, and defensive systems. Space provides network-enabled situational awareness and integrates complex space and ground global systems to help customers gather, analyze and securely distribute critical intelligence data. Major programs include the Next Generation Overhead Persistent Infrared System, the Trident II D5 Fleet Ballistic Missile, and the Orion Multi-Purpose Crew Vehicle.²

Cost Analysis

Lockheed Martin breaks cost of sales down by products and services and includes severance and other unallocated items ². Product costs are their most relevant expense, and most costly as that is the main focus of business. Expenses have been growing due to material price inflation. Research and Development expenses are key to Lockheed Martin's future growth. In 2023, they spent \$1.5 billion on self-funded R&D expenses. Other sources of R&D funding come from the customer that Lockheed is contracted with. Service costs increased by 8% in 2023 due to

higher volume of F-35 sustainment contracts.² In our forecast period, we expect costs to grow in line with revenue.

Contract Type

The following are definitions of types of contracts that Lockheed Martin enters.²

Fixed-Price:

Lockheed Martin agrees to perform specified work for a pre-determined price.²

Cost-Reimbursable:

Lockheed Martin is provided with payment of allowable costs by the other party, plus a fee up to a ceiling based on the amount that has been funded. Cost-Reimbursable includes three types of contracts. Cost-Plus-Award-Fee, Cost-Plus-Incentive-Fee, and Cost-Plus-Fixed-Fee. Cost-Plus-Award-Fee provides an award fee based on predetermined criteria of performance. Cost-Plus-Incentive-Fee includes a fee adjusted by a formula based on the relationship between total allowable costs and total target costs. Cost-Plus-Fixed-Fee contracts provide a fee that is negotiated at contract inception.²

Capital Structure

Lockheed Martin has had a rather volatile debt-to-equity ratio for the past seven years. Ranging from 1.18 – 10.11, its highest being in 2018.² As of 2023, Lockheed Martin had a ratio of 2.72. While Lockheed’s ratio is considered high, this ratio is not alarming in our opinion. We see Lockheed Martin moving towards greater debt financing due to their stock repurchase program. This is not clearly seen in our modeling assumptions, but this is due to a large, retained earnings balance. Additionally, S&P has a stable credit rating for Lockheed at A-.¹¹ Seeing its last upgrade in 2019, where Lockheed’s debt-to-equity ratio was 4.32 at the FY end and 10.11 in the prior year. Compared to peers, Lockheed sits inline or above in terms of long-term credit rating. We believe this is an example of Lockheed’s stability and provides confidence that they will not default on its debt.

Debt Rating Comparison

Ticker	LMT	RTX	BA	GD	TDG	NOC	LHX	TXT	LDOS
LT Debt Rating	A-	BBB+	BBB-	A-	B+	BBB+	BBB	BBB	BBB-

Source: 11

In 2023 Lockheed had \$168M in their current maturities of long-term debt. Based on Lockheed’s cash position of \$1,442M, they should not be troubled by their current and future obligations.⁴ Lockheed does see quite different maturities in the next 10 years though. While these obligations do increase in the coming years, we believe Lockheed will not struggle to handle these maturities based on our forecasted cash balances. These obligations are shown below.

LMT LT Debt Schedule

Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Dollars (M)	\$0	\$500	\$1,168	\$750	\$500	\$183	\$400	\$0	\$800	\$1,000

Source: 2

Payout Policy & Pro-Shareholder Management

Lockheed Martin engages in both dividends paid to shareholders and stock repurchases. Their dividends have seen healthy growth, increasing by 75-cents per share in 2023, or a 6.6% increase.² Lockheed Martin typically increases their dividends by a dollar amount rather than a percentage growth rate. Between 2019 – 2022, shareholders saw an 80-cent increase per year per share.² In our model we estimated future dividends based on a historical payout ratio of earnings per share (EPS). Compared to its peers, Lockheed sits atop by dividend yield as noted in the below graphic.

2023 Dividend Yield Comparison

Ticker	LMT	RTX	GD	NOC	LHX	TXT	LDOS
Dividend Yield	2.80%	2.36%	1.97%	1.64%	2.29%	0.09%	1.21%

Source: 11

Lockheed Martin also actively repurchases stock, increasing EPS for its shareholders. Since Jim Taiclet took over as CEO in 2020, Lockheed Martin has repurchased \$19B of common stock.² They also note in their Q4 investor relations presentation that they expect to repurchase another \$4B in 2024.²⁰ For our model we have projected share repurchases as a percentage of operating cash flows (CFO) less capital expenditures (CapEx). We found 2024s projected repurchase rate to be 48%. We took this rate and applied it to our forecasted free cash flows at a falling rate of 2% each year. This is how Lockheed’s management calculates cash flows, and on average of the last ten years they have returned 62% of free cash flow (CFO – CapEx) to its shareholders.

We believe these continued efforts by management to return free cash flow to its shareholders is

representative of their commitment to their shareholders and operate with shareholders in mind.

Gross Margin

Lockheed Martin has historically sat with, or above its peers when looking at gross profit margin. This margin can help to analyze a company's revenue efficiency. In 2023 Lockheed Martin had a gross margin of 12.55%. This is slightly down, as the previous nine years averaged at 12.64%. But this is still above its peers that operate in a similar manner to Lockheed, as seen in the below graphic. This graphic shows Lockheed's operational superiority.

2023 Gross Margin Comparison

Ticker	LMT	RTX	BA	GD	NOC	TXT	LDOS
Gross Margin	13%	5%	10%	10%	6%	9%	8%

Source: 4

Industry Analysis

The aerospace and defense industry encompasses the development, manufacturing, and deployment of military and civilian aircraft, spacecraft, missiles, and related technologies. It operates at the forefront of innovation, balancing military requirements with advancements in engineering, materials science, and digital technologies to ensure national security and explore the frontiers of space. In 2023, the aerospace and defense industry generated \$453 billion in revenue in the United States. This is a 9% growth in revenue from 2022. Lockheed Martin is the third largest company based off revenue generation in the industry following RTX and Boeing. National defense spending in 2023 was \$820 billion and is projected to increase by 10.66% in 2024 according to White House outlays.⁴

Industry Outlook: Positive

We believe that the aerospace and defense industry is poised for further growth. This is due to geopolitical conflict upon us, advancing technologies that attract customers, and the constant modernization of countries military operations.

Industry Trends

In 2023, the aerospace and defense industry witnessed a revival in product demand. On the aerospace side, a surge in air travel led to an increased

demand for new aircraft and aftermarket products and services. On the defense side, new geopolitical challenges, along with the prioritization of modernizing military equipment drove demand. We expect these trends to continue into 2024. As geopolitical instability grows, the aerospace and defense industry benefits. We also believe advanced air mobility and the integration of AI into defense products will continue to drive industry growth.¹

Competitors

The aerospace and defense industry is highly competitive. Lockheed Martin's main competitors are RTX, Northrup Grumman, Boeing, General Dynamics, and L3Harris Technologies.⁴ The majority of competition stems from bidding on program opportunities from the U.S. Government. Although this is a competitive industry, the threat of competition is mitigated through collaboration with peers in effort to deliver the best product/service to customers. Competition for international sales is subject to U.S. Government stipulations.

As you can see from the included financial metric table, Lockheed Martin is well above peers EBITDA margins. Peers are currently generating revenue between \$19.4 billion and \$ 77.7 billion. Lockheed Martin is on the higher end of the range and is well above average at \$67.6 billion.⁴

Company	Sales (M)	EBITDA Margin
Lockheed Martin	\$ 67,571	14.1
RTX	\$ 68,920	10.7
Northrup	\$ 39,290	9.9
Boeing	\$ 77,794	1.3
General Dynamic	\$ 42,272	12.1
L3 Technologies	\$ 19,419	16.4
Average	\$ 52,544	10.75

Source: 4

F-35 Competitive Advantage

Lockheed Martin's F-35 fighter jet offers a competitive edge due to its advanced technology, versatility, and global demand. The F-35 generated 26% of total revenue for Lockheed Martin during 2023.² As the world's most advanced stealth aircraft, it provides Lockheed Martin with a dominant position in the defense market, securing substantial contracts and partnerships with various countries. One selected

contract is with the Pentagon, signed December 2022 for up to 398 F-35s worth \$30B.¹⁴

The program's success not only boosts Lockheed Martin's revenue streams, but we also think it positions the company as a leader in next-generation aerospace technology, ensuring continued relevance and growth in the future. Peers have also stepped up and designed accessory components for the jet, which has increased the demand for the F-35. For example, the Collins Aerospace branch of RTX has designed a \$400,000 helmet to go along with the jet. The helmet syncs to sensors on the outside of the jet which allow the pilot to see completely through the aircraft and has capabilities to lock onto enemy aircraft through tracking technology in the visor of the helmet.²¹

Porter's Five Forces

Threat of Competition: Medium

The threat of competition is ranked as Medium due to the low number of competing firms. Although there are a low number of firms in the industry, the firms that are present are well established and have a track record of success. On the defense side, typically there is only two to three firms capable of competing for the specific types of contracts from the U.S. Government, and Lockheed Martin is frequently in this category.³

Bargaining Power of Customers: Medium

In the defense industry, the U.S. Department of Defense is the primary customer. Due to this, they have a noticeable amount of bargaining power. The Pentagon usually has the final say in contract awards and can also regulate international sales.³

Bargaining power of Suppliers: Low

Due to the fact that there aren't many buyers and that customer requests can be highly specialized, suppliers typically don't have a lot of bargaining power in the aerospace and defense industry. The U.S. Government can dictate terms and specifications utilizing their power to negotiate favorable deals. With this, regulations and security considerations can restrict the pool of potential suppliers, diminishing their bargaining power.³

