

Stock
Rating

HOLD

Lockheed Martin Corporation
(NYSE: LMT)

Target Price: \$470 - \$490
Current Price: \$455.00

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Investment Thesis

We Recommend a **HOLD** rating on Lockheed Martin Corporation with potential upside of 3% - 10%. We believe that even due to short term struggles they are poised for long term growth

Thesis Driver

AI Autonomy and Integration

Lockheed Martin is integrating artificial intelligence and autonomous technologies across its platforms. These innovations, including in next-generation air defense systems and unmanned aerial vehicles, are expected to reshape defense capabilities and position Lockheed at the frontier of military modernization.

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.

Thesis Risks

Defense Budget Reallocation

While total defense spending is rising, a shift in budget priorities—from procurement to personnel or operations—could limit new contract awards. A potential pivot toward active deployment, especially if NATO Article 5 is triggered, may redirect funds away from equipment purchases.

Overreliance on Flagship Programs

Lockheed's revenue is heavily concentrated in a few programs—most notably the F-35. Any cuts, delays, or performance issues related to the F-35 or major programs like the Patriot missile system could materially impact revenue and earnings. As well as losing the F-47 contract might prove to be detrimental to earnings



Valuation Summary

Discounted Cash Flow:	\$476.22
Dividend Discount:	\$486.23
Relative (P/E EPS2026):	\$483.89

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 they primary consumer. Lockheed Martin operates in four main business segments: Aeronautics, Missiles and Fire Control (MFC), Rotary and Mission Systems (SMS), and Space.

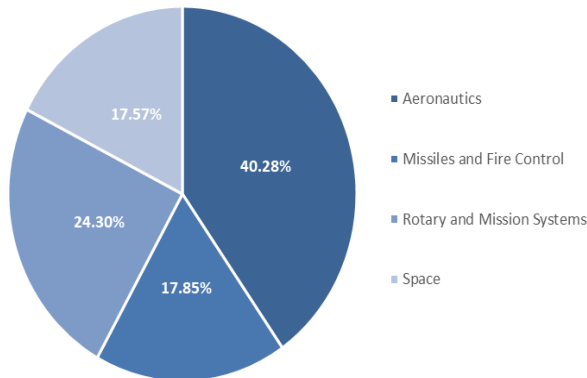
Statistical Highlights

<u>Stock Price</u>	
52-Week Range:	\$418.88 – \$618.95
YTD Performance:	5.06%
<u>Financials</u>	
Market Cap:	\$108.86B
Shares Outstanding:	234M
2024 Revenue:	\$71,043B
2024 Net Income:	\$5,336B
2024 EPS:	\$22.71
2024 Dividend Yield:	2.75%
2024 P/E:	21.78
WACC:	6.43%
Beta:	0.61
<u>2024 Margins & Ratios</u>	
Gross Margin:	11.89%
Profit Margin:	7.51%
ROA:	9.87%
ROE:	81.04%
Quick Ratio:	0.95%
Debt-to-Equity:	323.07
2024 EV/Revenue	1.87 1

Investment Thesis

Revenue Segment

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 \$71.05 billion in revenue during 2024. Geographically, 73.9% of this revenue was generated from the United States with the remaining 26.1% coming from outside of the United States.



Aeronautics

In 2024, Aeronautics accounted for 40.28% of total revenue. This is a 4% growth from 2023. 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.

Rotary & Mission Systems

In 2024, Rotary and Mission Systems accounted for 24.3% of total revenue. This is a 5.94% growth from 2023. 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.

Aeronautics & Fire Control

In 2024, Missiles and Fire Control accounted for 17.85% of total revenue. This is an 11.27% growth from 2023, and the largest year over year growth across all business segments. 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.

Space

In 2024, Space accounted for 17.57% of total revenue. This is a -1.01% growth from 2023. 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.

Cost Analysis

Lockheed Martin's cost of sales is primarily divided into product and service categories, with product costs representing the most significant expense due to the company's focus on manufacturing defense systems. In FY 2024, the total cost of goods sold amounted to approximately \$64.13 billion. Research and Development (R&D) expenses are crucial for Lockheed Martin's innovation and future growth. In FY 2024, the company allocated \$1.6 billion to R&D activities. These expenditures are essential for developing advanced technologies and maintaining competitiveness in the aerospace and defense sectors. Service costs, particularly those associated with the sustainment of existing systems, have been rising. For instance, the U.S. Department of Defense's projected sustainment costs for the F-35 program have increased, reflecting higher-than-expected maintenance requirements and a reduction in planned flight hours, which has led to decreased fleet availability. Looking ahead, it is anticipated that costs will continue to grow in line with revenue, influenced by factors such as inflation and the increasing complexity of sustainment efforts.

Contract Type

The following are definitions of types of contracts that Lockheed Martin enters. Fixed-Price: Lockheed Martin agrees to perform specified work for a pre-determined price. 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.

Contract Type

Lockheed Martin has had a rather volatile debt-to-equity ratio for the past eight years. Ranging from 1.18 - 10.11, its highest being in 2018. As of 2024, Lockheed Martin had a ratio of 3.38. 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-. Seeing its last upgraded in 2019, where Lockheed's debt-to-equity ratio was 4.32 at the FY end and 10.11 in the year prior. 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.

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

In 2024, Lockheed had \$643 in their current maturities of long-term debt. Based on Lockheed's cash positions, they should not be troubled by their current and future obligations. Lockheed does seem quite different maturities in the next 9 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.

Year	2025	2026	2027	2028	2029	2030	2031	2032	2033
Dollars (mm)	\$500	\$1,000	\$750	\$500	\$650	\$400	\$0	\$800	\$1,000

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 60-cents per share in 2024, or a 4.9% increase. Lockheed Martin typically increases their dividends by a dollar amount rather than a percentage growth rate. Between 2019 – 2022, shareholders saw an 80-cents increase per year per share. In 2023, dividends increased by 75-cents per share. 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.

Ticker	LMT	RTX	GD	NOC	LHX	TXT	LDOS	2032	2033
Dividend Yield	2.39%	2.50%	2.10%	1.60%	2.27%	0.10%	1.40%	\$800	\$1,000

Lockheed Martin also actively repurchases stock, increasing EPS for its shareholders. During 2024, Lockheed repurchased \$7.5 million shares of common stock in an open market purchase for \$3.7 billion. As of December 31, 2024, the total remaining authorization for future common stock repurchases under Lockheed's share repurchase program is \$9.3 billion. We believe these continued efforts by management to return free cash flow to its shareholders are 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 margins. This margin can help to analyze a company's revenue efficiency. In 2024, Lockheed Martin had a gross margin of 11.9%. This is slightly down, as the previous nine years averaged at 12.64%. Lockheed has a lower gross margin compared to its peer because of its heavy focus on manufacturing and large government contracts. Meanwhile, peers like LHX or TXT tend to have higher gross margins because they do more services or tech-based work, which is asset-light and higher-margin. Lockheed's gross margin is low but stable.

Ticker	LMT	RTX	LDOS	GD	NOC	LHX
Dividend Yield	11.9%	19.1%	16.8%	15.4%	20.4%	22.3%

Industry Analysis

The aerospace and defense industry is a cornerstone of national security and global stability. It encompasses the research, design, production, and sustainment of advanced military systems,

including fighter jets, missile defense platforms, and space technologies. The sector is heavily influenced by geopolitical events, government budgets, and long procurement cycles. With rising global tensions and renewed commitments to military modernization, the industry is positioned for continued long-term growth. Major players like Lockheed Martin benefit from entrenched relationships with governments, high barriers to entry, and record-high defense outlays in both domestic and international markets.

Industry Outlook: Positive

We believe that the aerospace and defense industry will grow positively in the short- and long-term future. This is due to geopolitical conflict, advancing technologies creating more growth opportunities, and the increasing desire for modernization of countries militaries.

Industry Trends

The aerospace and defense industry is experiencing renewed growth as global conflict fuels rising defense budgets and a resurgence in product demand. Military modernization efforts are increasingly focused on artificial intelligence, autonomous systems, and space-based technologies. Meanwhile, companies are working to fortify supply chains following recent disruptions, with record backlogs and international contracts pointing to sustained momentum through 2024 and beyond.

Competitors

The aerospace and defense industry is highly competitive. Lockheed Martin’s main competitors are RTX, Northup Grumman, Boeing, General Dynamics, and L3Harris Technologies. The majority of the competition stems from bidding on programs 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.

Company	Sales (mm)	EBITDA Margin
LMT	\$71,043.00	11.9
RTX	\$80,738.00	19.1
NOC	\$41,033.00	20.4
BA	\$66,518.00	-2.9
GD	\$47,716.00	15.4
LHX	\$21,325.00	22.3
Average	\$54,728.83	14.4

F-35 and F-47 Stipulations

Lockheed Martin's F-35 Lightning II program remains a cornerstone of its defense portfolio, offering advanced stealth capabilities, sensor fusion, and network-centric warfare features that provide a significant competitive edge. Recent NATO exercises demonstrated the F-35's ability to act as a "quarterback" in multi-domain operations, coordinating artillery strikes through real-time data sharing—a testament to its role as both a combat aircraft and an intelligence asset.

Despite this, Lockheed Martin faced a setback when Boeing secured the \$20 billion contract for the U.S. Air Force's Next Generation Air Dominance (NGAD) program, designated the F-47. This sixth-generation fighter is expected to enter service in the 2030s, replacing the F-22 Raptor . While the loss is notable, the F-47's development timeline allows Lockheed Martin to continue capitalizing on the F-35's production and sales.

