



Lockheed Martin Position Adjusts Looking for Upside

Ticker/Price: LMT (\$270.75)

Analysis:

Lockheed Martin (LMT) with 500 June \$280 calls bought today for \$13.60, adjusting some January calls into recent weakness. LMT had buyers in the March \$325 calls recently as well as a number of positions in the June calls from November which are OTM at the \$370 and \$380 strikes as well as 1,500 of the March \$300 calls. Shares are nearing a downtrend break above \$275 from the October highs which targets the high-volume node around \$300. Longer-term, LMT has been one of the strongest names in defense and pulled back to 38.2% Fibonacci of the run from the 2012 lows and found support in late December. The \$76.22B company trades 13.65X earnings, 1.4X sales, and 85X cash with a 3.28% yield. LMT expects 11.8% EPS growth this year and 26% in FY20 as they move closer to their goal of \$25/share in earnings power. Revenue estimates continue to come up over the last twelve months, now expecting 5% growth as they lock-in more international contracts (30% of overall sales). The company has longer-term tailwinds from higher defense budgets and growth in hypersonic weapons, an area where they are emerging as a key figure. LMT's main program is the F-35, the military's largest contract, which achieved its 2018 delivery target in December and recently got a big \$10B order from Japan as threats from China grow. Analysts have an average target for shares of \$371 with 11 buy ratings and 7 hold ratings. CSFB has a \$368 PT for shares. They see revenue accelerating higher in 2020 and beyond as CH-53K, HH-60W, and VH-92A begin to ramp. Institutional ownership fell 6.5% last quarter. Short interest is modest at 0.8%. The last sizable insider buy in the name was in late 2017 when a Director bought \$780K in stock at \$312.

Hawk Vision:



Trading Strategy: LMT put in a nice long reversal hammer on the weekly two weeks ago and has some further room to at least test \$280 and potentially \$300.

Confidence Ranking: \$\$