Threat of Substitutes: Low

Any industry changing technology is likely to be developed from within the industry. The industry as a whole receives a considerable amount of research

and development funds from the U.S. Government. For example, Lockheed Martin spent \$1.5 billion on company funded R&D expenses in 2023, while other R&D is customer funded.³

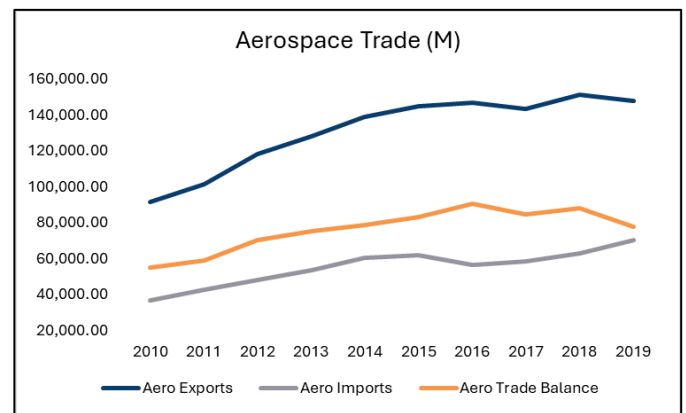
Threat of New Entrants: Low

The threat of new entrants in the aerospace and defense industry is incredibly low. The industry is very capital intensive and highly regulated. Programs can also take decades to finalize a design. Such requirements make it extremely hard for new companies to break into the industry, especially with the proven track record of the current companies in the industry. Current companies of the industry also have massive production scales and would be able to outcompete new competitors on pricing.³

Economic Analysis

GDP Growth

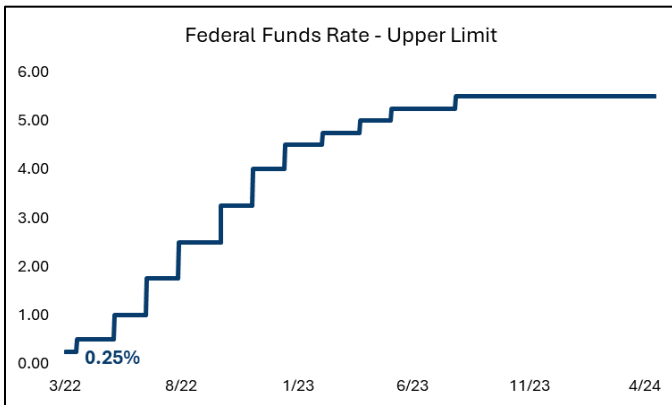
GDP (Gross Domestic Product) is a measure of a country's market value of all final goods and services produced. According to the International Trade Association, in 2019 the U.S. aerospace sector continued to produce the highest trade balance and made up the second highest level of exports among all manufacturing industries.⁵ Aerospace exports have grown at an average rate of 5.31% between 2009 – 2019, complete data is only available through 2019. With significant global tensions upon us, we expect the aerospace & defense industry to continue to be atop the manufacturing industry exports. Additionally, the U.S. government budget is influenced by GDP growth. The U.S. government uses GDP as a measure of economic performance and will adjust their spending accordingly. This increase in government spending will lead to defense contracts as the country looks to maintain its global military presence.



Source: 5

Interest Rates

Interest rates have a significant impact on the aerospace & defense industry. The Federal Reserve oversees setting the federal funds rate. This is the overnight borrowing rate banks use with each other to meet liquidity requirements. The federal funds rate is used as a benchmark by lenders to set their lending terms. The federal funds rate is currently between 5.25% - 5.50%, which has risen significantly since March 2022 where it was at 0.25% - 0.50%.¹⁰



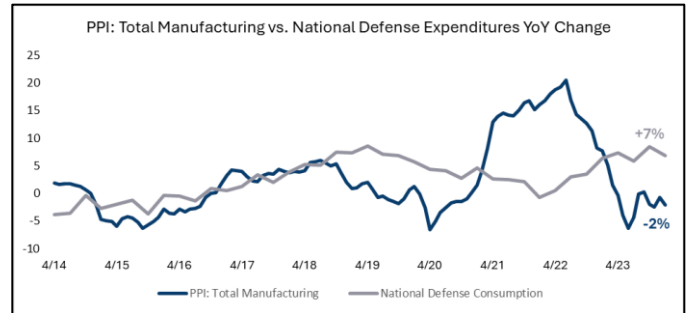
Source: 10

Because the aerospace & defense industry is so capital intensive, this increase in borrowing costs will alter the performance of companies in the space. Additionally, interest can impact government spending. Since 73% of Lockheed's revenue stems from the U.S. government, rising interest rates can impact Lockheed's success.² Interest rates also impact other pieces of Lockheed's business, including its pension obligations. For example, higher interest rates reduce the measure of gross pension obligations, while lower rates increase it. It is our opinion that we will not see a rate cut made by the Federal Reserve in 2024, due to CPI seeing less of a change than analysts had hoped in April, 2024.²⁷

Inflation

Inflation is the devaluation of one's currency, decreasing a company's purchasing power. The purchase of raw materials is a significant portion of costs in the aerospace & defense industry. Lockheed Martin notes that they believe macroeconomic conditions affect the defense industry less than other industrial sectors, but their suppliers and partners are more exposed to an economic downturn.² An economic downturn could impact their suppliers, resulting in Lockheed's operations to be impacted.

Additionally, inflation is used as guidance to the federal reserve when setting the federal funds rate. The Consumer Price Index (CPI) and Producer Price Index (PPI) are two indicators used to measure inflation. For our analysis we have chosen to look at PPI for the total manufacturing industry compared to the national defense expenditures. This data is provided in the graph below.

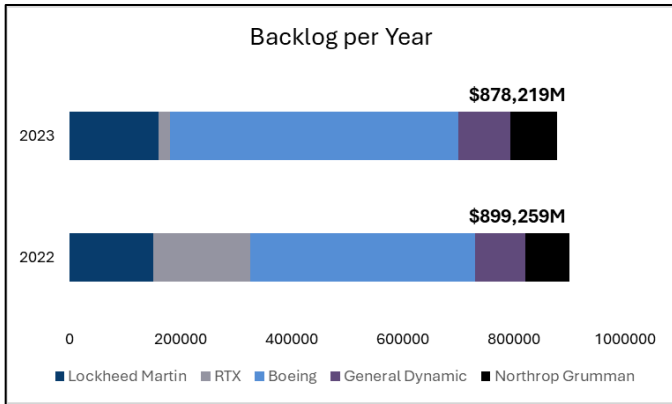


Source: 10

In March 2022 the manufacturing PPI measure had seen a year-over-year increase of 20%, while the national defense expenditure fell almost 1%. Now in 2024 we have a massive switch with 2023 Q4 national defense expenditures seeing almost a 7% increase compared to -2% for the PPI index.¹⁰ This shows us that the defense industry has seen slightly lower costs for manufacturing while demand for national defense products has seen an uptick. This means Lockheed's suppliers should be able to maintain stronger operations compared to 2022.

Supply Chain

The aerospace and defense industry is highly dependent on a smooth supply chain. If there are disruptions in the supply chain, this causes issues for companies because most of their contracts come with a time frame. These supply chain issues stemming from 2021 and 2022 have had a lasting impact on the aerospace & defense industry, noted in our visual below. These supply chain issues have caused massive backlogs in the industry. For example, Lockheed Martin has \$160.6 billion in backlog as of December 2023, a \$10B increase from the previous year.⁴ We agree with industry surveys that predict order backlogs to remain elevated in 2024.³



Source: 4

Geopolitical Conflict

Geopolitical conflict directly impacts the aerospace and defense industry by fueling demand for military equipment and technology to address security concerns. These conflicts may lead to increased defense budgets, demand for military aircraft, missiles, and other defense systems. The primary conflict right now that are impacting the industry are Ukraine and Russia, and Israel and Hamas.

Russia – Ukraine:

In February 2022, Russia had begun its invasion of Ukraine. Vladimir Putin’s reasoning for the invasion was the goal of demilitarizing Ukraine.¹⁹ Between 2014 - December 2023 the U.S. has provided Ukraine with \$47B in aid. Between December 2023 – February 2024, the U.S. has provided \$44.2B. On February 13, 2024, the senate passed the National Security Act. If enacted this would provide Ukraine \$60B with aid.¹⁸

China is also supportive of Russia and has provided manufacturing expansion, machine tools, drone and turbojet engines and technology for cruise missiles, microelectronics, and nitrocellulose. In 2023 China had exported 90% of Russia’s micro-electronics used to produce missiles, tanks, and aircrafts.⁷ China has not provided lethal weaponry to Russia. Multiple U.S. officials have noted that Ukraine is falling behind in weaponry and ammo supplies compared to Russia and are calling for more aid to be sent to Ukraine.¹²

Israel – Hamas:

On October 7, 2023, Hamas and other Palestinian militant groups launched attack from the Gaza Strip into the southern part of Israel. Conflicts between Israel and Palestine have been occurring since 1948.²² Between 1946 – 2023 Israel has received \$300B (adjusted for inflation) from the U.S. in aid. Through

2028, the U.S. will provide \$4B per year in aid. Most of this aid (82.5%) is provided in the form of grants that must be used to purchases U.S. military equipment and services. Since October 7th, the Biden administration has made more than one hundred military aid transfers to Israel, with only two meeting the congressional review threshold and made public. These each totaled around \$250M. In April 2024, the Biden administration was considering a sale worth more than \$18B to Israel. Israel currently has 39 F-35s.⁸

April 14, 2024 Update:

On April 13, 2024, Iran launched a wave of drone strikes and ballistic missiles into Israel that traveled overnight into the 14th. Approximately 350 missiles were fired toward Israel from Iran, Iraq, Yemen, and Hezbollah. According to the Israeli military, 99% of projectiles were intercepted by aerial defense systems and ally support. Light structural damage was caused to an airbase.¹⁵

NATO:

A risk to our thesis is the possibility of Ukraine being admitted into NATO. NATO, or the North Atlantic Treaty Organization, is a military alliance of currently 32 member states. NATO members have already provided substantial aid to Ukraine and have noted they will continue to provide support.²⁵ If Ukraine was to join NATO, it is noted in Article 5 of the treaty “If a NATO Ally is the victim of an armed attack, each and every other member of the Alliance will consider this act of violence as an armed attack against all members and will take the actions it deems necessary to assist the Ally attacked.”²⁶ This in turn may require the U.S. military to deploy troops into Ukraine, which could shift the defense budget away from equipment purchases and towards the cost of deploying troops.

