



Lockheed Martin

Bradley Berk, Trevor Carnovsky, Jack Eppler,
Alexandru Ciolac, Hunter Fougner



Agenda



Executive Summary

Overview

Ratio Analysis

DCF Valuation

Recommendation

Executive Summary



- We are recommending to buy \$15,000 worth of shares for Lockheed Martin(LMT)
- We project Lockheed Martin to be 14.30% undervalued at \$505.15 per share through our DCF Valuation
- Company Stock currently trading at \$434.76 as of 3/11/2024



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Company Overview



- Lockheed Martin is a global aerospace and defense powerhouse known for cutting-edge technology.
- Offers a broad range of products and services spanning aircraft, missiles, unmanned systems, and space exploration.
- \$160.6 billion backlog of orders ensuring revenue stability.
- Presence in over 75 countries diversifies revenue streams and reduces market dependency.



Jim Taiclet (Chairman, President and CEO)

- Became chairman in March 2021, president and CEO in June 2020
- Yearly compensation of \$24.81M (7.1% salary and 92.9% bonuses), directly owns 0.02% of the company's shares



Jay Malave (CFO)

- Became CFO in January 2022
- Yearly compensation of \$14.6M (6% Salary and 94% bonuses)

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Industry Overview



Space Vehicle & Missile Manufacturing

- Market Share: 18.5%
- Annual Growth: 8.1%
- Annual Growth has outperformed the rest of the industry which has grown at 4.7%

Aircraft, Engine & Parts Manufacturing

- Market Share: 8.4%
- Annual Growth: 5.4%
- Annual growth has outperformed the industry

Autonomous Underwater Manufacturing

- Market Share: 8.6%
- Annual Growth: 0.5%
- Revenue is above average compared to the industry
- Annual growth has outperformed the industry

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SWOT Analysis

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Strengths

- Technological expertise
- Strong financial position
- Strong brand name and reputation
- Global Presence

Weaknesses

- Heavy dependence in government contracts
- The defense industry is highly regulated
- Environmental Concerns

Opportunities

- Emerging Markets
- Growing interest in space exploration
- Rise of cybersecurity
- Technological Advancements

Threats

- Budget Cuts
- Supply chain disruptions
- Technological disruption

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Profitability Ratios	LMT	RTX	BA	Competitor Mean
Operating Margin	12.59%	5.17%	-0.99%	2.09%
Net Profit Margin	10.24%	4.64%	-2.88%	0.88%
EBITDA to Sales	14.10%	11.68%	-0.19%	5.75%

Operating Returns	LMT	RTX	BA	Competitor Mean
Return on Equity	85.96%	4.71%	-470.40%	-232.84%
Return on Assets	13.14%	1.99%	-1.64%	0.18%
Debt to Total Assets	33.28%	26.28%	38.18%	32.23%

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Comparable Company Analysis



EV to EBITDA

Lockheed Valuation	
EV/EBITDA Multiple	19.24
EBIT	8,098,000,000
Add: Depreciation and Amortization	1,430,000,000
EBITDA	9,528,000,000
Enterprise Value	183,305,008,773
Less: Total Debt	17,459,000,000
Equity Value	165,846,008,773
Shares Outstanding	241,640,000
Implied Price Per Share	686.34
Market Price Per Share	432.9
Company Undervalued	58.54%

Price to Cash Flow

Using RTX to Value Lockheed Martin	
Cash Flow RTX	7,883,000,000
Shares Outstanding	1,330,000,000
Cash Flow Per Share	5.93
Share Price	83.59
Price to Cash Flow Multiple	14.10
Lockheed Martin Valuation	
Cash Flow Lockheed Martin	7,920,000,000
Shares Outstanding	241,640,000
Cash Flow Per Share	32.78
Implied Share Price	462.2
Market Share Price	432.9
Company Undervalued	6.78%

Price Earnings Multiple

Using RTX to Value Lockheed Martin	
RTX Share Price	83.59
RTX Earnings	3,380,000,000
Shares Outstanding	1,330,000,000
EPS	2.54
PE Multiple	32.89
Lockheed Valuation	
Lockheed Earnings	6,920,000,000
Shares Outstanding	241,640,000
EPS	28.64
Implied Share Price	941.9
Market Share Price	432.9
Company Undervalued	117.59%

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DCF Valuation

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- Long-Term-Growth Rate: 1.24%
- Weighted Average Cost of Capital: 6.29%
- Tax Rate: 14.5%
- EBITDA: \$9.53B
- Beta: 0.47

DCF Valuation	
Numerator	12,297.47
Denominator	5.05%
TV	243,552
PV of TV	179,562
Enterprise Value	122,065
Net Debt	17,459
Equity Value	104,606
Shares O/S	242
Share Price	505.15
Market Price	432.9
Shares Undervalued	-14.30%

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- We are recommending to buy \$15,000 of LMT shares
- Holds a high level of market share in all segments of business
- Diversifying portfolio in different kinds of technology
- Exit Strategy: Sell @\$367 (15% drop)



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