International demand for the F-35 remains robust, with countries like Romania and Greece recently committing to procure the aircraft . These foreign military sales help mitigate the impact of the NGAD contract loss, ensuring sustained revenue streams and reinforcing the F-35's position as a globally preferred fifth-generation fighter

Porter’s 5 Forces

Threat to Competition: Medium

While the number of qualified competitors is limited, those that do exist—such as Boeing, RTX, and Northrop Grumman—are highly capable and aggressively compete for major contracts. Lockheed Martin’s strong incumbent position, especially with the F-35 program and significant backlog, helps mitigate this risk. However, recent developments like Boeing securing the NGAD (F-47) contract show that competition remains dynamic and significant.

Bargaining Power of Customer: High

The U.S. Government, specifically the Department of Defense, is Lockheed’s largest customer, accounting for over 70% of revenue. As a monopsony buyer with strict regulatory controls and budgetary influence, the government holds considerable bargaining power. This is reflected in rigid contract terms, including fixed-price agreements that can compress margins.

Bargaining Power of Suppliers: Medium

Suppliers in aerospace and defense must meet strict technical and regulatory requirements, which limits their leverage. However, recent supply chain disruptions have elevated their importance and exposed vulnerabilities—especially among sole-source or niche suppliers. Lockheed is actively investing in supply chain resilience to manage this risk.

Threat of Substitutes: Low

There are no viable substitutes for advanced military platforms like the F-35, missile defense systems, or space-based technologies. While cyberwarfare and unmanned systems are emerging as complementary forces, they are not replacements. Moreover, Lockheed is investing in these very technologies, maintaining relevance amid shifting defense priorities.

Threat of New Entrants: Low

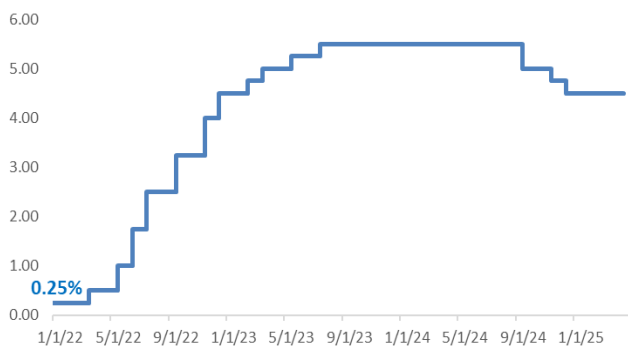
The aerospace and defense industry features extremely high barriers to entry. These include capital intensity, government contracting expertise, regulatory compliance, and long development cycles. Additionally, existing players benefit from entrenched relationships and decades of trust with global defense departments, making market entry for newcomers nearly impossible.

Economic Analysis

Interest Rates

Interest rates play a critical role in both Lockheed Martin's financing strategy and government defense spending behavior. As of April 2024, the Federal Reserve has maintained the federal funds rate between 4.25% and 4.50%, reflecting a sustained effort to combat inflation. In our model, we used a 10-year Treasury yield of 4.275% as the risk-free rate.

Federal Fund Rate - Upper Limit

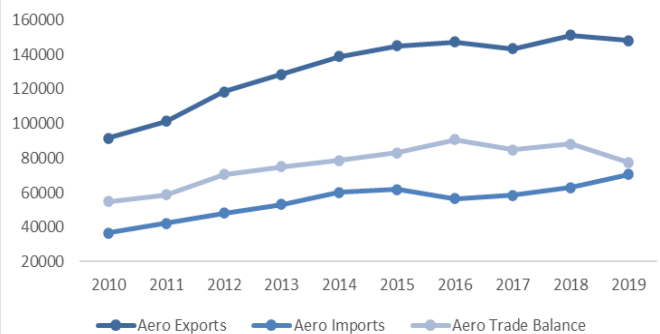


Given Lockheed's capital-intensive operations and \$14.6B in long-term debt, elevated interest rates moderately increase the company's cost of capital—though the effect is partially offset by its A credit rating. Since 73% of Lockheed Martin's revenue come from the U.S. Government, rising rates can reduce discretionary government spending by increasing debt servicing costs. However, with geopolitical conflict driving strong defense outlays, we do not expect a material pullback in U.S. defense procurement in the near term. It is our opinion that we will not see another rate cut from the Federal Reserve in 2025, due to CPI metrics being less than desirable from analysts

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. Aerospace exports have grown at an average rate of 5.31% between 2009-2019, complete data is only available through 2019. This trend has continued in the post-pandemic period, albeit with adjustments due to global market conditions and ongoing geopolitical tensions. In 2023, the U.S. aerospace and defense industry maintained its position as one of the top sectors for manufacturing exports. The sector's resilience has been aided by the continued emphasis on advanced technologies, increased defense spending, and ongoing demand from both commercial and military aviation markets. As the global landscape evolves, the aerospace & defense industry is likely to remain a critical driver of both GDP growth and export performance. With increasing reliance on defense capabilities and strategic initiatives, the U.S. aerospace sector is expected to remain a cornerstone of national economic strength and global competitiveness.

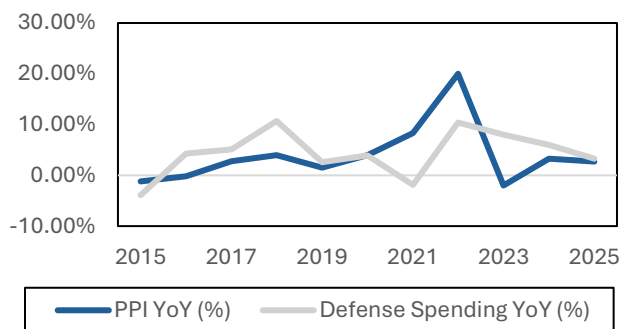
Aerospace Trade (mm)



Inflation

Inflation is the erosion of one's currency, which decreases a company's purchasing power. The purchase of raw materials makes up a significant amount of costs in the aerospace & defense industry. Lockheed Martin notes that they believe that the macroeconomic trends affect the defense sector less than other industrial sectors, however they also note that inflationary pressure however unaffected to Lockheed Martin might adversely affect partnering firms impacting their financials.

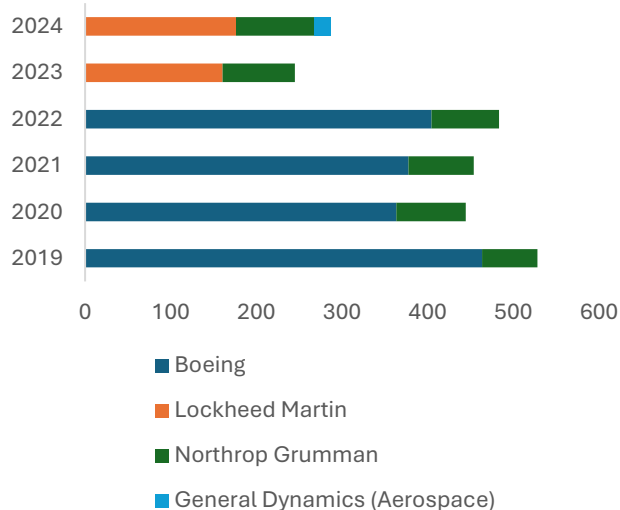
Additionally, inflation is used as guidance to the federal reserve when setting the federal funds rate. The Consumer Price Index (CPI) and Producer Price Index (PPI) are two indicators used to measure inflation. This data is provided in the chart below.



From 2022's inflation peak—where PPI surged 20%—to its 2025 normalization at 2.7%, input cost pressures in manufacturing have eased meaningfully. Meanwhile, defense spending growth has moderated from 10.4% in 2022 to 3.3% in 2025. This shift reflects a more stable macroeconomic backdrop for Lockheed Martin, with better-controlled supplier costs and consistent government demand supporting operational reliability and margin recovery.

Supply Chain

Supply chain challenges continue to weigh on the aerospace and defense industry in 2024, especially in commercial aerospace where delays, workforce shortages, and quality control issues have disrupted production. The pandemic-induced “brain drain” from factory floors remains unresolved, contributing to ongoing delivery shortfalls at OEMs like Boeing and Airbus. Lockheed Martin has also been impacted by component shortages, particularly in propulsion and missile systems, leading to delays in certain contracts. While we expect modest improvements in the second half of 2025, CFRA notes that production schedules remain constrained by both labor and material bottlenecks. To mitigate risk, Lockheed Martin is investing in automation and digital supply chain visibility initiatives to enhance resilience and throughput.



Geopolitical Conflict

Geopolitical tensions significantly influence Lockheed Martin's operations and prospects. Heightened global conflicts and security concerns drive increased defense spending by governments, leading to greater demand for advanced military technologies and systems. Lockheed Martin, as a leading defense contractor, stands to benefit from these developments through new contracts and expanded roles in international defense initiatives.

China-Taiwan Conflict

China's recent large-scale military drills around Taiwan have escalated tensions in the region. The U.S. and its allies are reinforcing their military presence and commitments in the Indo-Pacific. Lockheed Martin could see increased demand for its naval and aerial defense systems as regional powers seek to bolster their deterrence capabilities.

Middle East Instability

Israel is considering limited strikes on Iran's nuclear facilities amid ongoing regional tensions. Such developments may lead to increased defense spending by Middle Eastern countries, potentially resulting in new contracts for Lockheed Martin's missile defense and surveillance technologies.

North Korea's Military Activities:

North Korea's recent missile tests and military provocations have heightened security concerns in East Asia. Allied nations may seek to enhance their missile defense systems, providing opportunities for Lockheed Martin's THAAD and Aegis platforms.

Cybersecurity Threats:

State-sponsored cyberattacks, notably from Russia and China, have targeted critical infrastructure in the U.S., including water treatment facilities. This underscores the growing importance of cybersecurity in national defense, an area where Lockheed Martin is expanding its capabilities.