Future contracts are hard to predict, but with global conflicts underway, other countries look to bolster up their military. For example, countries like Greece, Poland, and Turkey have all submitted orders for Lockheed Martin products in February 2024. Totaling to \$33.4B between the three.¹⁶ We believe countries will continue to increase military and defense spending as conflicts continue to rise. This rise in conflict will post an increased amount of government contracts for years to come.

Valuation Analysis

Revenue

Current management guidance and select analyst expectations expect 2024 revenue to be around \$70B.²⁰ This would be a 3.6% increase in sales compared to 2023. These expectations are mainly due to Lockheed Martin reaching an all-time backlog high of \$160B, which it expects to recognize 36% of that backlog in 2024.²

We believe that these expectations are quite low and were produced based on conservative historical growth rates from the past few years. In our analysis, we opted to forecast revenue based on U.S. defense spending forecasts provided by the Whitehouse. The Whitehouse provides estimates through 2029.²³ Following the 2029 estimate period provided, we opted to grow revenue by our inflation assumption of 3%. Lockheed Martin provides information on how much of their revenue stems from the U.S. Government, which was 73% in 2023.² We then found how much of the defense budget is specifically allocated to Lockheed Martin, and used an average of the past four years, resulting in a forecasted allocation of 6.32% of the national defense budget.

The Whitehouse expects to see almost 11% growth in defense spending due to conflict in Ukraine and Israel.²³ This increase in spending will be allocated towards military equipment used by Ukraine and Israel, directly benefiting Lockheed. This will result in 16% revenue growth in 2024 but will fall to around 1.75% growth per year in the following five years using the same assumptions. We believe that consensus is underestimating Lockheed Martin's revenue and not fully factoring in the impact of the defense spending jump.

Cost of Sales

Lockheed Martin does not provide much guidance for total cost of sales. For our analysis we projected cost of sales based on the percentage of revenue for both products and services using an average of the past few years. We took these averages of 91.44% for products, and 88.33% for services and applied these to future sales between products and services. We found that total cost of sales in 2023 was 87.45% of revenue and is stable looking at the previous nine years.

Additionally, research and development costs are included in cost of sales, but are not completely listed out other than company-funded R&D, due to customer funded contractual agreements.² We forecasted operating income in 2024 to be \$8,950M, which is slightly above analyst expectations of about \$8,450. We believe analyst aren't fully factoring in backlog refinement in the coming year.⁴

Capital Expenditures

The majority of Lockheed Martin's capital expenditures (CapEx) are attributable to equipment, facility infrastructure, and information technology infrastructure.² We calculated CapEx to be \$1.3B for 2024. Management does not provide much guidance for forecasting CapEx. For our analysis we forecasted 2024 CapEx based on a historical average. We then grew the following years by our inflation assumption of 3%.

Cost of Equity

We calculated Lockheed Martin's cost of equity using the Capital Asset Pricing Model (CAPM) and produced a value of 6.72%. For the risk-free rate we used the current yield on the 10-year treasury, which was 4.50% as of our report date.²⁴ For our beta we used the 2-year weekly beta from Bloomberg, which was 0.524. We used this time window for the beta, as we believe it accurately captures the impact of Russia's invasion of Ukraine. For the Equity Risk Premium (ERP), we used Damodaran's April 1st trailing 12-month cash yield calculation, resulting in an ERP of 4.23%.⁹

Cost of Debt

We calculated Lockheed Martin's after-tax cost of debt to be 3.85%. For the pre-tax cost of debt, we used the yield on a 10-year corporate bond issued by Lockheed. We found this on Bloomberg, and the yield was 5.04%. We used Lockheed Martin's marginal tax rate of 23.74% to calculate the after-tax cost of debt.

Weighted Average Cost of Capital

Lockheed Martin's weighted average cost of capital (WACC) is 6.30%. We calculated this using the cost of equity of 6.72% and after-tax cost of debt of 3.85%, multiplied by the market value weights for both equity and debt. We found these weights to be 85% equity and 15% debt.² This calculated WACC was used as

the discount factor in the DCF and EP valuation model.

Discounted Cash Flow & Economic Profit

In our discounted cash flow (DCF) and economic profit (EP) valuation we calculated an intrinsic stock price of \$480.29 for Lockheed Martin, this value is \$5 below an aggregate of analyst's price targets.⁴ We forecasted a 10-year projection period to forecast free cash flows. We then discounted these cash flows to the present day using our WACC of 6.30%. We calculated free cash flow values by finding the net operating profit less adjusted taxes (NOPLAT), then by subtracting the change in invested capital (IC).

The EP model was calculated by forecasting future economic profit and discounting it to the present value using our WACC. The EP for each year was calculated by taking beginning IC and multiplying it by the difference between return on invested capital (ROIC) and WACC. These values for each year were added up with the last FYE IC. For both models, we made non-operating adjustments to calculate the equity value. We then divided the equity value by the number of shares outstanding to yield an intrinsic stock price of \$480.29, for both models.

These models are highly sensitive to our NOPLAT carrying value (CV) assumption, which we determined to be 4.25%. We based our NOPLAT growth assumption on the average eight-year historical growth rate of defense spending, which was 4.25%. This is slightly conservative compared to analysts LT expectations of 4.9%.⁴ We believe our DCF and EP analysis is a fair assumption of the intrinsic stock price of Lockheed Martin but choose to place an equal weight to the dividend discount model due to the sensitivity of the model when an adjustment to the CV growth rate is made.

Dividend Discount Model

In our dividend discount model (DDM) we calculated an intrinsic stock price of \$500.25 for Lockheed Martin. We found that Lockheed Martin has steadily increased dividends between 70 – 80 cents per year. We forecasted the next ten years of dividends based on a historical payout ratio of EPS, which we found to be 44%.² This yielded a slightly slower growth of dividends, of about 62-cents per year. After discounting these dividends by our calculated cost of

equity of 6.72%, we determined our intrinsic stock price. We emphasize our DDM model equal to the DCF and EP model, but less than the relative valuation model because of the stable nature of historical and projected dividend growth.

Relative Valuation

For the relative valuation model, we used named competitors of Lockheed Martin that are working towards defense contracts. These companies are RTX, Boeing, General Dynamics, TransDigm Group, Northrop Grumman, L3Harris Technologies, Textron, and Leidos.⁴ For our analysis we looked at three different metrics. P/E (EPS2024), P/E (EPS2025), and EV/Revenue (2023). In our analysis we decided to exclude Boeing and TransDigm Group from the average calculation of the three metrics, due to these two companies trading at significantly higher multiples than the other named competitors.

For P/E (EPS2024) we determined an intrinsic stock price of \$584.32, and for 2025 a stock price of \$532.90. We determined an intrinsic stock price of \$510.90 when looking at the 2023 enterprise value to revenue multiple. We decided that our best estimate for a relative valuation would be to use P/E (EPS2024) because this multiple considers forward looking earnings, and factors costs, unlike the EV/Revenue multiple. When compared to peers in the industry, Lockheed Martin is undervalued based on all three metrics. We are placing less emphasis on this valuation methodology as it can be skewed based on competitor performance.

Sensitivity Analysis

Beta vs. Equity Risk Premium

The beta and equity risk premium are key variables when calculating a companies WACC. As beta and the equity risk premium decrease, meaning lower volatility, the intrinsic stock price of Lockheed Martin increases. As noted in the below table, slight changes to either variable have a huge impact on Lockheed's WACC, thus leading to a change in stock price. The stock price calculated from a 0.05 change in beta, and a 0.1% change in the equity risk premium yielded a range of \$331.11 - \$747.62.

		Beta							
		480.29	0.367	0.419	0.472	0.524	0.576	0.629	0.681
Equity Risk Premium	3.93%	747.62	654.51	580.23	519.58	469.13	426.49	389.98	
	4.03%	729.35	638.07	565.29	505.89	456.49	414.76	379.03	
	4.13%	711.86	622.34	551.00	492.80	444.42	403.55	368.58	
	4.23%	695.12	607.29	537.33	480.29	432.88	392.84	358.59	
	4.33%	679.07	592.87	524.25	468.31	421.83	382.60	349.03	
	4.43%	663.67	579.04	511.70	456.83	411.25	372.78	339.88	
	4.53%	648.88	565.77	499.66	445.82	401.10	363.37	331.11	

Marginal Tax Rate vs. Risk-Free Rate

The marginal tax rate is an important metric to look at because it heavily influences a company's profit. An increase in the tax rate also lowers the after-tax cost of debt, thus lowering WACC. Included in the WACC calculation is the risk-free rate. This metric is used in the cost of equity, and as the risk-free rate increases, so does WACC. The stock price calculated from a 1% change in the marginal tax rate, and a 0.1% change in the risk-free rate yielded a range of \$380.69 - \$605.30.

