Inside Lockheed Martin: Last Quarter's Progress

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Lockheed Martin's first quarter saw a healthy 4.5% revenue growth, with three of its four business segments contributing to that growth. Its Missiles and Fire Control segment saw the greatest growth at 13%, as multiple missile programs had increased demand and orders. In Aeronautics, revenue grew 3% as the F-35 program sold more units. Singapore signed for an additional 8 aircraft, making its total program 20 jets. There are currently 1,100 F-35s in operation, and the program is expected to hit 3,500 eventually.

Missiles and Fire Control continues to shine

During the quarter Lockheed had many important operational achievements. It demonstrated a cost effective method for fighting drones, finding and destroying swarms of drones in the demonstration. As the Ukraine War has proven, drone warfare seems to be expected nowadays. Lockheed also joined the Netherlands Air Force to showcase the first ever live classified data share outside the US between an in-flight F-35 and a Dutch command and control center on the ground. The F-35 served its role as quarterback successfully, marking a important step towards using new technologies to integrate ground, air, and naval forces. Lockheed seems well on its way towards pivoting its long-term strategy away from individual program success and towards providing affordable solutions combining hardware with AI technologies and 5G cloud networks. This strategy shift has been the cornerstone of CEO Jim Taiclet's reign the past few years.

Over the past few years, Lockheed and Boeing have been in the pre-development phase of a sixth generation fighter plane to replace Lockheed's F-22. This program is called the Next Generation Air Dominance, or NGAD, program, and the government ended up selecting Boeing as the winner of the contract. The reasons behind the decision are classified, of course, although the government does have a history of not wanting only one company to produce defense assets if possible. This decision doesn't affect Lockheed in the short term, as it has plenty of demand and growth opportunities in its existing businesses. The interesting part of this process is that Taiclet directed his team to use the knowledge and technology gained from the NGAD bid process over the past few years to enhance the F-35. The F-35, a fifth generation fighter plane, can now become 80% of a sixth generation plane at 50% of the cost. If successful, this could boost future growth of the F-35 program even more.

Lockheed has been operating in a highly dynamic environment lately, given open wars and confrontational international politics, and the current administration's actions and policies. Lockheed is positioning itself as a defense company that can produce high value, low cost solutions. If it continues on this path, there will be many more good quarters ahead.