In summary, the current geopolitical landscape is driving increased defense expenditures globally. Lockheed Martin is well-positioned to meet the rising demand for advanced defense solutions, from traditional military hardware to cybersecurity services.

Valuation Analysis

Revenue

2025 revenue figures are anticipated to be \$73B. This would be a 4% increase in sales compared to 2024.

These expectations are mainly due to Lockheed Martin reaching an all-time high of \$176B.

We believe that these expectations are slightly above expectation for the short term, mainly because we took a conservative approach to near-term program timing and international contract execution by utilizing historical growth rates from previous years. In our analysis we decided to project revenue based on U.S. defense spending provided by the Whitehouse (SOURCE) as well as based off of current administration desires for a larger budget during their tenure. Following forecasted numbers, we slowed growth to our anticipated inflation rate of 3%. Lockheed Martin provides information on how much of their revenue stems from the U.S.

Government, which was 73% in 2023. 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.

Cost of Sales

Lockheed Martin does not provide much guidance for the total cost of sales. For our analysis we projected the 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 91.22% for products, and 80.21% for services and applied these to future sales between products and services. We found that total cost of sales in 2024 was 90.25% 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 as other than company-funded R&D, due to customer funded contractual agreements. We forecast operating income in 2025 to be \$8,640M, which is slightly above analyst expectations of about \$8,200. We believe analysts aren't fully factoring in backlog refinement in the coming year.

Capital Expenditures

The Majority of Lockheed Martin's Capital Expenditures (CapEx) are attributable to equipment, facility infrastructure, and information technology (10K). We calculated CapEx to be \$1.949B for 2025. Management forecasts CapEx to be ~\$1,900B in 2025, which is in line with a historical average of CapEx as a percentage of sales. For our forecasts we kept a constant percentage of 2.69%.

Cost of Equity

We calculated Lockheed Martin's cost of equity using the Capital Asset Pricing Model (CAPM) and produced a value of 7.26%. For the risk-free rate we used the current yield on the 10-year treasury, which was 4.275% as of

our report date. For our beta we used 3-year average from FactSet, which was 0.65. For the Equity Risk Premium (ERP), we used Damodaran's April 1st trailing 12-month cash yield calculation, resulting in an ERP of 4.59%.

Cost of Debt

We calculated Lockheed Martin's after-tax cost of debt to be 4.29%. 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 5.5%. We used Lockheed Martin's marginal tax rate of 22% to calculate the after-tax cost of debt.

Weighted Average Cost of Capital

Lockheed Martin's weighted average cost of capital (WACC) is 6.77%. We calculated this using the cost of equity of 7.26% and after-tax cost of debt of 4.29%, multiplied by the market value weights for both equity and debt. We found these weights to be 83.59% equity and 16.41% debt. This calculated WACC was used as the discount factor in the DCF and EP valuation model.

Discounted Cashflow & Economic Profit

In our discounted cash flow (DCF) and economic profit (EP) valuation we calculated an intrinsic stock price of \$476.22 for Lockheed Martin, this value is \$44 below an aggregate of analyst's price targets. 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 6.62%. 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 \$476.22, for both models.

These models are highly sensitive to our NOPLAT carrying value (CV) assumption, which we determined to be 4.6%. We based our NOPLAT growth assumption on the average eight-year historical growth rate of defense spending, which was 4.34%. This is slightly conservative compared to analysts LT expectations of 4.9%. 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 \$ 486.23 for Lockheed Martin. We found that Lockheed Martin has steadily increased dividends between 60-75 cents per year. We forecasted the next ten years of dividends based on a historical payout ratio of EPS, which we found to be 48.43%. 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 7.26%, 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. For our analysis we looked at three different metrics. P/E (EPS2025), P/E (EPS2026), and EV/Revenue (2024). In our analysis we decided to exclude Boeing, TransDigm Group, Textron, and Leidos from the average calculation of the three metrics, due to these four companies trading at varying outlier multiples compared to other-named competitors.

For P/E (EPS2025) we determined an intrinsic stock price of \$435.36, and for 2026 a stock price of \$417.48. We determined an intrinsic stock price of \$583.89 when looking at the 2024 enterprise value to revenue multiple. We decided that our best estimate for a relative valuation would be to use the EV/Revenue multiple because it neutralizes capital structure differences, avoids earnings volatility from non-recurring items, and reflects the stable, backlog-driven revenue model typical in the defense industry. When compared to peers in the industry, Lockheed Martin is undervalued based only on EV/Revenue. However, we are placing less emphasis on this valuation methodology as it can still be influenced by short-term swings in competitor performance and revenue timing.

Sensitivity Analysis

Beta vs Equity Risk Premium

Both beta and the equity risk premium are key components in calculating the cost of equity, which heavily influences WACC. Beta measures Lockheed Martin's volatility relative to the market and can

fluctuate with changes in business risk, market perception, or capital structure. The equity risk premium reflects the additional return investors demand for holding equities over risk-free securities. Increases in input raise the cost of equity and WACC, thereby reducing the present value of future cash flows. A 0.05 change in beta and a 0.1% change in the equity risk premium resulted in a wide stock price range of \$326.24 - \$747.18.

Equity Risk Premium	Beta							
	476.22	0.5	0.55	0.6	0.65	0.7	0.75	0.8
	4.29%	747.18	655.99	582.65	522.39	471.98	429.19	392.40
	4.39%	723.99	635.71	564.64	506.19	457.26	415.71	379.97
	4.49%	702.05	616.50	547.56	490.82	443.30	402.91	368.16
	4.59%	681.26	598.27	531.35	476.22	430.02	390.73	356.92
	4.69%	661.53	580.96	515.93	462.33	417.38	379.14	346.21
	4.79%	642.77	564.49	501.25	449.10	405.33	368.08	335.99
	4.89%	624.93	548.81	487.27	436.48	393.84	357.53	326.24

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 \$396.08 - \$572.74.

Risk-Free Rate	Marginal Tax Rate							
	476.22	19.00%	20.00%	21.00%	22.00%	23.00%	24.00%	25.00%
	3.98%	572.74	564.94	557.06	549.09	541.03	532.88	524.63
	4.08%	545.32	537.76	530.11	522.39	514.58	506.68	498.70
	4.18%	520.05	512.72	505.30	497.81	490.24	482.60	474.87
	4.28%	496.71	489.58	482.39	475.12	467.78	460.37	452.88
	4.38%	475.06	468.14	461.16	454.11	446.99	439.80	432.53
	4.48%	454.94	448.22	441.44	434.59	427.68	420.70	413.65
	4.58%	436.18	429.65	423.06	416.41	409.70	402.92	396.08

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 83% 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 \$466.53 - \$ 486.27.

Cost of Equity	Pre-Tax Cost of Debt							
	476.22	5.20%	5.30%	5.40%	5.50%	5.60%	5.70%	5.80%
	6.96%	486.27	482.78	479.34	475.94	472.58	469.26	465.98
	7.06%	486.36	482.88	479.43	476.03	472.67	469.35	466.07
	7.16%	486.46	482.97	479.53	476.12	472.76	469.44	466.16
	7.26%	486.55	483.07	479.62	476.22	472.86	469.54	466.25
	7.36%	486.65	483.16	479.72	476.31	472.95	469.63	466.35
	7.46%	486.75	483.26	479.81	476.41	473.04	469.72	466.44
	7.56%	486.84	483.35	479.91	476.50	473.14	469.81	466.53

CV Growth 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 \$455.78 - \$498.06.

WACC	CV Growth of NOPLAT							
	476.22	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%
	6.47%	498.06	519.20	542.47	568.24	596.92	629.03	665.24
	6.57%	471.81	490.80	511.63	534.58	559.97	588.24	619.90
	6.67%	447.77	464.91	483.63	504.16	526.77	551.81	579.67
	6.77%	425.67	441.20	458.09	476.54	496.78	519.06	543.74
	6.87%	405.29	419.40	434.70	451.35	469.54	489.48	511.45
	6.97%	386.43	399.30	413.20	428.28	444.69	462.62	482.27
	7.07%	368.93	380.69	393.37	407.08	421.94	438.11	455.78

Pre-Tax Cost of Debt vs Effective Tax Rate

Both the effective tax rate and pre-tax cost of debt are components in the WACC calculation. The effective tax rate directly impacts the after-tax cost of debt, which is multiplied by the weight of debt in the capital structure. As the tax rate increases, the tax shield on debt strengthens, lowering WACC and increasing valuation. Conversely, an increase in the pre-tax cost of debt raises WACC, lowering the implied equity value. While Lockheed Martin is primarily equity-financed, fluctuations in both variables still influence valuation. A 0.2% change in the effective tax rate and a 0.1% change in the pre-tax cost of debt yielded a stock price range of \$466.25 - \$487.98.

Effective Tax Rate	Pre-Tax Cost of Debt							
	476.22	5.20%	5.30%	5.40%	5.50%	5.60%	5.70%	5.80%
	13.60%	487.98	484.48	481.03	477.62	474.25	470.92	467.63
	13.80%	488.92	485.42	481.96	478.55	475.17	471.84	468.54
	14.00%	489.40	485.89	482.43	479.01	475.64	472.30	469.00
	14.20%	489.40	485.89	482.43	479.01	475.64	472.30	469.00
	14.40%	488.92	485.42	481.96	478.55	475.17	471.84	468.54
	14.60%	487.98	484.48	481.03	477.62	474.25	470.92	467.63
	14.80%	486.55	483.07	479.62	476.22	472.86	469.53	466.25

Cost of Equity vs Dividend Growth Rate

Both the cost of equity and dividend growth rate are key drivers in the Dividend Discount Model (DDM). The cost of equity serves as the discount rate for future dividends and is influenced by market conditions, company risk profile, and investor return expectations. The dividend growth rate reflects long-term earnings and payout expansion. An increase in the cost of equity reduces the present value of future dividends, while an increase in dividend growth enhances valuation. Due to their offsetting effects, even small changes in either variable can meaningfully shift the implied price. A 0.1% change in the cost of equity and a 0.1% change in the dividend growth rate yielded a stock price range of \$475.21 – \$477.24.