		Marginal Tax Rate							
		480.29	20.74%	21.74%	22.74%	23.74%	24.74%	25.74%	26.74%
Risk-Free Rate	4.20%	605.30	590.44	575.47	560.38	545.16	529.81	514.34	
	4.30%	574.54	560.22	545.79	531.26	516.60	501.83	486.95	
	4.40%	546.42	532.61	518.69	504.67	490.54	476.31	461.97	
	4.50%	520.62	507.27	493.83	480.29	466.65	452.92	439.08	
	4.60%	496.86	483.95	470.95	457.86	444.68	431.41	418.05	
	4.70%	474.91	462.40	449.82	437.15	424.40	411.57	398.65	
	4.80%	454.56	442.44	430.25	417.98	405.63	393.20	380.69	

Pre-Tax Cost of Debt vs. Cost of Equity

Both the pre-tax cost of debt and the cost of equity are incorporated in the WACC calculation. The pre-tax cost of debt can be influenced by interest rates, creditworthiness, and overall market conditions. Both metrics when decreased, decrease WACC overall. Lockheed Martin is 85% equity financed, so changes in the cost of equity change the stock price at a greater rate. The stock price calculated from a 0.1% change in the pre-tax cost of debt, and a 0.1% change in the cost of equity yielded a range of \$411.21 - \$572.10.

		Pre-Tax Cost of Debt							
		480.29	4.74%	4.84%	4.94%	5.04%	5.14%	5.24%	5.34%
Cost of Equity	6.42%	572.10	568.14	564.23	560.38	556.57	552.80	549.09	
	6.52%	541.91	538.31	534.76	531.26	527.79	524.37	520.98	
	6.62%	514.38	511.10	507.87	504.67	501.50	498.37	495.28	
	6.72%	489.18	486.19	483.22	480.29	477.39	474.52	471.68	
	6.82%	466.03	463.28	460.55	457.86	455.19	452.55	449.94	
	6.92%	444.69	442.15	439.64	437.15	434.69	432.25	429.84	
	7.02%	424.94	422.60	420.28	417.98	415.70	413.44	411.21	

CV Growth of NOPLAT vs. WACC

The DCF model is extremely sensitive to the carrying value growth of NOPLAT and the calculated WACC. The CV growth of NOPLAT is a more difficult metric to

predict due to the long-term time horizon but is still key to the model. The WACC can fluctuate due to the cost of equity and debt, the risk-free rate, and the volatility of Lockheed Martin. Because of these reasons, both the CV growth and WACC are key to examine. The stock price calculated from a 0.1% change to each variable yielded a range of \$366.58 - \$687.38.

		CV Growth of NOPLAT							
		480.29	3.95%	4.05%	4.15%	4.25%	4.35%	4.45%	4.55%
WACC	6.00%	499.05	522.37	548.22	577.03	609.35	645.84	687.38	
	6.10%	471.84	492.73	515.76	541.30	569.75	601.67	637.72	
	6.20%	447.04	465.84	486.47	509.23	534.45	562.56	594.08	
	6.30%	424.36	441.34	459.91	480.29	502.76	527.67	555.44	
	6.40%	403.53	418.93	435.70	454.04	474.17	496.37	520.98	
	6.50%	384.33	398.35	413.56	430.13	448.24	468.13	490.05	
	6.60%	366.58	379.38	393.23	408.25	424.62	442.51	462.15	

Product Costs as % of Product Sales vs. CapEx Growth Rate

Product costs are Lockheed Martins largest expense each year. Additionally, service costs are Lockheed's second highest. Slight changes to the costs of sales for each variable has immense impact on the profitability of the company. The stock price calculated from a 1% change to each variable yielded a range of \$163.65 - \$796.93.

		Product Costs as % of Product Sales							
		480.29	-88.44%	-89.44%	-90.44%	-91.44%	-92.44%	-93.44%	-94.44%
Service Costs as % of Service Sales	-85.33%	796.93	709.04	621.16	533.27	445.38	357.49	269.61	
	-86.33%	779.27	691.38	603.50	515.61	427.72	339.83	251.95	
	-87.33%	761.61	673.72	585.84	497.95	410.06	322.17	234.29	
	-88.33%	743.95	656.06	568.18	480.29	392.40	304.51	216.63	
	-89.33%	726.29	638.40	550.52	462.63	374.74	286.85	198.97	
	-90.33%	708.63	620.74	532.86	444.97	357.08	269.19	181.31	
	-91.33%	690.97	603.08	515.19	427.31	339.42	251.53	163.65	

Conclusion

We designated Lockheed Martin as a BUY due to current Geopolitical conflicts in Ukraine and Israel, and the proven pro-shareholder management team. We believe Lockheed Martin comes with a potential upside of 14%.

Important Disclaimer

This report was created by students enrolled in the Applied Equity Valuation class at the University of Iowa. The report was originally created to offer an internal investment recommendation for the University of Iowa Krause Fund and its advisory board. The report also provides potential employers and other interested parties an example of the student's skills, knowledge, and abilities. Members of the Krause Fund are not registered investment advisors, brokers, or officially licensed financial professionals. The investment advice contained in this report does not represent an offer or solicitation to buy or sell any of the securities mentioned. Unless otherwise noted, facts and figures included in this report are from publicly available sources. This report is not a complete compilation of data, and its accuracy is not guaranteed. From time to time, the University of Iowa, its faculty, staff, students, or the Krause Fund may hold a financial interest in the companies mentioned in this report.

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Lockheed Martin Corporation
Revenue Decomposition



Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
U.S. Defense Spending	753,897	765,649	820,263	907,728	926,763	932,953	947,240	967,053	988,661	1,018,321	1,048,870	1,080,337	1,112,747
Growth %	4.04%	1.56%	7.13%	10.66%	2.10%	0.67%	1.53%	2.09%	2.23%	3.00%	3.00%	3.00%	3.00%
% of Sales from U.S. Gov.	71%	73%	73%	73%	73%	73%	73%	73%	73%	73%	73%	73%	73%
Revenue from U.S. Gov.	47,601	48,168	49,327	57,409	58,612	59,004	59,907	61,160	62,527	64,403	66,335	68,325	70,375
Allocation of Defense Budget %	6.31%	6.29%	6.01%	6.32%	6.32%	6.32%	6.32%	6.32%	6.32%	6.32%	6.32%	6.32%	6.32%
Non-U.S. Gov. Revenue	19,443	17,816	18,244	21,233	21,679	21,823	22,158	22,621	23,126	23,820	24,535	25,271	26,029
Non-U.S. Gov. Revenue %	29%	27%	27%	27%	27%	27%	27%	27%	27%	27%	27%	27%	27%
Total Revenue	67,044	65,984	67,571	78,642	80,291	80,827	82,065	83,781	85,654	88,223	90,870	93,596	96,404
Net sales													
Aeronautics	26,748	26,987	27,474	31,975	32,646	32,864	33,367	34,065	34,826	35,871	36,947	38,056	39,197
Growth %	1.84%	0.89%	1.80%	16.38%	2.10%	0.67%	1.53%	2.09%	2.23%	3.00%	3.00%	3.00%	3.00%
Missiles and Fire Control	11,693	11,317	11,253	13,097	13,371	13,461	13,667	13,953	14,264	14,692	15,133	15,587	16,055
Growth %	3.87%	-3.22%	-0.57%	16.38%	2.10%	0.67%	1.53%	2.09%	2.23%	3.00%	3.00%	3.00%	3.00%
Rotary and Mission Systems	16,789	16,148	16,239	18,900	19,296	19,425	19,722	20,135	20,585	21,202	21,838	22,493	23,168
Growth %	4.96%	-3.82%	0.56%	16.38%	2.10%	0.67%	1.53%	2.09%	2.23%	3.00%	3.00%	3.00%	3.00%
Space	11,814	11,532	12,605	14,670	14,978	15,078	15,309	15,629	15,978	16,458	16,951	17,460	17,984
Growth %	-0.56%	-2.39%	9.30%	16.38%	2.10%	0.67%	1.53%	2.09%	2.23%	3.00%	3.00%	3.00%	3.00%
Total Net Sales	67,044	65,984	67,571	78,642	80,291	80,827	82,065	83,781	85,654	88,223	90,870	93,596	96,404
Growth %	2.52%	-1.58%	2.41%	16.38%	2.10%	0.67%	1.53%	2.09%	2.23%	3.00%	3.00%	3.00%	3.00%
Net sales													
Aeronautics	26,748	26,987	27,474	31,975	32,646	32,864	33,367	34,065	34,826	35,871	36,947	38,056	39,197
% of Net Sales	40%	41%	41%	41%	41%	41%	41%	41%	41%	41%	41%	41%	41%
Missiles and Fire Control	11,693	11,317	11,253	13,097	13,371	13,461	13,667	13,953	14,264	14,692	15,133	15,587	16,055
% of Net Sales	17%	17%	17%	17%	17%	17%	17%	17%	17%	17%	17%	17%	17%
Rotary and Mission Systems	16,789	16,148	16,239	18,900	19,296	19,425	19,722	20,135	20,585	21,202	21,838	22,493	23,168
% of Net Sales	25%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%
Space	11,814	11,532	12,605	14,670	14,978	15,078	15,309	15,629	15,978	16,458	16,951	17,460	17,984
% of Net Sales	18%	17%	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%
Total Net Sales	67,044	65,984	67,571	78,642	80,291	80,827	82,065	83,781	85,654	88,223	90,870	93,596	96,404

