

## ***Inside Lockheed Martin: Last Quarter's Progress***

***Oct. 28, 2025***

Last quarter was one of the worst in recent history for Lockheed, as it took a \$2 billion hit on several programs whose costs had overrun the estimates Lockheed made in its original contracts with the government. (Such “fixed cost” contracts are a separate problem in the defense industry that defense CEOs want to stop using). At the time, CEO Jim Taiclet’s attitude was one of “we are admitting our mistakes, ripping the bandaid off now so we can move on and take advantage of the strong demand for many of our products we see coming”.

It's been interesting to watch Lockheed stock since then. It took a big hit after the writeoff (despite the fact that it was obviously a temporary issue) but has since more than recovered its losses, hitting new highs for 2025.

This past quarter showed a Lockheed that was one quarter into its plan of “moving on and capitalizing on strong demand”. No additional write offs occurred, and Taiclet has put the lead engineer of the entire company in charge of the classified Aeronautics program that gave Lockheed the most trouble last quarter. Strong demand showed up across the company. Lockheed gained \$31 billion in new orders, a 1.7x book to bill ratio (most companies are happy with a book to bill of 1.2x).

Significant wins this past quarter included:

- Almost \$10 billion contract for 2,000 PAC-3 missile interceptors. This is the largest contract ever won in Lockheed’s Missiles and Fire Control segment.
- Almost \$10 billion contract for its JASSM and LRASM products (cruise missiles systems).
- An \$11 billion contract for up to 99 King Stallion helicopters over the next 5 years, the largest quantity ever awarded and the largest contract ever for Lockheed’s Rotary and Mission Systems segment.
- Finalization of the next lot of F-35 orders, adding 151 aircraft into backlog and adding a \$15 billion dollar sustainment/maintenance contract.

Lockheed’s strong performance this quarter raised \$3.3 billion in free cash flow, putting the company back into “generating cash” mode. It raised its dividend for the 23<sup>rd</sup> consecutive year and has returned more than 100% of this year’s free cash flow to shareholders. In addition to the orders just discussed, Lockheed sees potential future growth from the Golden Dome initiative of the US government. It is still too early to quantify how much revenue this might bring, but Lockheed is already in planning mode with the government and other defense contractors on future opportunities.

It is nice to see Lockheed have a strong quarter after last quarter’s problems. It needs to keep this trend up over the next few quarters, but all signs are pointing towards that becoming a reality.