Dividend Growth Rate	Cost of Equity							
	476.22	7.56%	7.46%	7.36%	7.26%	7.16%	7.06%	6.96%
	7.70%	475.21	475.12	475.02	474.93	474.84	474.74	474.65
	7.80%	475.64	475.55	475.45	475.36	475.26	475.17	475.08
	7.90%	476.07	475.97	475.88	475.79	475.69	475.60	475.51
	8.00%	476.50	476.41	476.31	476.22	476.12	476.03	475.94
	8.10%	476.93	476.84	476.75	476.65	476.56	476.46	476.37
	8.20%	477.37	477.27	477.18	477.09	476.99	476.90	476.80
	8.30%	477.81	477.71	477.62	477.52	477.43	477.33	477.24

Conclusion

We recommend a HOLD rating on Lockheed Martin due to current geopolitical conflicts around the world and the increasing usage of AI and technology. We believe Lockheed Martin comes with the potential upside of 10%

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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Fiscal Years Ending Dec. 31	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
U.S. Defense Spending	778,397	806,230	860,692	916,014	930,214	970,552	1,010,214	1,048,970	1,086,592	1,122,845	1,157,502	1,190,334	1,221,122	1,252,706	1,285,107
Growth %		3.45%	6.33%	6.04%	1.53%	4.34%	4.09%	3.84%	3.59%	3.34%	3.09%	2.84%	2.59%	2.59%	2.59%
Revenue from U.S. Gov.	48,150	47,601	48,168	49,256	52,044	55,629	57,902	60,124	61,193	62,112	62,872	63,465	63,885	64,285	64,662
% Rev. from U.S Gov	74%	71%	73%	73%	73%	77%	78%	79%	78%	78%	77%	76%	74%	73%	71%
% of U.S. Defense Spending	6.19%	5.90%	5.60%	5.38%	5.59%	6%	6%	6%	6%	6%	5%	5%	5%	5%	5%
Non-U.S. Gov. Revenue	17,248	19,443	17,816	18,315	18,999	16,825	15,909	15,718	16,839	17,782	19,010	20,581	22,362	24,159	26,071
% Rev from Non-U.S. Gov	26%	29%	27%	27%	27%	23%	22%	21%	22%	22%	23%	24%	26%	27%	29%
Total Revenue	65,398	67,044	65,984	67,571	71,043	72,454	73,811	75,842	78,032	79,894	81,882	84,046	86,247	88,444	90,734
Net Sales															
Aeronautics	26,266	26,748	26,987	27,474	28,618	29,223	29,864	30,616	31,445	32,194	32,983	33,812	34,662	35,517	36,399
Growth %		1.80%	0.89%	1.77%	4.00%	2.11%	2.19%	2.52%	2.71%	2.38%	2.45%	2.51%	2.51%	2.47%	2.49%
Missiles and Fire Control	11,257	11,693	11,317	11,253	12,682	13,034	13,365	13,900	14,615	15,144	15,723	16,376	17,061	17,734	18,447
Growth %		3.73%	-3.32%	-0.57%	11.27%	2.78%	2.54%	4.00%	5.15%	3.62%	3.83%	4.15%	4.18%	3.94%	4.03%
Rotary and Mission Systems	15,995	16,789	16,148	16,239	17,264	17,577	17,768	18,185	18,694	19,070	19,463	19,912	20,368	20,810	21,269
Growth %		4.73%	-3.97%	0.56%	5.94%	1.81%	1.09%	2.35%	2.80%	2.01%	2.06%	2.30%	2.29%	2.17%	2.21%
Space	11,880	11,814	11,532	12,605	12,479	12,619	12,814	13,140	13,278	13,486	13,712	13,947	14,156	14,384	14,618
Growth %		-0.56%	-2.45%	8.51%	-1.01%	1.12%	1.55%	2.54%	1.05%	1.57%	1.68%	1.71%	1.50%	1.61%	1.62%
Total Net Sales	65,398	67,044	65,984	67,571	71,043	72,454	73,811	75,842	78,032	79,894	81,882	84,046	86,247	88,444	90,734
Growth %		2.46%	-1.61%	2.35%	4.89%	1.96%	1.87%	1.87%	1.87%	1.87%	1.87%	1.87%	1.87%	1.87%	1.87%
Product and Sales															
Product	54,928	56,435	55,466	56,265	59,277	61,019	62,162	63,872	65,717	67,285	68,958	70,781	72,635	74,485	76,414
% Total Revenue	84%	84%	84%	83%	83%	84%	84%	84%	84%	84%	84%	84%	84%	84%	84%
Sales	10,470	10,609	10,518	11,306	11,766	11,435	11,649	11,970	12,316	12,609	12,923	13,265	13,612	13,959	14,320
% Total Revenue	16%	16%	16%	17%	17%	16%	16%	16%	16%	16%	16%	16%	16%	16%	16%
Total Revenue	65,398	67,044	65,984	67,571	71,043	72,454	73,811	75,842	78,032	79,894	81,882	84,046	86,247	88,444	90,734

Lockheed Martin (LMT)
Income Statement


All figures in millions of U.S. Dollar except per share items.

Fiscal Years Ending Dec. 31	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Total Net Sales	65,398	67,044	65,984	67,571	71,043	72,454	73,811	75,842	78,032	79,894	81,882	84,046	86,247	88,444	90,734
Products	54,928	56,435	55,466	56,265	59,277	61,019	62,162	63,872	65,717	67,285	68,958	70,781	72,635	74,485	76,414
Sales	10,470	10,609	10,518	11,306	11,766	11,435	11,649	11,970	12,316	12,609	12,923	13,265	13,612	13,959	14,320
Total Cost of Sales	(51,445)	(57,983)	(57,697)	(59,092)	(64,113)	(63,861)	(65,086)	(66,885)	(68,821)	(70,476)	(72,238)	(74,151)	(76,097)	(78,040)	(80,063)
Products	(48,351)	(49,591)	(48,655)	(49,491)	(54,072)	(54,006)	(55,018)	(56,532)	(58,164)	(59,552)	(61,033)	(62,647)	(64,287)	(65,925)	(67,632)
Sales	(8,726)	(8,781)	(8,550)	(9,312)	(9,437)	(9,312)	(9,486)	(9,747)	(10,029)	(10,268)	(10,524)	(10,802)	(11,085)	(11,367)	(11,661)
Depreciation and Ammortization	(1,290)	(1,364)	(1,404)	(1,430)	(1,560)	(1,632)	(1,691)	(1,746)	(1,801)	(1,857)	(1,912)	(1,966)	(2,021)	(2,077)	(2,134)
Impairment and severance charges	(27)	(36)	(100)	(92)	(87)	(76)	(78)	(80)	(82)	(84)	(86)	(89)	(91)	(93)	(96)
Other unallocated, net	1,650	1,789	1,012	1,233	1,043	1,166	1,188	1,220	1,255	1,285	1,317	1,352	1,388	1,423	1,460
Gross Profit	13,953	9,061	8,287	8,479	6,930	8,593	8,725	8,957	9,211	9,418	9,644	9,895	10,150	10,405	10,671
Other income, net	(10)	62	61	28	83	48	60	60	60	67	64	67	69	71	73
Operating profit	13,943	9,123	8,348	8,507	7,013	8,640	8,786	9,017	9,271	9,485	9,707	9,962	10,219	10,475	10,744
Interest expense	(591)	(569)	(623)	(916)	(1,036)	(981)	(913)	(930)	(946)	(962)	(978)	(994)	(1,012)	(1,030)	(1,049)
Non-service FAS pension income (expense)	219	(1,292)	(971)	443	62	(819)	(679)	(563)	(467)	(387)	(321)	(266)	(221)	(183)	(152)
Other non-operating income (expense), net	(37)	288	(74)	64	181	(364)	(371)	(381)	(392)	(402)	(411)	(422)	(433)	(444)	(456)
Earning before income taxes	13,534	7,550	6,680	8,098	6,220	6,476	6,822	7,144	7,467	7,735	7,997	8,280	8,554	8,818	9,088
Income tax expense	(1,347)	(1,235)	(948)	(1,178)	(884)	(1,367)	(1,440)	(1,508)	(1,576)	(1,702)	(1,759)	(1,822)	(1,882)	(1,940)	(1,999)
Net earnings	12,187	6,315	5,732	6,920	5,336	5,110	5,383	5,636	5,891	6,034	6,238	6,458	6,672	6,878	7,089
Earnings per common share															
Shares Outstanding	280	272	255	242	235	236	234	232	230	228	226	224	223	221	220
Weighted Avg. Shares Outstanding	281	277	265	251	239	235	235	233	231	229	227	225	224	222	221
Basic Earnings Per Share	43.53	23.22	22.48	28.60	22.71	21.68	23.05	24.34	25.65	26.48	27.58	28.77	29.93	31.07	32.23
Annual Dividend Per Share	9.80	10.60	11.40	12.15	12.75	12.75	12.75	13.77	14.87	16.06	17.35	18.73	20.23	21.85	23.60

Balance Sheet

All figures in millions of U.S. Dollar except per share items.