Lockheed Martin Corporation
Income Statement



Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Total net sales	67,044	65,984	67,571	78,642	80,291	80,827	82,065	83,781	85,654	88,223	90,870	93,596	96,404
Products	56,435	55,466	56,265	65,483	66,857	67,303	68,334	69,763	71,322	73,462	75,665	77,935	80,273
Services	10,609	10,518	11,306	13,158	13,434	13,524	13,731	14,018	14,332	14,762	15,204	15,660	16,130
Total Cost of sales	(57,983)	(57,697)	(59,092)	(68,862)	(70,344)	(70,825)	(71,927)	(73,451)	(75,109)	(77,386)	(79,728)	(82,137)	(84,616)
Products	(51,381)	(50,761)	(51,636)	(59,881)	(61,137)	(61,545)	(62,488)	(63,795)	(65,220)	(67,177)	(69,192)	(71,268)	(73,406)
Services	(9,434)	(9,252)	(10,027)	(11,622)	(11,866)	(11,945)	(12,128)	(12,382)	(12,658)	(13,038)	(13,429)	(13,832)	(14,247)
Depreciation and Amortization	1,364	1,404	1,430	1,384	1,375	1,373	1,377	1,386	1,400	1,418	1,441	1,467	1,496
Depreciation	904	903	920	1,073	1,108	1,143	1,179	1,216	1,254	1,293	1,333	1,374	1,416
Amortization	460	501	510	310	267	229	197	170	146	125	108	93	80
Severance charges	(36)	(100)	(92)	(63)	(64)	(65)	(66)	(67)	(69)	(71)	(73)	(75)	(77)
Other unallocated, net	1,504	1,012	1,233	1,321	1,348	1,357	1,378	1,407	1,438	1,481	1,526	1,572	1,619
Gross profit	9,061	8,287	8,479	9,779	9,947	10,002	10,138	10,330	10,544	10,837	11,142	11,459	11,788
Other income / expense, net	62	61	28	59	56	50	57	56	57	60	61	63	65
Operating profit	9,123	8,348	8,507	9,839	10,003	10,052	10,195	10,387	10,601	10,897	11,203	11,521	11,852
Interest expense	(569)	(623)	(916)	(880)	(843)	(876)	(918)	(907)	(907)	(904)	(929)	(925)	(982)
Other non-operating income / expense, net	(1,004)	(1,045)	507	0	0	0	0	0	0	0	0	0	0
Non-service FAS pension / expense income	(1,292)	(971)	443	0	0	0	0	0	0	0	0	0	0
Other non-operating income / expense	288	(74)	64	0	0	0	0	0	0	0	0	0	0
Earnings before income taxes	7,550	6,680	8,098	8,958	9,160	9,176	9,276	9,479	9,694	9,993	10,273	10,597	10,871
Income tax expense	(1,235)	(948)	(1,178)	(2,127)	(2,175)	(2,178)	(2,202)	(2,251)	(2,302)	(2,372)	(2,439)	(2,516)	(2,581)
Net earnings from continuing operations	6,315	5,732	6,920	6,831	6,985	6,997	7,074	7,229	7,393	7,621	7,834	8,081	8,290
Net earnings	6,315	5,732	6,920	6,831	6,985	6,997	7,074	7,229	7,393	7,621	7,834	8,081	8,290
Reported Share Information													
Shares Outstanding	271.00	254.00	240.00	232.34	226.78	221.73	217.21	213.09	209.34	205.94	202.85	200.06	197.58
Basic Shares (weighted)	276.40	263.70	250.30	236.17	229.56	224.25	219.47	215.15	211.22	207.64	204.40	201.46	198.82
Basic Earnings Per share	22.85	21.74	27.65	28.93	30.43	31.20	32.23	33.60	35.00	36.70	38.33	40.11	41.69
Annual Dividend Per Share	10.60	11.40	12.15	12.71	13.37	13.71	14.16	14.76	15.38	16.13	16.84	17.63	18.32

Fiscal Years Ending Dec. 31	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net cash provided by operating activities	3,866	5,101	5,189	6,476	3,138	7,311	8,183	9,221	7,802	7,920
Net earnings	3,614	3,605	5,173	1,963	5,046	6,230	6,833	6,315	5,732	6,920
Adjustments to reconcile net earnings	252	1,496	16	4,513	(1,908)	1,081	1,350	2,906	2,070	1,000
Depreciation and amortization	994	1,026	1,215	1,195	1,161	1,189	1,290	1,364	1,404	1,430
Stock-based compensation	164	138	149	158	173	189	221	227	238	265
Equity method investment impairment					0	0	128			
Tax resolution related to former IS&GS business					0	0	55			
Goodwill impairment charges	119									
Pension settlement charge						0	0	1,665	1,470	0
Severance charges / credits	0	102	99	0	96	0	27	36	100	92
Deferred income taxes	(401)	(445)	(193)	3,448	(244)	222	5	(183)	(757)	(498)
Gain on property sale		0	0	(198)	0	(51)				
Gain on divestiture of IS&GS business segment	0	0	(1,201)	(73)						
Gain on step acquisition of AWE	0	0	(104)							
Changes in assets and liabilities	(624)	675	51	(17)	(3,094)	(468)	(376)	(203)	(385)	(289)
Receivables, net	28	(256)	598	(902)	(179)	107	359	15	(542)	373
Contract assets			(1,246)	390	(1,480)	378	(451)	(1,034)	(1,739)	(865)
Inventories, net	77	(398)	173	(79)	(119)	(622)	74	564	(107)	(44)
Accounts payable	95	(160)	(188)	(189)	914	(1,098)	(372)	(98)	1,274	151
Customer advances and amounts in excess of costs incurred	(572)	(32)								
Contract liabilities			(163)	353	(537)	563	491	562	381	702
Income taxes	351	(48)	146	(1,210)	1,077	(151)	(19)	45	148	(133)
Postretirement benefit plans	(880)	1,068	1,028	1,316	(3,574)	81	(1,197)	(267)	(412)	(378)
Other, net	277	501	(297)	304	804	274	739	10	612	(95)
Net cash used for / provided by investing activities	(1,723)	(9,734)	(985)	(1,147)	(1,075)	(1,241)	(2,010)	(1,161)	(1,789)	(1,694)
Capital expenditures	(845)	(939)	(1,063)	(1,177)	(1,278)	(1,484)	(1,766)	(1,522)	(1,670)	(1,691)
Expenditures for property, plant and equipment										
Expenditures for capitalized internal-use software										
Other, net	(878)	(8,795)	78	30	203	243	(244)	361	(119)	(3)
Other, net excluding maturities of short-term investments	(878)	(8,795)	78							
Acquisitions of businesses and investments in affiliates	(898)	(9,003)								
Other, net excluding acquisitions	20	208	78							
Net cash used for / provided by financing activities	(3,314)	4,277	(3,457)	(4,305)	(4,152)	(5,328)	(4,527)	(7,616)	(7,070)	(7,331)
Repayments of / proceeds from commercial paper, net			0	0	600	(600)				
Proceeds from issuance of commercial paper, net			0	0	600					
Repayments of commercial paper, net					0	(600)				
Special cash payment from divestiture of IS&GS business segment	0	0	1,800							
Repayments of long-term debt	0	9,101	(952)	0	(750)	(900)	(519)	(500)	3,961	1,860
Issuance of long-term debt, net of related costs	0	9,101			0	0	1,131	0	6,211	1,975
Repayments of long-term debt	0	0			(750)	(900)	(1,650)	(500)	(2,250)	(115)
Proceeds from borrowings under revolving credit facilities	0	6,000								
Repayments of borrowings under revolving credit facilities	0	(6,000)								
Repurchases of common stock	(1,900)	(3,071)	(2,096)	(2,001)	(1,492)	(1,200)	(1,100)	(4,087)	(7,900)	(6,000)
Dividends paid	(1,760)	(1,932)	(2,048)	(2,163)	(2,347)	(2,556)	(2,764)	(2,940)	(3,016)	(3,056)
Other, net	346	179	(161)	(141)	(163)	(72)	(144)	(89)	(115)	(135)
Proceeds from stock option exercises	308	174								
Other, net	38	5								
Net change in cash and cash equivalents	(1,171)	(356)	747	1,024	(2,089)	742	1,646	444	(1,057)	(1,105)
Cash and cash equivalents at beginning of period	2,617	1,446	1,090	1,837	2,861	772	1,514	3,160	3,604	2,547
Cash and cash equivalents at end of period	1,446	1,090	1,837	2,861	772	1,514	3,160	3,604	2,547	1,442

Lockheed Martin Corporation
Forecasted Cash Flow Statement



<i>Fiscal Years Ending Dec. 31</i>	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Net cash provided by operating activities	9,657	8,279	8,344	8,390	8,531	8,702	8,914	9,147	9,415	9,649
Net Earnings	6,831	6,985	6,997	7,074	7,229	7,393	7,621	7,834	8,081	8,290
Depreciation	1,073	1,108	1,143	1,179	1,216	1,254	1,293	1,333	1,374	1,416
Receivables, net	(349)	(52)	(17)	(39)	(54)	(59)	(81)	(84)	(86)	(89)
Contract assets	9	(276)	(90)	(207)	(288)	(314)	(430)	(443)	(457)	(470)
Inventories, net	(475)	(76)	(25)	(57)	(79)	(86)	(118)	(121)	(125)	(129)
Other current assets	(53)	(14)	(5)	(11)	(15)	(16)	(22)	(23)	(24)	(24)
Intangible assets, net	310	267	229	197	170	146	125	108	93	80
Deferred income taxes	(484)	(72)	(23)	(54)	(75)	(82)	(112)	(116)	(119)	(123)
Accounts payable	379	56	18	42	59	64	88	91	93	96
Salaries, benefits and payroll taxes	557	77	25	58	81	88	121	124	128	132
Other current liabilities	353	52	17	39	54	59	81	84	86	89
Contract liabilities	1,506	224	73	168	233	255	349	360	371	382
ESOP	0	0	0	0	0	0	0	0	0	0
Net cash used for / provided by investing activities	(1,572)	(1,619)	(1,667)	(1,717)	(1,769)	(1,822)	(1,876)	(1,933)	(1,991)	(2,050)
Capital Expenditures	(1,344)	(1,384)	(1,425)	(1,468)	(1,512)	(1,557)	(1,604)	(1,652)	(1,702)	(1,753)
Other noncurrent assets	(228)	(235)	(242)	(249)	(257)	(264)	(272)	(280)	(289)	(298)
Net cash used for / provided by financing activities	(8,104)	(5,933)	(5,628)	(6,558)	(6,311)	(6,319)	(5,751)	(6,343)	(5,135)	(5,692)
Current maturities of long-term debt	(168)	500	668	(418)	(250)	(317)	217	(400)	800	200
Long-term debt, net	(575)	162	163	202	235	258	292	312	330	347
Accrued pension liabilities	(616)	(616)	(616)	(616)	(616)	(616)	(616)	(616)	(616)	(616)
Other noncurrent liabilities	258	271	284	298	313	328	344	361	379	398
Repurchases of common stock	(4,000)	(3,180)	(3,052)	(2,915)	(2,816)	(2,723)	(2,640)	(2,557)	(2,477)	(2,378)
Dividends paid	(3,002)	(3,069)	(3,075)	(3,108)	(3,176)	(3,249)	(3,349)	(3,443)	(3,551)	(3,643)
Net change in cash and cash equivalents	(18)	728	1,049	115	451	561	1,286	871	2,289	1,907
Cash and cash equivalents at beginning of period	1,442	1,424	2,151	3,200	3,315	3,767	4,328	5,614	6,485	8,774
Cash and cash equivalents at end of period	1,424	2,151	3,200	3,315	3,767	4,328	5,614	6,485	8,774	10,681



Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Total net sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Products	84.18%	84.06%	83.27%	83.27%	83.27%	83.27%	83.27%	83.27%	83.27%	83.27%	83.27%	83.27%	83.27%
Services	15.82%	15.94%	16.73%	16.73%	16.73%	16.73%	16.73%	16.73%	16.73%	16.73%	16.73%	16.73%	16.73%
Total Cost of sales	-86.48%	-87.44%	-87.45%	-87.56%	-87.61%	-87.63%	-87.65%	-87.67%	-87.69%	-87.72%	-87.74%	-87.76%	-87.77%
Products	-76.64%	-76.93%	-76.42%	-76.14%	-76.14%	-76.14%	-76.14%	-76.14%	-76.14%	-76.14%	-76.14%	-76.14%	-76.14%
Services	-14.07%	-14.02%	-14.84%	-14.78%	-14.78%	-14.78%	-14.78%	-14.78%	-14.78%	-14.78%	-14.78%	-14.78%	-14.78%
Depreciation and Amortization	2.03%	2.13%	2.12%	1.76%	1.71%	1.70%	1.68%	1.65%	1.63%	1.61%	1.59%	1.57%	1.55%
Depreciation	1.35%	1.37%	1.36%	1.36%	1.38%	1.41%	1.44%	1.45%	1.46%	1.47%	1.47%	1.47%	1.47%
Amortization	0.82%	0.90%	0.91%	0.47%	0.40%	0.34%	0.29%	0.24%	0.20%	0.17%	0.14%	0.12%	0.10%
Severance charges	-0.05%	-0.15%	-0.14%	-0.08%	-0.08%	-0.08%	-0.08%	-0.08%	-0.08%	-0.08%	-0.08%	-0.08%	-0.08%
Other unallocated, net	2.24%	1.53%	1.82%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%
Gross profit	13.52%	12.56%	12.55%	12.51%	12.46%	12.44%	12.42%	12.40%	12.38%	12.35%	12.33%	12.31%	12.29%
Other income / expense, net	0.09%	0.09%	0.04%	0.08%	0.07%	0.06%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%
Operating profit	13.61%	12.65%	12.59%	12.51%	12.46%	12.44%	12.42%	12.40%	12.38%	12.35%	12.33%	12.31%	12.29%
Interest expense	-0.85%	-0.94%	-1.36%	-1.12%	-1.05%	-1.08%	-1.12%	-1.08%	-1.06%	-1.02%	-1.02%	-0.99%	-1.02%
Other non-operating income / expense, net	-1.50%	-1.58%	0.75%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Non-service FAS pension / expense income	-1.93%	-1.47%	0.66%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other non-operating income / expense	0.43%	-0.11%	0.09%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Earnings before income taxes	11.26%	10.12%	11.98%	11.39%	11.41%	11.35%	11.30%	11.31%	11.32%	11.33%	11.31%	11.32%	11.28%
Income tax expense	-1.84%	-1.44%	-1.74%	-2.70%	-2.71%	-2.70%	-2.68%	-2.69%	-2.69%	-2.69%	-2.68%	-2.69%	-2.68%
Net earnings from continuing operations	9.42%	8.69%	10.24%	8.69%	8.70%	8.66%	8.62%	8.63%	8.63%	8.64%	8.62%	8.63%	8.60%
Net earnings / loss from discontinued operations	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net earnings	9.42%	8.69%	10.24%	8.69%	8.70%	8.66%	8.62%	8.63%	8.63%	8.64%	8.62%	8.63%	8.60%



Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Total assets	75.88%	80.14%	77.63%	68.64%	69.05%	70.45%	70.39%	70.55%	70.81%	71.59%	71.87%	73.65%	74.92%
Total current assets	29.56%	31.81%	30.37%	27.18%	28.04%	29.32%	29.41%	29.86%	30.42%	31.73%	32.50%	34.74%	36.44%
Cash and cash equivalents	5.38%	3.86%	2.13%	1.81%	2.68%	3.96%	4.04%	4.50%	5.05%	6.36%	7.14%	9.37%	11.08%
Receivables, net	2.93%	3.80%	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%
Contract assets	15.78%	18.67%	19.51%	16.75%	16.75%	16.75%	16.75%	16.75%	16.75%	16.75%	16.75%	16.75%	16.75%
Inventories, net	4.45%	4.68%	4.64%	4.59%	4.59%	4.59%	4.59%	4.59%	4.59%	4.59%	4.59%	4.59%	4.59%
Other current assets	1.03%	0.81%	0.94%	0.87%	0.87%	0.87%	0.87%	0.87%	0.87%	0.87%	0.87%	0.87%	0.87%
Property, plant and equipment, net	11.33%	12.09%	12.39%	10.99%	11.11%	11.38%	11.56%	11.68%	11.78%	11.79%	11.79%	11.80%	11.81%
Property, plant and equipment	28.49%	30.52%	31.35%	28.64%	29.78%	31.34%	32.66%	33.80%	34.88%	35.68%	36.46%	37.21%	37.95%
Accumulated Depreciation	17.16%	18.43%	18.96%	17.66%	18.67%	19.96%	21.10%	22.12%	23.10%	23.89%	24.66%	25.41%	26.14%
Goodwill	16.13%	16.34%	15.98%	13.73%	13.45%	13.36%	13.16%	12.89%	12.61%	12.24%	11.88%	11.54%	11.20%
Intangible assets, net	4.04%	3.73%	3.27%	2.42%	2.04%	1.74%	1.47%	1.24%	1.04%	0.87%	0.73%	0.61%	0.51%
Deferred income taxes	3.42%	5.67%	4.37%	4.37%	4.37%	4.37%	4.37%	4.37%	4.37%	4.37%	4.37%	4.37%	4.37%
Other noncurrent assets	11.41%	10.50%	11.25%	9.96%	10.04%	10.28%	10.42%	10.52%	10.60%	10.60%	10.60%	10.60%	10.60%
Total liabilities and stockholders' equity	75.88%	80.14%	77.63%	68.64%	69.05%	70.45%	70.39%	70.55%	70.81%	71.59%	71.87%	73.65%	74.92%
Total liabilities	59.53%	66.10%	67.52%	60.16%	59.83%	60.22%	59.03%	57.95%	56.83%	56.16%	54.88%	54.96%	54.42%
Total current liabilities	20.88%	24.08%	25.07%	24.88%	25.50%	26.32%	25.79%	25.47%	25.09%	25.33%	24.88%	25.73%	25.91%
Accounts payable	1.16%	3.21%	3.42%	3.42%	3.42%	3.42%	3.42%	3.42%	3.42%	3.42%	3.42%	3.42%	3.42%
Other current liabilities	7.62%	7.83%	7.79%	7.85%	7.85%	7.85%	7.85%	7.85%	7.85%	7.85%	7.85%	7.85%	7.85%
Salaries, benefits and payroll taxes	4.64%	4.66%	4.64%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%
Other current liabilities	2.99%	3.17%	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%
Contract liabilities	12.09%	12.86%	13.60%	13.60%	13.60%	13.60%	13.60%	13.60%	13.60%	13.60%	13.60%	13.60%	13.60%
Current maturities of long-term debt	0.00%	0.18%	0.25%	0.00%	0.62%	1.45%	0.91%	0.60%	0.21%	0.45%	0.00%	0.85%	1.04%
Long-term debt, net	17.41%	23.38%	25.59%	21.26%	21.02%	21.08%	21.01%	20.86%	20.71%	20.43%	20.18%	19.95%	19.73%
Accrued pension liabilities	12.41%	8.29%	9.12%	7.05%	6.14%	5.34%	4.51%	3.68%	2.88%	2.10%	1.36%	0.66%	0.00%
Other noncurrent liabilities	8.84%	10.34%	7.74%	6.98%	7.17%	7.48%	7.73%	7.94%	8.15%	8.30%	8.46%	8.62%	8.78%
Liabilities of discontinued operations	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total equity	16.35%	14.04%	10.12%	8.47%	9.22%	10.23%	11.36%	12.60%	13.98%	15.43%	17.00%	18.70%	20.50%
Total stockholders' equity	16.35%	14.04%	10.12%	8.47%	9.22%	10.23%	11.36%	12.60%	13.98%	15.43%	17.00%	18.70%	20.50%
Common stock	0.54%	0.52%	0.36%	0.31%	0.30%	0.30%	0.29%	0.29%	0.28%	0.27%	0.26%	0.26%	0.25%
Retained earnings	32.22%	25.68%	22.79%	19.36%	19.88%	20.83%	21.79%	22.82%	23.98%	25.13%	26.42%	27.84%	29.39%
Accumulated other comprehensive loss / income	-16.42%	-12.16%	-13.03%	-11.19%	-10.96%	-10.89%	-10.73%	-10.51%	-10.28%	-9.98%	-9.69%	-9.41%	-9.13%



Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
NOPLAT:													
Net Sales	67,044	65,984	67,571	78,642	80,291	80,827	82,065	83,781	85,654	88,223	90,870	93,596	96,404
- Product & Service Cost of Sales	59,451	58,609	60,233	70,120	71,628	72,118	73,239	74,791	76,479	78,797	81,181	83,634	86,158
- Depreciation and Amortization	1,364	1,404	1,430	1,384	1,375	1,373	1,377	1,386	1,400	1,418	1,441	1,467	1,496
- Severance charges	(36)	(100)	(92)	(63)	(64)	(65)	(66)	(67)	(69)	(71)	(73)	(75)	(77)
- Other unallocated, net	1,504	1,012	1,233	1,321	1,348	1,357	1,378	1,407	1,438	1,481	1,526	1,572	1,619
+ Implied Interest on Operating Leases	53	64	56	57	59	61	63	65	67	69	71	73	76
EBITA	4,814	5,123	4,823	5,938	6,063	6,105	6,200	6,330	6,472	6,666	6,866	7,072	7,285
Adjusted Taxes:													
Income Tax Provision	1,235	948	1,178	2,127	2,175	2,178	2,202	2,251	2,302	2,372	2,439	2,516	2,581
+ Tax Shield on Operating Lease Interest	13	16	13	14	14	15	15	15	16	16	17	17	18
+ Tax Shield on Interest Expense	142	152	217	209	200	208	218	215	215	215	221	220	233
+/- Tax Shield on Non-Operating Loss/Income	(72)	18	(15)	0	0	0	0	0	0	0	0	0	0
+ Tax Shield on Amortized Goodwill	0	0	0	0	0	0	0	0	0	0	0	0	0
- Total Adjusted Taxes	1,318	1,134	1,394	2,349	2,389	2,401	2,435	2,481	2,533	2,603	2,677	2,753	2,832
+ Change in Deferred Taxes	(1,185)	1,454	(791)	484	72	23	54	75	82	112	116	119	123
NOPLAT	2,311	5,443	2,639	4,073	3,747	3,728	3,819	3,924	4,021	4,175	4,305	4,439	4,575
Invested Capital (IC):													
+ Normal Cash	335	330	338	393	401	404	410	419	428	441	454	468	482
+ Receivables, net	1,963	2,505	2,132	2,481	2,533	2,550	2,589	2,643	2,703	2,784	2,867	2,953	3,042
+ Inventories, net	2,981	3,088	3,132	3,607	3,683	3,708	3,764	3,843	3,929	4,047	4,168	4,293	4,422
+ Other current assets	688	533	632	685	700	704	715	730	747	769	792	816	840
+ Contract Assets	10,579	12,318	13,183	13,174	13,450	13,540	13,747	14,035	14,348	14,779	15,222	15,679	16,149
- Contract Liabilities	8,107	8,488	9,190	10,696	10,920	10,993	11,161	11,395	11,649	11,999	12,359	12,730	13,111
- Accounts payable	780	2,117	2,312	2,691	2,747	2,766	2,808	2,867	2,931	3,019	3,109	3,202	3,299
- Customer advances	0	0	0	0	0	0	0	0	0	0	0	0	0
- Salaries, benefits and payroll taxes	3,108	3,075	3,133	3,690	3,767	3,793	3,851	3,931	4,019	4,140	4,264	4,392	4,524
Net Operating Working Capital	4,551	5,094	4,782	3,264	3,333	3,355	3,406	3,478	3,555	3,662	3,772	3,885	4,002
+ Net PPE	7,597	7,975	8,370	8,640	8,917	9,199	9,487	9,783	10,086	10,398	10,717	11,045	11,382
+ PV of Operating Leases	1,269	1,120	1,102	1,138	1,174	1,211	1,249	1,288	1,328	1,369	1,411	1,454	1,499
+ Net Other Operating Assets	688	533	632	685	700	704	715	730	747	769	792	816	840
- Other Operating Liabilities	2,002	2,089	2,134	2,487	2,539	2,556	2,595	2,649	2,708	2,790	2,873	2,960	3,048
Invested Capital (IC):	12,103	12,633	12,752	11,241	11,584	11,914	12,263	12,630	13,008	13,408	13,818	14,240	14,674
Free Cash Flow (FCF):													
NOPLAT	2,311	5,443	2,639	4,073	3,747	3,728	3,819	3,924	4,021	4,175	4,305	4,439	4,575
- Change in IC	(423)	530	119	(1,511)	343	329	350	367	378	400	411	422	434
FCF	2,734	4,913	2,520	5,583	3,404	3,398	3,469	3,557	3,643	3,775	3,895	4,017	4,142
Return on Invested Capital (ROIC):													
NOPLAT	2,311	5,443	2,639	4,073	3,747	3,728	3,819	3,924	4,021	4,175	4,305	4,439	4,575
/ Beginning IC	12,526	12,103	12,633	12,752	11,241	11,584	11,914	12,263	12,630	13,008	13,408	13,818	14,240
ROIC	18.45%	44.97%	20.89%	31.94%	33.33%	32.18%	32.05%	32.00%	31.84%	32.10%	32.11%	32.12%	32.13%
Economic Profit (EP):													
Beginning IC	12,526	12,103	12,633	12,752	11,241	11,584	11,914	12,263	12,630	13,008	13,408	13,818	14,240
x (ROIC - WACC)	12.15%	38.68%	14.59%	25.64%	27.03%	25.88%	25.76%	25.70%	25.54%	25.80%	25.82%	25.83%	25.83%
EP	1,522	4,681	1,843	3,270	3,039	2,998	3,069	3,152	3,226	3,356	3,461	3,569	3,679



Cost of Equity:

Risk-Free Rate	4.50%
Beta	0.524
Equity Risk Premium	4.23%
Cost of Equity	6.72%

Cost of Debt:

Risk-Free Rate	4.50%
Implied Default Premium	0.54%
Pre-Tax Cost of Debt	5.04%
Marginal Tax Rate	23.74%
After-Tax Cost of Debt	3.85%

Market Value of Common Equity:

Total Shares Outstanding	240.00
Current Stock Price	\$450.40
MV of Equity	108,096.00 Billion

MV Weights

85.35%

Market Value of Debt:

Current Portion of LTD	168
Long-Term Debt	17,291
PV of Operating Leases	1102
MV of Total Debt	18,561.07

14.65%

Market Value of the Firm

126,657.07

100.00%

Estimated WACC

6.30%

Lockheed Martin Corporation

Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models


Key Inputs:

CV Growth of NOPLAT	4.25%
CV Year ROIC	32.13%
WACC	6.30%
Cost of Equity	6.72%

Fiscal Years Ending Dec. 31	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
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DCF Model:

Free Cash Flow (FCF)	5,583.3	3,403.5	3,398.4	3,468.8	3,557.1	3,643.2	3,775.4	3,894.8	4,016.9	4,141.9
Continuing Value (CV)										194,067.7
PV of FCF	5,252.6	3,012.3	2,829.6	2,717.1	2,621.3	2,525.7	2,462.3	2,389.8	2,318.7	112,023.1

Value of Operating Assets:	138,152.7
Non-Operating Adjustments:	
+ Excess Cash	1,104.1
- PV of Operating Leases	(1,102.1)
- Current Portion LT Debt	(168.0)
- LT Debt	(17,291.0)
- Pension Liabilities	(6,162.0)
- ESOP	(535.7)
Value of Equity	113,998.1
Shares Outstanding	240.0
Intrinsic Value of Last FYE	\$ 474.99
Implied Price as of Today	\$ 480.29

EP Model:

Economic Profit (EP)	3,269.7	3,038.9	2,998.4	3,068.5	3,151.7	3,226.0	3,356.3	3,461.3	3,568.8	3,678.9
Continuing Value (CV)										179,827.4
PV of EP	3,076.0	2,689.6	2,496.6	2,403.6	2,322.6	2,236.5	2,189.0	2,123.8	2,060.0	103,803.1

Total PV of EP	125,400.8
Invested Capital (last FYE)	12,751.9
Value of Operating Assets:	138,152.7
Non-Operating Adjustments:	
+ Excess Cash	1,104.1
- PV of Operating Leases	(1,102.1)
- Current Portion LT Debt	(168.0)
- LT Debt	(17,291.0)
- Pension Liabilities	(6,162.0)
- ESOP	(535.7)
Value of Equity	113,998.1
Shares Outstanding	240.0
Intrinsic Value of Last FYE	\$ 474.99
Implied Price as of Today	\$ 480.29

Lockheed Martin Corporation

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model



Fiscal Years Ending	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
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EPS	\$ 28.93	\$ 30.43	\$ 31.20	\$ 32.23	\$ 33.60	\$ 35.00	\$ 36.70	\$ 38.33	\$ 40.11	\$ 41.69
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Key Assumptions

CV growth of EPS	1.00%
CV Year ROE	47.37%
Cost of Equity	6.72%

Future Cash Flows

P/E Multiple (CV Year)											17.12
EPS (CV Year)											\$ 41.69
Future Stock Price											\$ 713.97
Dividends Per Share	12.71	13.37	13.71	14.16	14.76	15.38	16.13	16.84	17.63		
Discounted Cash Flows	11.91	11.74	11.28	10.92	10.67	10.41	10.23	10.01	9.82	397.74	

