

The Outlook: March 10, 2021

Lockheed: Delivering on a "Tall Order."

This is a story about Lockheed Martin, America's number one defense company . . . or, as the company prefers, "deterrence company." But it's really a story about engineers being handed an impossible job, and somehow finding a way to do it.

The chart below begins in October, 2001.

Lockheed and the Market, 20 Years.



That's when the Pentagon awarded Lockheed its first contract to create the F-35 fighter. Calling it a "tall order" would be an understatement. As defense analyst Loren Thompson put it, the F-35 was meant to be "a family of tactical aircraft that could do everything for everybody, in the process replacing most of the nation's Cold War fleet of fighters." With 600 planes delivered as of today, said Mr. Thompson, "that project has come to fruition. The F-35 is the most lethal, versatile and survivable fighter in the world: typically defeating 20 or more adversary fighters for every downed F-35 (in war games.)"

War games, of course are games. In the "real thing" category, "the F-35 has been used by 6 air forces in combat, including a recent Israeli strike against Iranian targets in Syria during which, as predicted, the F-35 went undetected."

The "tall order" handed to Lockheed's engineers meant designing a plane to suit the needs of the Air Force, Navy and Marines; designing it as a "stealth" fighter; and most difficult of all, building in computer technology to make its eyes, ears and striking power so superior to its adversaries that in combat they would be "blind" by comparison. When we ponder the staggering acceleration of that computer

technology in 20 years, we get a glimpse of the treadmill Lockheed's engineers raced upon: they had to run faster and faster just to keep up. But they did . . . and made this:



When the “tall order” was received in 2001, only 3 or 4 U.S. allies committed to buying the F-35, eventually. Today that number is up to 12 . . . with more knocking on the door every year. Since World War II, the absolutely essential factor in every military conflict has been “air domination.” (That, of course, also makes “air domination” the essential factor in deterring and avoiding conflict.) This is no mystery to any nation in the world—hence the growing line forming outside Lockheed’s door.

The engines driving the U.S. economy and the stock market are mostly ignored in the short run, but always dominate in the long run: free-market competition, the rule of law, CEO accountability for results, and the sheer brilliance of invention coming mostly from America’s engineers. What Lockheed has done over the past 20 years has also been done by many U.S. companies (and every single Outlook core company.) That’s one of the main reasons Outlook Capital Management hangs onto common stocks in the teeth of endless economic and political obstacles—not to mention general anxiety—which generally drag down the growth we’d see otherwise. Such obstacles slow them down . . . but they never stop inventive people from getting “tall orders” and delivering on them.

© Dave Raub
Outlook Capital Management, LLC
125 S. Wilke Road, Suite 200E
Arlington Heights, IL 60005
847-797-0600

The remarks above aren’t a general recommendation to buy or sell particular securities. Such decisions should only be made in the context of an investor’s own circumstances. Stocks and bonds carry the risk of loss.