

Inside Lockheed Martin: major goals, and last quarter's progress.

Feb. 4, 2020

Lockheed Martin pretty much went into hyper-drive in the 4th quarter and the full year 2019. Its 4th quarter results exceeded expectations, as the year ended with an 11% increase in revenue: its second best sales growth performance in the last 10 years. The graphic below summarizes Lockheed's outstanding year: solid growth in all 4 business segments. In addition to an 11% increase in revenue, profit grew 12%, profit margin increased, and earnings per share increased 25%, thanks to share buybacks. The dividend increased 9% last quarter, and the stock has increased by 63% from Jan 1, 2019 until last Friday's close. We couldn't ask for a better year as investors.

Sales by Segment

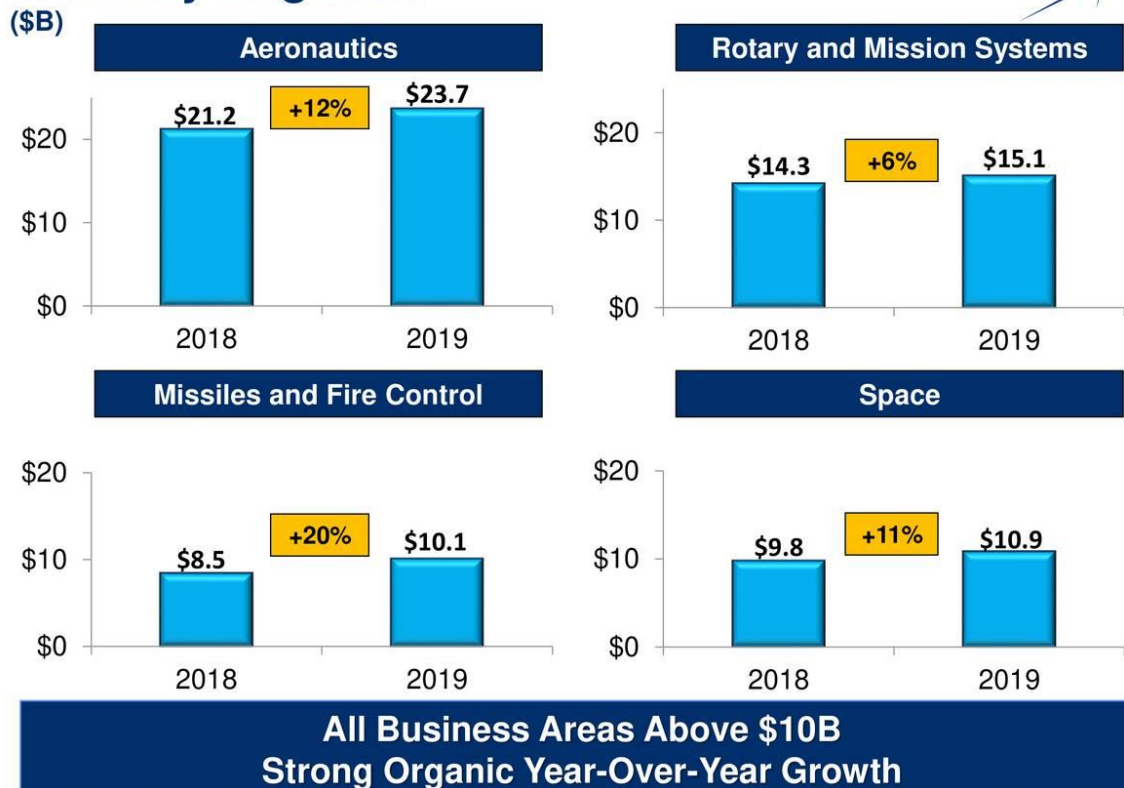


Chart 5

January 28, 2020

Missiles and Fire Control continues to be the largest driver of growth, where Lockheed is developing the next generation of long-range missiles used by the Army, as well as hypersonic weapons. Hypersonics are the newest opportunity in the industry and a high priority for the U.S. and Lockheed, given plenty of news that potentially-hostile powers are working hard on this new class of weapons. In Aeronautics, Lockheed delivered 134 aircraft in 2019, 50% more than in 2018. In Space, it delivered the Mars 2020 Rover Shell to the Kennedy Space Center, which will protect the spacecraft from intense heat as it enters Mars' atmosphere.

Lockheed bumped up its outlook for 2020 to 6% revenue growth from the 5% it projected a quarter ago. Along with expected boosts to business from the F-35, F-16, Sikorsky helicopter, and missile programs, there is a renewed drive to return to the moon and explore Mars, which should help the Space segment outperform for the next several years. NASA has a target of 2024 to send astronauts to the moon again and placed an order with Lockheed for 6 to 12 Orion spacecraft, worth up to \$4.6 billion. With both legacy and up-and-coming programs supporting revenue growth, solid shareholder returns and a sizeable stock price increase over the past year, Lockheed has done extremely well for us, but still has the legs to keep running in the years ahead.

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