

INVESTOR'S EDGE

It's a very good time to invest in Lockheed

The stock is 20% off its all-time high and solid growth is likely.

"If you wish for peace, prepare for war."— Vegetius, Roman general



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Guest columnist

In February 2011, I recommended that readers of this column buy Lockheed Martin common stock (symbol: LMT). I sure hope you did.

Since that time, the stock has averaged a 17.6% annual rate of return, almost twice that of the Dow Jones Industrial Average. This is an outstanding performance for a solid blue-chip stock.

Today, exactly 14 years later, Lockheed Martin's stock is 20% off its all-time high and again represents a solid buying opportunity for local investors. Lockheed's stock has pulled back largely a result of disappointing revenue results and funding delays for its F-35 fighter jet. These are short-term issues that should ameliorate in later 2025, making for an attractive entry point for local investors.

As you know, Lockheed Martin is not only a premiere defense contractor, it's a company with deep roots here in Central

New York. Lockheed's Liverpool campus employs approximately 2,000 people and has a history in the area going all the way back to the 1940s. So, this is certainly a stock of local interest.

Lockheed Martin is based in Bethesda, Maryland and is the largest aerospace and defense contractor in the world. The company provides Western governments with military systems and equipment for air, land, sea, cyber, and even space applications. Lockheed employs more than 120,000 people across 350 facilities in more than 50 countries. Its largest client, the United States military, accounts for more than 70% of its sales.

The investment thesis to owning Lockheed's stock is straight forward: the company builds the most advanced military equipment of all time and sells it to the largest economy of all time — the United States of America. You probably have heard of several of Lockheed's core military mainstays such as the F-35 fighter Jet, the Black Hawk helicopter, and the Javelin Missile Defense System.

Currently, Lockheed has a backlog of more than \$165 billion, which ensures a consistent pipeline of work for the foreseeable future. Lockheed's government contracts generally have on-the-level, primarily fixed cost mechanics. This allows Lockheed to increase profits through continued innovation and cost reduction. In fact, Lockheed has increased its earnings power by over 12% per year over the last 10 years.

Going forward, Lockheed will see powerful growth in its missile business. Sadly, geopolitical tensions around the world are very high and growing. Both China and Russia have touted their advancements in "hypersonic missiles" — high-speed weapons that are hard to intercept. The United States is behind the ball here and will be pouring billions into its own hypersonic missile and counter

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measure program. Lockheed will be at the forefront of this, as its missile business will be its fastest growing business over the next few years — with high-profit margins.

Furthermore, the U.S. isn't the only Western country that needs military hardware. The company currently generates approximately 27% of its revenue internationally, so there's ample room for international growth. Lockheed CEO, Jim Taiclet, recently stated that international sales will grow at a higher rate than domestic sales.

Lockheed currently trades at a price-to-earnings ratio of about 18, well below most industry peers and that of the S&P 500 Index.

Lockheed has a strong track record of returning profits to shareholders and has raised its dividend for 22 consecutive years. The company currently pays an attractive dividend yield of 2.65%, con-

siderably higher than its industry peers. In October, Lockheed's management also approved a \$10.3 billion cumulative share repurchase plan.

In 2025, the United States national defense budget is expected to be over \$850 billion, nearly half of the federal government's discretionary spending. And just last week, newly inaugurated President Trump demanded that NATO countries raise their defense spending to at least 5% of their GDP.

This geopolitical environment bodes well for Lockheed Martin.

In other words, now is a good time to pull the trigger, pun intended, on this blue-chip defense contractor.

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