



## Lockheed Martin Seen Closing 2019 at Highs

Ticker/Price: LMT (\$394.20)

### Analysis:

**Lockheed Martin (LMT)** with 1500 December \$390 calls bought \$6.40 on Friday ahead of the Credit Suisse industrial conference this week. This follows buyers of 1,100 Dec. 6<sup>th</sup> (W) \$392.50 calls on 11-26. The June \$375 calls were bought for over \$1M on 10-28 while the January 2020 \$400 calls bought 1000X and March \$430 calls remain in OI from August. Shares are coiled just below new highs with a small cup-and-handle forming under \$400 with a breakout targeting \$425. The \$111.2B defense company trades 16.1X earnings, 1.9X sales, and 43.8X cash with a 2.46% yield. The company is coming off another strong quarter with raised guidance (aeronautics remains a tailwind) but concerns over FCF guidance that came in light at \$7.2B vs \$7.6B. LMT is sitting on a record backlog of \$140B as they ramp-up production of the F-35 with deliveries expected to top 140 in 2020. The company recently announced a finalized \$34B agreement with the Pentagon for 478 new F-35s after months of negotiating. Sikorsky also is starting to stabilize as demand in commercial choppers improves. LMT expects 2020 to be a tougher year for comps against a surge in buys in missiles, space systems, and jets but they'll continue to generate strong FCF and focus on capital return. Analysts have an average target for shares of \$372. Buckingham raising their PT to \$450 on 11-7 seeing LMT playing catch-up in 2020 and outperforming the group. The analyst sees "superior" end market growth, the benefit of share gains and an attractive valuation based on invested capital and free cash flow. Short interest is 1.2%. Two Sigma, Adage Capital, and AQR all notable buyers of stock. On 8-12, a director bought \$509k in stock at \$376.32.

### Hawk Vision:



**Hawk's Perspective:** LMT is a best of breed name and sets up nicely here for a quick breakout play, especially if we see some escalating geopolitical tensions into year-end.

**Confidence Ranking:** \$\$