Intrinsic Value as of Last FYE	\$ 494.73
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Implied Price as of Today	\$ 500.25
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Lockheed Martin Corporation

Relative Valuation Models



Ticker	Company	Price	EPS		P/E 24	P/E 25	Rev 23 (B)	EV (B)	EV/REV 2023
			2024E	2025E					
RTX	RTX	\$96	\$4.18	\$4.98	22.98	19.29	68.92	170.80	2.48
BA	Boeing	\$170	\$3.09	\$7.86	55.02	21.63	77.79	145.30	1.87
GD	General Dynamics	\$278	\$14.66	\$16.41	18.99	16.96	42.27	87.80	2.08
TDG	TransDigm Group	\$1,223	\$27.13	\$34.03	45.08	35.94	6.98	90.09	12.91
NOC	Northrop Grumman	\$470	\$24.70	\$27.56	19.02	17.05	39.29	81.89	2.08
LHX	L3Harris Technologies	\$211	\$8.68	\$10.77	24.32	19.60	19.42	53.42	2.75
TXT	Textron	\$96	\$5.71	\$6.37	16.81	15.06	13.68	20.56	1.50
LDOS	Leidos	\$129	\$6.78	\$7.56	19.08	17.11	15.44	21.88	1.42
Gray cells are excluded			Average		20.20	17.51			2.05

LMT Lockheed Martin Corpo \$450.40 \$28.93 \$30.43 15.6 14.8 67.57 126.30 1.87

Implied Relative Value:

P/E (EPS24) \$ 584.31
P/E (EPS25) \$ 532.90
EV/Rev 2023 \$ 510.90

Lockheed Martin Corporation
Present Value of Operating Lease Obligations



Fiscal Years Ending Dec. 31	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Year 1	314	300	264	229	227	228	205	179	162	305	280	325	327	339
Year 2	267	233	200	161	166	181	161	150	154	184	190	225	226	223
Year 3	227	183	139	118	132	133	128	131	116	147	154	196	178	172
Year 4	166	142	97	91	96	95	101	103	82	114	119	151	131	136
Year 5	130	117	71	60	69	69	64	78	54	88	98	108	101	109
Thereafter	355	324	246	200	224	150	134	121	55	459	446	561	379	327
Total Minimum Payments	1,459	1,299	1,017	859	914	856	793	762	623	1,297	1,287	1,566	1,342	1,306
Less: Cumulative Interest	231	205	157	131	143	120	111	108	79	242	236	297	222	204
PV of Minimum Payments	1,228	1,094	860	728	771	736	682	654	544	1,055	1,051	1,269	1,120	1,102
Implied Interest in Year 1 Payment		61.9	55.2	43.4	36.7	38.9	37.1	34.4	33.0	27.5	53.2	53.0	64.0	56.5
Pre-Tax Cost of Debt	5.04%	5.04%	5.04%	5.04%	5.04%	5.04%	5.04%	5.04%	5.04%	5.04%	5.04%	5.04%	5.04%	5.04%
Years Implied by Year 6 Payment	2.7	2.8	3.5	3.3	3.2	2.2	2.1	1.6	1.0	5.2	4.6	5.2	3.8	3.0
Expected Obligation in Year 6 & Beyond	130	117	71	60	69	69	64	78	54	88	98	108	101	109
Present Value of Lease Payments														
PV of Year 1	299	286	251	218	216	217	195	170	154	290	267	309	311	323
PV of Year 2	242	211	181	146	150	164	146	136	140	167	172	204	205	202
PV of Year 3	196	158	120	102	114	115	110	113	100	127	133	169	154	148
PV of Year 4	136	117	80	75	79	78	83	85	67	94	98	124	108	112
PV of Year 5	102	91	56	47	54	54	50	61	42	69	77	84	79	85
PV of 6 & beyond	253	231	173	141	158	109	97	89	41	309	305	378	264	232
Capitalized PV of Payments	1,228	1,094	860	728	771	736	682	654	544	1,055	1,051	1,269	1,120	1,102

Lockheed Martin Corporation
Effects of ESOP Exercise and Share Repurchases



Number of Options Outstanding (shares): 1.222
Average Time to Maturity (years): 0.00
Expected Annual Number of Options Exercised: 1.222

Current Average ESOP Strike Price: \$ 0.00
Cost of Equity: 6.72%
Current Stock Price: \$450.40

Fiscal Years Ending Dec. 31	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Increase in Shares Outstanding:	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22
Average Strike Price:	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Increase in Common Stock Account:	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Share Repurchases (\$)	4,000	3,180	3,052	2,915	2,816	2,723	2,640	2,557	2,477	2,378
Expected Price of Repurchased Shares:	\$450.40	\$ 468.50	\$ 487.33	\$ 506.92	\$ 527.29	\$ 548.48	\$ 570.52	\$ 593.45	\$ 617.30	\$ 642.11
Number of Shares Repurchased:	8.88	6.79	6.26	5.75	5.34	4.96	4.63	4.31	4.01	3.70
Shares Outstanding (beginning of the year)	240	232	227	222	217	213	209	206	203	200
Plus: Shares Issued Through ESOP	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22
Less: Shares Repurchased in Treasury	8.88	6.79	6.26	5.75	5.34	4.96	4.63	4.31	4.01	3.70
Shares Outstanding (end of the year)	232.34	226.78	221.73	217.21	213.09	209.34	205.94	202.85	200.06	197.58

Lockheed Martin Corporation*Valuation of Options Granted under ESOP***LOCKHEED MARTIN**

Current Stock Price	\$450.40
Risk Free Rate	4.50%
Current Dividend Yield	2.70%
Annualized St. Dev. of Stock Returns	14.50%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
RSUs	0.922	0.00	1.00	\$ 438.41	\$ 404
Performance Shares	0.300	0.00	1.00	\$ 438.41	\$ 132
Range 3					
Range 4					
Range 5					
Range 6				\$	-
Range 7				\$	-
Range 8				\$	-
Range 9				\$	-
Total	1	\$ 0.00	1.00	\$ 450.40	\$ 536



		Beta							
		480.29	0.367	0.419	0.472	0.524	0.576	0.629	0.681
Equity Risk Premium	3.93%	747.62	654.51	580.23	519.58	469.13	426.49	389.98	
	4.03%	729.35	638.07	565.29	505.89	456.49	414.76	379.03	
	4.13%	711.86	622.34	551.00	492.80	444.42	403.55	368.58	
	4.23%	695.12	607.29	537.33	480.29	432.88	392.84	358.59	
	4.33%	679.07	592.87	524.25	468.31	421.83	382.60	349.03	
	4.43%	663.67	579.04	511.70	456.83	411.25	372.78	339.88	
	4.53%	648.88	565.77	499.66	445.82	401.10	363.37	331.11	

		CV Growth of NOPLAT							
		480.29	3.95%	4.05%	4.15%	4.25%	4.35%	4.45%	4.55%
WACC	6.00%	499.05	522.37	548.22	577.03	609.35	645.84	687.38	
	6.10%	471.84	492.73	515.76	541.30	569.75	601.67	637.72	
	6.20%	447.04	465.84	486.47	509.23	534.45	562.56	594.08	
	6.30%	424.36	441.34	459.91	480.29	502.76	527.67	555.44	
	6.40%	403.53	418.93	435.70	454.04	474.17	496.37	520.98	
	6.50%	384.33	398.35	413.56	430.13	448.24	468.13	490.05	
	6.60%	366.58	379.38	393.23	408.25	424.62	442.51	462.15	

		Marginal Tax Rate							
		480.29	20.74%	21.74%	22.74%	23.74%	24.74%	25.74%	26.74%
Risk-Free Rate	4.20%	605.30	590.44	575.47	560.38	545.16	529.81	514.34	
	4.30%	574.54	560.22	545.79	531.26	516.60	501.83	486.95	
	4.40%	546.42	532.61	518.69	504.67	490.54	476.31	461.97	
	4.50%	520.62	507.27	493.83	480.29	466.65	452.92	439.08	
	4.60%	496.86	483.95	470.95	457.86	444.68	431.41	418.05	
	4.70%	474.91	462.40	449.82	437.15	424.40	411.57	398.65	
	4.80%	454.56	442.44	430.25	417.98	405.63	393.20	380.69	

		Product Costs as % of Product Sales							
		480.29	-88.44%	-89.44%	-90.44%	-91.44%	-92.44%	-93.44%	-94.44%
Service Costs as % of Service Sales	-85.33%	796.93	709.04	621.16	533.27	445.38	357.49	269.61	
	-86.33%	779.27	691.38	603.50	515.61	427.72	339.83	251.95	
	-87.33%	761.61	673.72	585.84	497.95	410.06	322.17	234.29	
	-88.33%	743.95	656.06	568.18	480.29	392.40	304.51	216.63	
	-89.33%	726.29	638.40	550.52	462.63	374.74	286.85	198.97	
	-90.33%	708.63	620.74	532.86	444.97	357.08	269.19	181.31	
	-91.33%	690.97	603.08	515.19	427.31	339.42	251.53	163.65	

		Pre-Tax Cost of Debt							
		480.29	4.74%	4.84%	4.94%	5.04%	5.14%	5.24%	5.34%
Cost of Equity	6.42%	572.10	568.14	564.23	560.38	556.57	552.80	549.09	
	6.52%	541.91	538.31	534.76	531.26	527.79	524.37	520.98	
	6.62%	514.38	511.10	507.87	504.67	501.50	498.37	495.28	
	6.72%	489.18	486.19	483.22	480.29	477.39	474.52	471.68	
	6.82%	466.03	463.28	460.55	457.86	455.19	452.55	449.94	
	6.92%	444.69	442.15	439.64	437.15	434.69	432.25	429.84	
	7.02%	424.94	422.60	420.28	417.98	415.70	413.44	411.21	