Fiscal Years Ending Dec. 31	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Total Assets	50,710	50,873	52,880	52,456	55,617	56,869	58,074	59,239	60,489	61,783	63,181	64,693	66,292	67,932	69,563
Cash and cash equivalents	3,160	3,604	2,547	1,442	2,483	1,938	2,096	2,159	2,304	2,495	2,757	3,059	3,385	3,708	3,988
Receivables, net	1,978	1,963	2,505	2,132	2,351	3,012	3,069	3,153	3,244	3,322	3,404	3,494	3,586	3,677	3,772
Contract assets	9,545	10,579	12,318	13,183	12,957	12,385	12,664	12,932	13,191	13,470	13,758	14,069	14,406	14,762	15,127
Inventories	3,545	2,981	3,088	3,132	3,474	4,479	4,563	4,688	4,824	4,939	5,061	5,195	5,331	5,467	5,609
Other current assets	1,150	688	533	632	584	997	1,016	1,044	1,074	1,100	1,127	1,157	1,187	1,218	1,249
Total current assets	19,378	19,815	20,991	20,521	21,849	22,811	23,407	23,976	24,637	25,325	26,108	26,974	27,895	28,832	29,745
Property, plant and equipment, net	7,213	7,597	7,975	8,370	8,726	9,043	9,337	9,631	9,928	10,221	10,512	10,806	11,105	11,407	11,714
Goodwill	10,806	10,813	10,780	10,799	11,067	11,067	11,067	11,067	11,067	11,067	11,067	11,067	11,067	11,067	11,067
Intangible assets, net	3,012	2,706	2,459	2,212	2,015	2,642	2,701	2,758	2,814	2,873	2,935	3,001	3,073	3,149	3,227
Deferred income taxes	3,475	2,290	3,744	2,943	3,557	3,386	3,462	3,536	3,606	3,683	3,761	3,846	3,939	4,036	4,136
Other noncurrent assets	6,826	7,652	6,931	7,601	8,403	7,921	8,099	8,271	8,437	8,615	8,799	8,998	9,213	9,441	9,675
Total Liabilities and equity	50,710	50,873	52,880	52,456	55,617	56,869	58,074	59,239	60,489	61,783	63,181	64,693	66,292	67,932	69,564
Total Liabilities	44,672	39,914	43,614	45,621	49,284	49,425	49,239	48,970	48,759	48,695	48,793	49,068	49,521	50,136	50,887
Accounts payable	880	780	2,117	2,312	2,222	2,660	2,710	2,784	2,864	2,933	3,006	3,085	3,166	3,247	3,331
Salaries, benefits and payroll taxes	3,163	3,108	3,075	3,133	3,125	3,462	3,472	3,459	3,440	3,425	3,421	3,428	3,447	3,479	3,522
Contract liabilities	7,545	8,107	8,488	9,190	9,795	9,530	9,557	9,521	9,469	9,428	9,416	9,435	9,488	9,575	9,694
Current maturities of long-term debt	500	6	118	168	643	446	454	467	480	492	504	517	531	544	559
Other current liabilities	1,845	1,996	2,089	2,134	3,635	3,764	3,834	3,940	4,054	4,150	4,254	4,366	4,480	4,594	4,713
Total current liabilities	13,933	13,997	15,887	16,937	19,420	19,862	20,027	20,171	20,308	20,429	20,600	20,831	21,112	21,440	21,819
Long-term debt, net	11,669	11,670	15,429	17,291	19,627	18,268	18,595	18,914	19,231	19,556	19,886	20,232	20,596	20,973	21,358
Accrued pension liabilities	12,874	8,319	5,472	6,162	4,791	3,972	3,294	2,731	2,264	1,877	1,557	1,291	1,070	887	736
Other noncurrent liabilities	6,196	5,928	6,826	5,231	5,446	6,593	6,587	6,551	6,523	6,514	6,527	6,564	6,625	6,707	6,808
Total Equity	6,015	10,959	9,266	6,835	6,333	7,444	8,835	10,269	11,730	13,089	14,389	15,626	16,772	17,796	18,677
Common stock, \$1 par value per share	279	271	254	240	234	235	235	235	235	235	235	235	235	235	235
Additional paid-in capital	221	94	92	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings	21,636	21,600	16,943	15,398	14,551	15,660	17,052	18,485	19,946	21,305	22,606	23,843	24,989	26,013	26,894
Accumulated other comprehensive loss	(16,121)	(11,006)	(8,023)	(8,803)	(8,452)	(8,452)	(8,452)	(8,452)	(8,452)	(8,452)	(8,452)	(8,452)	(8,452)	(8,452)	(8,452)

<i>Fiscal Years Ending Dec. 31</i>	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
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Fiscal Years Ending Dec. 31	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Total Assets	50,710	50,873	52,880	52,456	55,617	56,869	58,074	59,239	60,489	61,783	63,181	64,693	66,292	67,932	69,563
Cash and cash equivalents	3,160	3,604	2,547	1,442	2,483	1,938	2,096	2,159	2,304	2,495	2,757	3,059	3,385	3,708	3,988
Receivables, net	1,978	1,963	2,505	2,132	2,351	3,012	3,069	3,153	3,244	3,322	3,404	3,494	3,586	3,677	3,772
Contract assets	9,545	10,579	12,318	13,183	12,957	12,385	12,664	12,932	13,191	13,470	13,758	14,069	14,406	14,762	15,127
Inventories	3,545	2,981	3,088	3,132	3,474	4,479	4,563	4,688	4,824	4,939	5,061	5,195	5,331	5,467	5,609
Other current assets	1,150	688	533	632	584	997	1,016	1,044	1,074	1,100	1,127	1,157	1,187	1,218	1,249
Total current assets	19,378	19,815	20,991	20,521	21,849	22,811	23,407	23,976	24,637	25,325	26,108	26,974	27,895	28,832	29,745
Property, plant and equipment, net	7,213	7,597	7,975	8,370	8,726	9,043	9,337	9,631	9,928	10,221	10,512	10,806	11,105	11,407	11,714
Goodwill	10,806	10,813	10,780	10,799	11,067	11,067	11,067	11,067	11,067	11,067	11,067	11,067	11,067	11,067	11,067
Intangible assets, net	3,012	2,706	2,459	2,212	2,015	2,642	2,701	2,758	2,814	2,873	2,935	3,001	3,073	3,149	3,227
Deferred income taxes	3,475	2,290	3,744	2,943	3,557	3,386	3,462	3,536	3,606	3,683	3,761	3,846	3,939	4,036	4,136
Other noncurrent assets	6,826	7,652	6,931	7,601	8,403	7,921	8,099	8,271	8,437	8,615	8,799	8,998	9,213	9,441	9,675
Total Liabilities and equity	50,710	50,873	52,880	52,456	55,617	56,869	58,074	59,239	60,489	61,783	63,181	64,693	66,292	67,932	69,564
Total Liabilities	44,672	39,914	43,614	45,621	49,284	49,425	49,239	48,970	48,759	48,695	48,793	49,068	49,521	50,136	50,887
Accounts payable	880	780	2,117	2,312	2,222	2,660	2,710	2,784	2,864	2,933	3,006	3,085	3,166	3,247	3,331
Salaries, benefits and payroll taxes	3,163	3,108	3,075	3,133	3,125	3,462	3,472	3,459	3,440	3,425	3,421	3,428	3,447	3,479	3,522
Contract liabilities	7,545	8,107	8,488	9,190	9,795	9,530	9,557	9,521	9,469	9,428	9,416	9,435	9,488	9,575	9,694
Current maturities of long-term debt	500	6	118	168	643	446	454	467	480	492	504	517	531	544	559
Other current liabilities	1,845	1,996	2,089	2,134	3,635	3,764	3,834	3,940	4,054	4,150	4,254	4,366	4,480	4,594	4,713
Total current liabilities	13,933	13,997	15,887	16,937	19,420	19,862	20,027	20,171	20,308	20,429	20,600	20,831	21,112	21,440	21,819
Long-term debt, net	11,669	11,670	15,429	17,291	19,627	18,268	18,595	18,914	19,231	19,556	19,886	20,232	20,596	20,973	21,358
Accrued pension liabilities	12,874	8,319	5,472	6,162	4,791	3,972	3,294	2,731	2,264	1,877	1,557	1,291	1,070	887	736
Other noncurrent liabilities	6,196	5,928	6,826	5,231	5,446	6,593	6,587	6,551	6,523	6,514	6,527	6,564	6,625	6,707	6,808
Total Equity	6,015	10,959	9,266	6,835	6,333	7,444	8,835	10,269	11,730	13,089	14,389	15,626	16,772	17,796	18,677
Common stock, \$1 par value per share	279	271	254	240	234	235	235	235	235	235	235	235	235	235	235
Additional paid-in capital	221	94	92	-	-										
Retained earnings	21,636	21,600	16,943	15,398	14,551	15,660	17,052	18,485	19,946	21,305	22,606	23,843	24,989	26,013	26,894
Accumulated other comprehensive loss	(16,121)	(11,006)	(8,023)	(8,803)	(8,452)	(8,452)	(8,452)	(8,452)	(8,452)	(8,452)	(8,452)	(8,452)	(8,452)	(8,452)	(8,452)

Lockheed Martin (LMT)
Historical Cash Flow Statement


All figures in millions of U.S. Dollar except per share items.

