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

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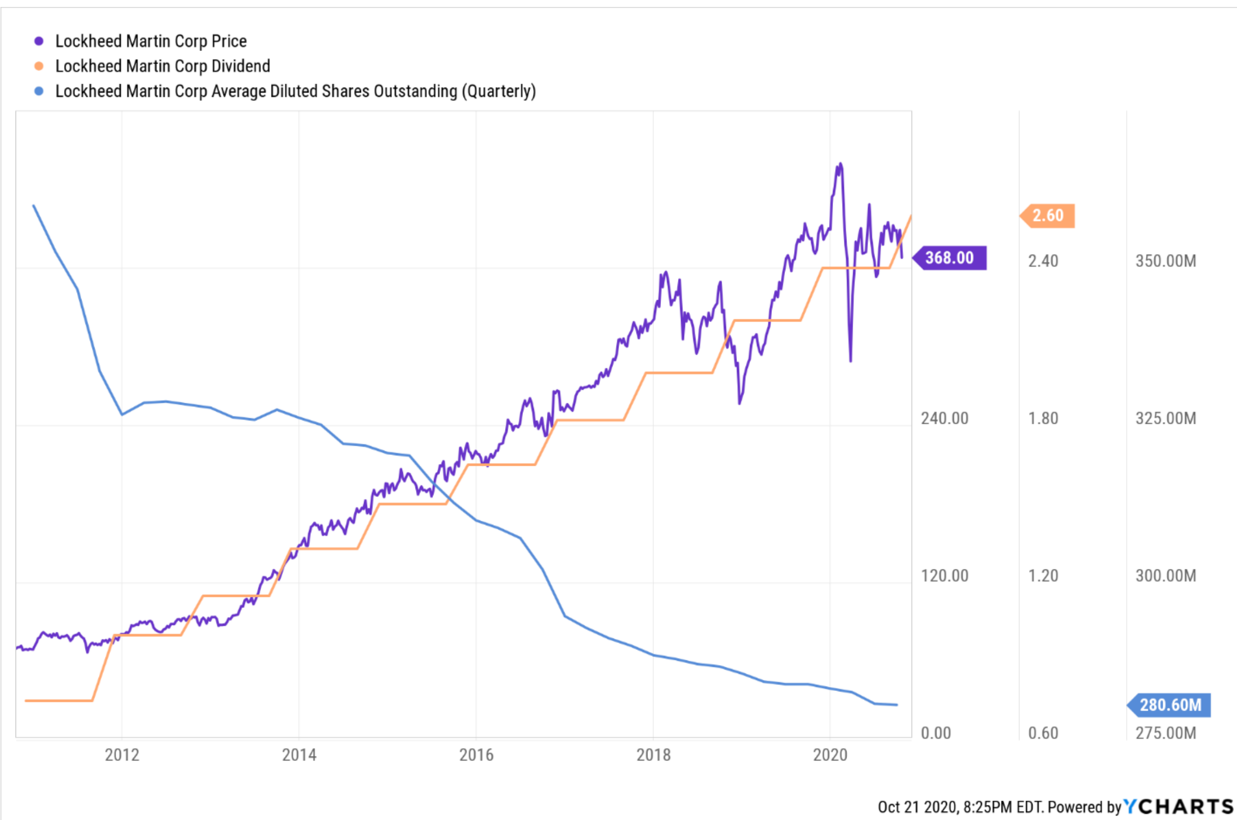
Summing up Lockheed Martin's quarterly earnings results is starting to sound like a broken record: yet another quarter of record revenue (this time 9% higher than a year ago), record backlog (up 4.5%), improved operating profit (up 6%) and all 4 business segments growing in the 5-15% range. The F-16 program continues to impress, with 2 more countries adding orders totaling 90 planes this past quarter, while the F-35 program remains on track for production ramp-up over the next few years.

Ever since the new CEO, Jim Taiclet, took the reins, he's been advertising a "21st century warfighter" concept, where all parts of the defense of a nation are interconnected through a 5G network. This past quarter saw the first successful test of this concept, when a missile successfully intercepted its target using data sent from an F-35. The F-35 jet served as the "edge" of the network, collecting and sending data instantaneously to other parts of the defense network. Lockheed also won an award for helping to develop a "space architecture", which will begin with 10 low orbit satellites that will act as a 5G network for military operations, completely separate from the commercial 5G network that our cell phones use.

Lockheed also announced a dividend raise this quarter: from $2.40 to $2.60/share, a solid 8% increase during a challenging year. Here's a snapshot of how Lockheed has rewarded shareholders over the past 10 years. That falling blue line (shrinking the number of outstanding shares) is almost as impressive as the climbing dividend and stock price lines—and of course has helped those two lines make their climbs.



Lockheed's 8% dividend increase is just the latest in a long history of substantial dividend increases each year. The stock price itself has also clearly rewarded shareholders, although we've had to endure some bumps in the road, especially over the last 2-3 years. After the earnings call, Lockheed's price dropped a few percent due to a weaker outlook for 2021, where management assumes 3% revenue growth versus this year's expected 9% revenue growth. While 2021 sales can still change quite a bit from today's expectation (management has raised the 2020 outlook at least 2 times this year already), even if next year is only 3% growth, Lockheed remains a valuable company to hold, as the graph above makes clear.