



FEATURED OPTIONS RADAR REPORT



Bullish Positioning Continues in Defense Leader

Ticker/Price: LMT (\$361.50)

Analysis:

Lockheed Martin (LMT) working off the lows of the day with a buyer of 1000 September \$365 calls for \$5.30 earlier and follows a large sale of the September \$350 puts on 7/27, 5000X for \$3.80. LMT has seen accumulation recently in the January 2023 \$530 calls, over 4500X as well since mid-June. Shares have traded weak recently but back at the 50% retracement of the run from the 2021 lows and potential to reclaim the 200-day and pivot back towards a high-volume node at \$385. Longer-term, LMT is forming the potential right side of an inverted head and shoulders that stretches back to mid-2020 and has room to \$480 on a break above \$400. The \$99.91B company trades 12.93X earnings, 1.5X sales, and 47X FCF with a 2.87% yield. LMT is coming off of a solid quarter with growth across each of their business segments and moving forward some key growth initiatives in next-gen deterrence. The company said they should see a boost into year-end as most of their F-35 orders were back-weighted toward Q4 and they have been optimistic on efforts to boost production of the F-35 jet to 169 in 2022 before plateauing at around 175/year going forward as demand from the US and partner countries stabilizes and budgets provide more clarity. LMT is awaiting closure of their deal for **Aerojet Rocketdyne (AJRD)**, a move that has seen some criticism from peers over competition concerns. The deal is expected to boost LMT's ability to develop next-generation propulsion tech and likely a major step forward for their efforts in hypersonic. Analysts have an average target for shares of \$400 with a Street High \$458. Susquehanna positive on 7/27 noting that LMT continues to execute well and large scale defense awards in 2021 should allow the company to continue to grow sales and earnings for at least the next couple of years. Short interest is 1%. Hedge fund ownership fell 3%. The last notable insider buy was in August 2019 around similar price levels when a director bought \$510K in stock at \$376.32.

Hawk Vision:



Hawk's Perspective: LMT's strong quarter was a bit overshadowed last week by the departure of their CFO but they continue to have a top-tier program and the Aerojet deal closing would be a significant clearing event that could help shares return to the \$385+ area, on watch for better price action

Confidence Ranking: \$\$