Fiscal Years Ending Dec. 31	2018	2019	2020	2021	2022	2023	2024
Net cash provided by operating activities	3,138	7,311	8,183	9,221	7,802	7,920	6,575
Net earnings	5,046	6,230	6,833	6,315	5,732	6,920	5,336
Adjustments to reconcile net earnings to net cash provided by operating	(1,908)	1,081	1,350	2,906	2,070	1,000	1,239
Depreciation and amortization	1,161	1,189	1,290	1,364	1,404	1,430	1,560
Stock-based compensation	173	189	221	227	238	265	277
Equity method investment impairment	-	-	128	-	-	-	-
Tax resolution related to former IS & GS business	-	-	55	-	-	-	-
Pension settlement charge	-	-	-	1,665	1,470	-	-
Severance Charges / Credits	96	-	27	36	100	92	87
Deferred income taxes	(244)	222	5	(183)	(757)	(498)	(588)
Gain on property sales	-	(51)	-	-	-	-	-
Changes In Assets & Liabilities	(3,094)	(468)	(376)	(203)	(385)	(289)	(97)
Receivables, net	(179)	107	359	15	(542)	373	219
Contract assets	(1,480)	378	(451)	(1,034)	(1,739)	(865)	(226)
Inventories	(119)	(622)	74	564	(107)	(44)	342
Accounts payable	914	(1,098)	(372)	(98)	1,274	151	(90)
Contract liabilities	(537)	563	491	562	381	702	605
Income taxes	(3,574)	(151)	(19)	45	148	(133)	(22)
Post Retirement Benefit Plans	1,077	81	(1,197)	(267)	(412)	(378)	(416)
Other, net	804	274	739	10	612	(95)	(509)
Net cash provided by operating activities	(1,075)	(1,241)	(2,010)	(1,161)	(1,789)	(1,694)	(1,792)
Capital Expenditures	(1,278)	(1,484)	(1,766)	(1,522)	(1,670)	(1,691)	(1,685)
CapEx for PP&E	-	-	-	-	-	-	-
CapEx for Capitalized Internal Use Software	-	-	-	-	-	-	-
Other Net	203	243	(44)	361	(119)	(3)	(107)
Other, Net Excluding Maturities of Short Term Investments							
Acquisitions of businesses and investments in affiliates	-	-	-	-	-	-	-
Other, Net Excluding Acquisitions							
Net Cash for / Provided by Financing Activities	(4,152)	(5,328)	(4,527)	(7,616)	(7,070)	(7,331)	(4,139)
Repayments of / proceeds from commercial paper, net	600	(600)					
Proceeds from issuance of commercial paper, net	600	-	-	-	-	-	-
Repayments of commercial paper, net	-	(600)	-	-	-	-	-
Special cash payments from divestiture of IS&GS business segment	-	-	-	-	-	-	-
Repayments of long-term debt	(750)	(900)	(519)	(500)	3,961	1,860	2,802
Issuance of long-term debt, net of related costs	-	-	1,131	-	6,211	1,975	2,970
Repayments of long-term debt	(750)	(900)	(1,650)	(500)	(2,250)	(115)	(168)
Proceeds from borrowing under revolving credit facilities	-	-	-	-	-	-	-
Repayments of borrowing under revolving credit facilities	-	-	-	-	-	-	-
Repurchases of common stock	(1,492)	(1,200)	(1,100)	(4,087)	(7,900)	(6,000)	(3,700)
Dividends Paid	(2,347)	(2,556)	(2,764)	(2,940)	(3,016)	(3,056)	(3,059)
Other Net	(163)	(72)	(144)	(89)	(115)	(135)	(182)
Proceeds from stock options exercised	-	-	-	-	-	-	-
Other Net	-	-	-	-	-	-	-
Net Change in cash and cash equivalents	(2,089)	742	1,646	444	(1,057)	(1,105)	1,041
Cash and cash equivalents at beginning of period	2,861	772	1,514	3,160	3,604	2,547	1,442
Cash and cash equivalents at end of period	772	1,514	3,160	3,604	2,547	1,442	2,483

Fiscal Years Ending Dec. 31	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Net cash provided by operating activities	6,148	6,663	6,744	7,004	7,253	7,552	7,852	8,170	8,494	8,813
Net earnings	5,110	5,383	5,636	5,891	6,034	6,238	6,458	6,672	6,878	7,089
Depreciation and amortization	1,632	1,691	1,746	1,801	1,857	1,912	1,966	2,021	2,077	2,134
Receivables, net	(661)	(56)	(84)	(91)	(77)	(83)	(90)	(92)	(91)	(95)
Contract assets	572	(279)	(268)	(259)	(278)	(288)	(311)	(337)	(356)	(365)
Inventories, net	(1,005)	(84)	(126)	(135)	(115)	(123)	(134)	(136)	(136)	(142)
Other current assets	(413)	(19)	(28)	(30)	(26)	(27)	(30)	(30)	(30)	(32)
Deferred income taxes	171	(76)	(73)	(71)	(76)	(79)	(85)	(92)	(97)	(100)
Accounts payable	438	50	75	80	68	73	79	81	81	84
Salaries, benefits, and payroll taxes	337	10	(13)	(19)	(15)	(5)	7	19	32	43
Other current liabilities	(265)	27	(36)	(52)	(41)	(12)	19	53	88	119
Contract liabilities	(265)	27	(36)	(52)	(41)	(12)	19	53	88	119
Intangible assets, net	627	59	57	55	59	61	66	72	76	78
Other current liabilities	(129)	(71)	(105)	(114)	(97)	(103)	(112)	(114)	(114)	(119)
Net cash used for / provided by investing activities	(1,467)	(2,164)	(2,212)	(2,265)	(2,327)	(2,387)	(2,460)	(2,535)	(2,607)	(2,674)
Capital Expenditures	(1,949)	(1,986)	(2,040)	(2,099)	(2,149)	(2,203)	(2,261)	(2,320)	(2,379)	(2,441)
Other noncurrent assets	482	(178)	(172)	(166)	(178)	(184)	(199)	(215)	(228)	(233)
Net cash used for / provided by financing activities	(5,226)	(4,341)	(4,469)	(4,595)	(4,734)	(4,903)	(5,091)	(5,309)	(5,564)	(5,859)
Current maturities of long term debt	(197)	8	13	13	11	12	13	14	14	14
Long-term debt, net	(1,359)	326	320	316	325	330	346	364	377	385
Accrued pension liabilities	(819)	(679)	(563)	(467)	(387)	(321)	(266)	(221)	(183)	(152)
Other noncurrent liabilities	1,147	(6)	(36)	(28)	(9)	13	37	61	82	101
Repurchases of common stock	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Dividend paid	(3,000)	(2,991)	(3,203)	(3,430)	(3,675)	(3,938)	(4,221)	(4,526)	(4,854)	(5,207)
Common Stock	1	-	-	-	-	-	-	-	-	-
Net change in cash and cash equivalents	(545)	158	63	145	192	262	302	326	323	280
Cash and cash equivalents at beginning of period	2,483	1,938	2,096	2,159	2,304	2,495	2,757	3,059	3,385	3,708
Cash and cash equivalents at end of period	1,938	2,096	2,159	2,304	2,495	2,757	3,059	3,385	3,708	3,988

Lockheed Martin (LMT)
Common Size Income Statement



Fiscal Years Ending Dec. 31	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Total Net Sales															
Products	83.99%	84.18%	84.06%	83.27%	83.44%	84.22%	84.22%	84.22%	84.22%	84.22%	84.22%	84.22%	84.22%	84.22%	84.22%
Sales	16.01%	15.82%	15.94%	16.73%	16.56%	15.78%	15.78%	15.78%	15.78%	15.78%	15.78%	15.78%	15.78%	15.78%	15.78%
Cost of Sales															
Products	-88.03%	-87.87%	-87.72%	-87.96%	-91.22%	-88.51%	-88.51%	-88.51%	-88.51%	-88.51%	-88.51%	-88.51%	-88.51%	-88.51%	-88.51%
Sales	-83.34%	-82.77%	-81.29%	-82.36%	-80.21%	-81.43%	-81.43%	-81.43%	-81.43%	-81.43%	-81.43%	-81.43%	-81.43%	-81.43%	-81.43%
Depreciation and Ammortization	-17.88%	-17.95%	-17.61%	-17.08%	-17.88%	-17.68%	-17.64%	-17.58%	-17.57%	-17.67%	-17.63%	-17.62%	-17.61%	-17.62%	-17.63%
Impairment and severance charges	-0.04%	-0.05%	-0.15%	-0.14%	-0.12%	-0.11%	-0.11%	-0.11%	-0.11%	-0.11%	-0.11%	-0.11%	-0.11%	-0.11%	-0.11%
Other unallocated, net	2.52%	2.67%	1.53%	1.82%	1.47%	1.61%	1.61%	1.61%	1.61%	1.61%	1.61%	1.61%	1.61%	1.61%	1.61%
Total Cost of Sales															
Gross Profit	21.34%	13.52%	12.56%	12.55%	9.75%	11.86%	11.82%	11.81%	11.80%	11.79%	11.78%	11.77%	11.77%	11.76%	11.76%
Other income, net	-0.02%	0.09%	0.09%	0.04%	0.12%	0.07%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%
Operating profit															
Interest expense	0.33%	-1.93%	-1.47%	0.66%	0.09%	-0.33%	-0.33%	-0.33%	-0.33%	-0.33%	-0.33%	-0.33%	-0.33%	-0.33%	-0.33%
Non-service FAS pension income (expense)	0.33%	-1.93%	-1.47%	0.66%	0.09%	-0.55%	-0.55%	-0.55%	-0.55%	-0.55%	-0.55%	-0.55%	-0.55%	-0.55%	-0.55%
Other non-operating income (expense), net	-1.54%	-0.12%	-0.06%	0.43%	-0.11%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%
Earning before income taxes															
Income tax expense	-2.06%	-1.84%	-1.44%	-1.74%	-1.24%	-1.89%	-1.95%	-1.99%	-2.02%	-2.13%	-2.15%	-2.17%	-2.18%	-2.19%	-2.20%
Net earnings from continued operations	10.53%	9.42%	0.00%	0.00%	0.00%	5.90%	5.72%	5.52%	5.69%	5.32%	4.81%	4.24%	3.72%	4.09%	4.50%
Net loss from discontinued operations	-0.08%	0.00%	0.00%	0.00%	0.00%	0.44%	0.37%	0.09%	0.08%	0.09%	0.10%	0.12%	0.13%	0.14%	0.16%
Net earnings															
	18.64%	9.42%	8.69%	10.24%	7.51%	7.05%	7.29%	7.43%	7.55%	7.55%	7.62%	7.68%	7.74%	7.78%	7.81%

