



Lockheed Bullish Positioning for Longer Term Upside

Ticker/Price: LMT (\$386)

Analysis:

Lockheed Martin (LMT) buyers early for 250 September \$400 calls around \$21.80 to \$23 and now volumes running over 825X on the day up to \$25, over \$2M in premium. LMT has some notable OI out in September and January around the \$450 and \$455 strikes from earlier in the year, a bit OTM now with the recent pullback but holding steady. Shares are consolidating in a narrow range under \$400 post-earnings and above their 8-EMA with a run back at YTD VPOC at \$425 in focus. The \$110.5B defense company trades 14.69X earnings and 1.8X sales with a 2.5% yield and limited impact expected from COVID-19 (reported yesterday that Congress is committed to passing a new Defense bill amid the bailout discussions). LMT reported a strong quarter with double-digit growth across Aeronautics, MFC, and Space while generating \$2B in FCF and affirming plans for steady shareholder returns including \$700M in dividend payments and \$1B flagged for buybacks. Book-to-Bill was 1X and they've got record backlogs in MFC setting up strong visibility into their long-term outlook while highlighting a lot of growing opportunities for their Patriot-3 missile program to build future orders up to \$3B. LMT has an interesting near-term catalyst with their third Precision Strike Missile test expected today and all-but-guaranteed to win a new contract with the US Army for placement after Raytheon (RTX)'s program was not funded. The company notes that the missile program is a potential franchise opportunity. Analysts have an average target for shares of \$441. Baird positive on 4-22 citing record FCF while Argus with a \$425 PT and Buy rating highlighting their international revenue diversification, which is now 25% of sales, potential tailwinds from geopolitical tensions. Short interest is 1%. Hedge fund ownership was flat in Q4. LMT last saw notable insider activity in August 2019 when a director bought \$509K in stock at \$376.32.

Hawk Vision:



Hawk's Perspective: LMT posted the best quarter among its peers and sets up very nicely, a core holding in the Defense arena.

Confidence Ranking: \$\$