Fiscal Years Ending Dec. 31	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Total Assets	#REF!	75.88%	80.14%	77.63%	78.29%	79%	78%	78%	78%	78%	78%	78%	78%	78%	78%
Cash and cash equivalents	6.23%	7.08%	4.82%	2.75%	4.46%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Receivables, net	3.90%	3.86%	4.74%	4.06%	4.23%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Contract assets	18.82%	20.79%	23.29%	25.13%	23.30%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%
Inventories	6.99%	5.86%	5.84%	5.97%	6.25%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Other current assets	2.27%	1.35%	1.01%	1.20%	1.05%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Total current assets	38.21%	38.95%	39.70%	39.12%	39.28%	39%	39%	39%	39%	39%	39%	39%	39%	39%	39%
Property, plant and equipment, net	14.22%	14.93%	15.08%	15.96%	15.69%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Goodwill	21.31%	21.25%	20.39%	20.59%	19.90%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%
Intangible assets, net	5.94%	5.32%	4.65%	4.22%	3.62%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Deferred income taxes	6.85%	4.50%	7.08%	5.61%	6.40%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Other noncurrent assets	13.46%	15.04%	13.11%	14.49%	15.11%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%
Total Liabilities and equity	#REF!	59.53%	66.10%	67.52%	69.37%	68%	68%	68%	68%	68%	68%	68%	68%	68%	68%
Total Liabilities															
Accounts payable	1.97%	1.95%	4.85%	5.07%	4.51%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Salaries, benefits and payroll taxes	7.08%	7.79%	7.05%	6.87%	6.34%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Contract liabilities	16.89%	20.31%	19.46%	20.14%	19.87%	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%
Current maturities of long-term debt	1.12%	0.02%	0.27%	0.37%	1.30%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Other current liabilities	4.13%	5.00%	4.79%	4.68%	7.38%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Total current liabilities															
Long-term debt, net	26.12%	29.24%	35.38%	37.90%	39.82%	34%	34%	34%	34%	34%	34%	34%	34%	34%	34%
Accrued pension liabilities	28.82%	20.84%	12.55%	13.51%	9.72%	-17%	-17%	-17%	-17%	-17%	-17%	-17%	-17%	-17%	-17%
Other noncurrent liabilities	13.87%	14.85%	15.65%	11.47%	11.05%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%
Total equity															
Common stock, \$1 par value per share	4.64%	2.47%	2.74%	3.51%	3.69%										
Additional paid-in capital	3.67%	0.86%	0.99%	0.00%	0.00%										
Retained earnings	359.70%	197.10%	182.85%	225.28%	229.76%	239%	215%	218%	225%	225%	225%	222%	223%	224%	224%
Accumulated other comprehensive loss	-268.01%	-100.43%	-86.59%	-128.79%	-133.46%	-143%	-119%	-122%	-129%	-129%	-129%	-126%	-127%	-128%	-128%

Fiscal Years Ending Dec. 31	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
NOPLAT:													
Net Sales	65,984	67,571	71,043	72,454	73,811	75,842	78,032	79,894	81,882	84,046	86,247	88,444	90,734
Products	(48,655)	(49,491)	(54,072)	(54,006)	(55,018)	(56,532)	(58,164)	(59,552)	(61,033)	(62,647)	(64,287)	(65,925)	(67,632)
Sales	(8,550)	(9,312)	(9,437)	(9,312)	(9,486)	(9,747)	(10,029)	(10,268)	(10,524)	(10,802)	(11,085)	(11,367)	(11,661)
Impairment and severance charges	(100)	(92)	(87)	(76)	(78)	(80)	(82)	(84)	(86)	(89)	(91)	(93)	(96)
Other unallocated, net	(1,012)	(1,233)	(1,043)	(1,166)	(1,188)	(1,220)	(1,255)	(1,285)	(1,317)	(1,352)	(1,388)	(1,423)	(1,460)
Depreciation and Amortization	(1,404)	(1,430)	(1,560)	(1,632)	(1,691)	(1,746)	(1,801)	(1,857)	(1,912)	(1,966)	(2,021)	(2,077)	(2,134)
Implied Interest on Operating Leases	56	61	60	68	69	70	72	73	75	76	78	79	81
EBITA	6,263	6,013	4,844	6,262	6,350	6,516	6,700	6,847	7,009	7,191	7,375	7,559	7,752
Adjusted Taxes:													
Income tax provision	948	1,178	884	1,367	1,440	1,508	1,576	1,702	1,759	1,822	1,882	1,940	1,999
+ Tax Shield on Operating Lease Interest	12	13	13	15	15	15	16	16	16	17	17	17	18
+ Tax Shield on Interest Expense	88	130	147	139	130	132	134	137	139	141	144	146	149
+ Non-service FAS pension income	138	(63)	(9)	116	96	80	66	55	46	38	31	26	22
+ Other non-operating income	11	(9)	(26)	52	53	54	56	57	58	60	62	63	65
- Total Adjusted Taxes	1,197	1,249	1,010	1,689	1,734	1,789	1,848	1,966	2,019	2,077	2,135	2,193	2,252
Change in Deferred Taxes:													
DTL	(3,744)	(2,943)	(3,557)	(3,386)	(3,462)	(3,536)	(3,606)	(3,683)	(3,761)	(3,846)	(3,939)	(4,036)	(4,136)
Change in DTL	(1,454)	801	(614)	171	(76)	(73)	(71)	(76)	(79)	(85)	(92)	(97)	(100)
NOPLAT	3,612	5,565	3,220	4,744	4,540	4,654	4,781	4,805	4,912	5,028	5,148	5,269	5,400
Invested Capital (IC):													
+Normal Cash	330	338	355	362	369	379	390	399	409	420	431	442	454
+Receivables	2,505	2,132	2,351	3,012	3,069	3,153	3,244	3,322	3,404	3,494	3,586	3,677	3,772
+Inventories	3,088	3,132	3,474	4,479	4,563	4,688	4,824	4,939	5,061	5,195	5,331	5,467	5,609
+Other Current Assets	533	632	584	997	1,016	1,044	1,074	1,100	1,127	1,157	1,187	1,218	1,249
+Contract Assets	12,318	13,183	12,957	12,385	12,664	12,932	13,191	13,470	13,758	14,069	14,406	14,762	15,127
-Contract Liabilities	(8,488)	(9,190)	(9,795)	(9,530)	(9,557)	(9,521)	(9,469)	(9,428)	(9,416)	(9,435)	(9,488)	(9,575)	(9,694)
-Accounts Payable	(2,117)	(2,312)	(2,222)	(2,660)	(2,710)	(2,784)	(2,864)	(2,933)	(3,006)	(3,085)	(3,166)	(3,247)	(3,331)
-Salaries, benefits, and payroll taxes	(3,075)	(3,133)	(3,125)	(3,462)	(3,472)	(3,459)	(3,440)	(3,425)	(3,421)	(3,428)	(3,447)	(3,479)	(3,522)
Net Operating Working Capital	5,094	4,782	4,579	5,584	5,941	6,432	6,950	7,443	7,918	8,388	8,840	9,265	9,663
+Net PPE	7,975	8,370	8,726	9,043	9,337	9,631	9,928	10,221	10,512	10,806	11,105	11,407	11,714
+PV of operating leases	1,103	1,086	1,083	1,122	1,159	1,195	1,232	1,268	1,305	1,341	1,378	1,416	1,454
+Net Other operating Assets	533	632	584	997	1,016	1,044	1,074	1,100	1,127	1,157	1,187	1,218	1,249
Invested Capital (IC)	14,705	14,870	14,972	16,746	17,453	18,302	19,185	20,032	20,861	21,693	22,511	23,305	24,081
Free Cash Flow (FCF):													
NOPLAT	3,612	5,565	3,220	4,744	4,540	4,654	4,781	4,805	4,912	5,028	5,148	5,269	5,400
Change in IC	853	165	102	1,774	707	849	882	847	829	832	818	794	775
FCF	2,759	5,400	3,118	2,969	3,833	3,805	3,899	3,958	4,082	4,197	4,329	4,474	4,624
Return on Invested Capital (ROIC):													
NOPLAT	3,612	5,565	3,220	4,744	4,540	4,654	4,781	4,805	4,912	5,028	5,148	5,269	5,400
Beginning IC	13,852	14,705	14,870	14,972	16,746	17,453	18,302	19,185	20,032	20,861	21,693	22,511	23,305
ROIC	26%	38%	22%	31.68%	27.11%	26.67%	26.12%	25.05%	24.52%	24.10%	23.73%	23.40%	23.17%
Economic Profit (EP):													
Beginning IC	13,852	14,705	14,870	14,972	16,746	17,453	18,302	19,185	20,032	20,861	21,693	22,511	23,305
x (ROIC - WACC)	19.30%	31.07%	14.88%	24.91%	20.34%	19.89%	19.35%	18.27%	17.75%	17.33%	16.96%	16.63%	16.40%
EP	2,674	4,569	2,213	3,730	3,406	3,472	3,542	3,506	3,555	3,616	3,679	3,744	3,822

Cost of Equity:

Risk-Free Rate	4.28%
Beta	0.65
Equity Risk Premium	4.59%
Cost of Equity	7.26%

Cost of Debt:

Risk-Free Rate	4.28%
Implied Default Premium	1.23%
Pre-Tax Cost of Debt	5.50%
Marginal Tax Rate	22%
After-Tax Cost of Debt	4.29%

Market Value of Common Equity:

Total Shares Outstanding	235
Current Stock Price	\$462.69
MV of Equity	108,732.15

MV Weights

83.59%

Market Value of Debt:

Current Portion of LTD	643
Long-Term Debt	19,627
PV of Operating Leases	1,083
MV of Total Debt	21,352.98

16.41%

Market Value of the Firm

130,085.13

100.00%

Estimated WACC

6.77%

Key Inputs:

CV Growth of NOPLAT	4.60%
CV Year ROIC	23.17%
WACC	6.77%
Cost of Equity	7.26%

Fiscal Years Ending Dec. 31	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
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DCF Model:

Free Cash Flow (FCF)	2,969	3,833	3,805	3,899	3,958	4,082	4,197	4,329	4,474	4,624
Continuing Value (CV)										199,312
PV of FCF	2,781	3,363	3,126	3,000	2,852	2,755	2,653	2,563	2,481	110,521

Value of Operating Assets:	136,096
Non-Operating Adjustments	
+ Excess Cash	2,128
- PV of Operating Leases	1,083
- Current Portion LT Debt	643
- LT Debt	19,627
- Pension Liabilities	4,791
- ESOP	1,031
Value of Equity	111,049
Shares Outstanding	235
Intrinsic Value of Last FYE	\$ 472.55
Implied Price as of Today	\$ 476.22

EP Model:

Economic Profit (EP)	3,730	3,406	3,472	3,542	3,506	3,555	3,616	3,679	3,744	3,822
Continuing Value (CV)										176,007
PV of EP	3,493	2,988	2,853	2,726	2,526	2,400	2,286	2,178	2,076	97,598

Total PV of EP	121,124
Invested Capital (last FYE)	14,972
Value of Operating Assets:	136,096
Non-Operating Adjustments	
+ Excess Cash	2,128
- PV of Operating Leases	1,083
- Current Portion LT Debt	643
- LT Debt	19,627
- Pension Liabilities	4,791
- ESOP	1,031
Value of Equity	111,049
Shares Outstanding	235.0
Intrinsic Value of Last FYE	\$ 472.55
Implied Price as of Today	\$ 476.22

Lockheed Martin

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

<i>Fiscal Years Ending</i>	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
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EPS	\$ 21.68	\$ 23.05	\$ 24.34	\$ 25.65	\$ 26.48	\$ 27.58	\$ 28.77	\$ 29.93	\$ 31.07	\$ 32.23
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Key Assumptions

CV growth of EPS	3.40%
CV Year ROE	37.95%
Cost of Equity	7.26%

Future Cash Flows

P/E Multiple (CV Year)										23.60
EPS (CV Year)										\$ 32.23
Future Stock Price										\$760.50
Dividends Per Share	9.80	10.60	11.40	12.15	12.75	12.75	12.75	13.77	14.87	
Discounted Cash Flows	9.14	9.21	9.24	9.18	8.98	8.37	7.81	7.86	7.92	404.78

Intrinsic Value as of Last FYE \$ 482.49

Implied Price as of Today \$ 486.23

Lockheed Martin*Relative Valuation Models*

Ticker	Company	Price	EPS 2025E	EPS 2026E	P/E 25	P/E 26	Rev 24 (B)	EV (B)	EV/REV 24
RTX	RTX	\$128.54	\$6.10	\$6.78	21.07	18.96	80.74	193.84	2.40
BA	Boeing	\$155.14	(\$1.31)	\$3.72	(118.43)	41.70	66.52	165.38	2.49
GD	General Dynamics	\$275.93	\$14.88	\$16.72	18.54	16.50	47.72	80.91	1.70
TDG	TransDigm Group	\$1,338.00	\$35.71	\$41.70	37.47	32.09	7.94	102.94	12.96
NOC	Northrop Grumman	\$538.91	\$28.10	\$28.81	19.18	18.71	41.03	80.17	1.95
LHX	L3Harris Technologies	\$218.78	\$10.17	\$11.96	21.51	18.29	21.33	51.75	2.43
TXT	Textron	\$64.69	\$5.30	\$5.97	12.21	10.84	13.70	16.40	1.20
LDOS	Leidos	\$139.55	\$10.00	\$11.08	13.96	12.59	16.66	23.23	1.39
Average					20.08	18.11			1.94
LMT	Lockheed Martin	\$462.69	21.68	23.05	21.3	20.1	71.04	131.42	1.85

Implied Relative Value:

P/E (EPS25)	\$ 435.36
P/E (EPS26)	\$ 417.48
EV/REV	\$ 483.89

Lockheed Martin
Key Management Ratios

Fiscal Years Ending Dec. 31	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Liquidity Ratios:															
Current Ratio (Current Assets/Current Liabilities)	1.39	1.42	1.32	1.21	1.13	1.15	1.17	1.19	1.21	1.24	1.27	1.29	1.32	1.34	1.36
Cash Ratio (Cash & Equivalents/Current Liabilities)	0.23	0.26	0.16	0.09	0.13	0.10	0.10	0.11	0.11	0.12	0.13	0.15	0.16	0.17	0.18
Asset-Management Ratios:															
Total Asset Turnover (Sales/Avg. Assets)	2.64	1.30	1.30	1.35	1.34	1.31	1.32	1.33	1.33	1.34	1.35	1.35	1.35	1.35	-
NWC Turnover Ratio (Sales/Current Assets-Current Liabilities)	12.01	11.52	12.93	18.85	29.25	24.56	21.84	19.93	18.02	16.32	14.87	13.68	12.72	11.97	11.45
Financial Leverage Ratios:															
Debt Ratio (Long-Term Debt/Total Assets)	23.01%	22.94%	29.18%	32.96%	35.29%	32.12%	32.02%	31.93%	31.79%	31.65%	31.47%	31.27%	31.07%	30.87%	30.70%
Debt-to-Equity Ratio (Total Debt/Total Equity)	2.27	1.16	1.80	2.71	3.37	2.66	2.29	2.00	1.79	1.63	1.51	1.41	1.34	1.29	1.25
Interest Coverage Ratio (EBIT/Interest Charges)	10.64	8.88	10.36	10.98	13.09	23.59	16.03	13.40	9.29	6.77	8.80	9.62	9.70	9.80	9.86
Profitability Ratios:															
Return on Equity (NI/Beg TSE)	202.61%	57.62%	61.86%	101.24%	84.26%	68.64%	60.92%	54.89%	50.22%	46.10%	43.35%	41.33%	39.78%	38.65%	37.95%
Return on Assets (NI/Total Assets)	24.03%	12.41%	10.84%	13.19%	9.59%	8.98%	9.27%	9.51%	9.74%	9.77%	9.87%	9.98%	10.06%	10.12%	10.19%
Gross Margin (Sales-Cost of Sales/Sales)	78.66%	86.48%	87.44%	87.45%	90.25%	88.14%	88.18%	88.19%	88.20%	88.21%	88.22%	88.23%	88.23%	88.24%	88.24%
Profit Margin (NI/Sales)	18.64%	9.42%	8.69%	10.24%	7.51%	7.05%	7.29%	7.43%	7.55%	7.55%	7.62%	7.68%	7.74%	7.78%	7.81%
Payout Ratio:															
Dividend Payout Ratio (Dividend/EPS)	22.52%	45.66%	50.72%	42.49%	56.15%	58.80%	55.32%	56.58%	57.99%	60.66%	62.88%	65.12%	67.59%	70.33%	73.22%
Total Payout Ratio ((Divs. + Repurchases)/NI)	31.71%	111.27%	190.44%	130.87%	126.67%	-39.15%	-36.99%	-39.08%	-41.25%	-44.33%	-47.09%	-49.88%	-52.85%	-56.03%	-59.35%
Retention Ratio (EPS-Expected Dividends per Share/EPS)	77.48%	54.34%	49.28%	57.51%	43.85%	41.20%	44.68%	43.42%	42.01%	39.34%	37.12%	34.88%	32.41%	29.67%	26.78%

Lockheed Martin*Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding*

Number of Options Outstanding (shares):	2.790
Average Time to Maturity (years):	1.00
Expected Annual Number of Options Exercised:	2.790

Current Average Strike Price:	\$ 433.33
Cost of Equity:	7.26%
Current Stock Price:	\$462.69

<i>Fiscal Years Ending Dec. 31</i>	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Increase in Shares Outstanding:	2.79									
Average Strike Price:	\$ 433.33									
Increase in Common Stock Account:	1.21									
Share Repurchases (\$)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Expected Price of Repurchased Shares:	\$ 462.69	\$ 483.55	\$ 505.35	\$ 528.14	\$ 551.95	\$ 576.83	\$ 602.84	\$ 630.02	\$ 658.42	\$ 688.10
Number of Shares Repurchased:	2.16	2.07	1.98	1.89	1.81	1.73	1.66	1.59	1.52	1.45
Shares Outstanding (beginning of the year)	235	236	234	232	230	228	226	224	223	221
Plus: Shares Issued Through ESOP	3	0	0	0	0	0	0	0	0	0
Less: Shares Repurchased in Treasury	2	2	2	2	2	2	2	2	2	1
Shares Outstanding (end of the year)	236	234	232	230	228	226	224	223	221	220

Lockheed Martin*Valuation of Options Granted under ESOP*

Current Stock Price	\$462.69
Risk Free Rate	4.28%
Current Dividend Yield	2.75%
Annualized St. Dev. of Stock Returns	27.56%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Restricted Stock Units	0.982	434.01	3.00	\$ 449.97	\$ 613
Performance Stock Units	0.100	426.70	3.00	\$ 449.97	\$ 418
Total	1	\$ 433.33	3.00	\$ 125.57	\$ 1,031