

Lockheed Martin Corporation (LMT) 10/6/09

LMT is involved in the research, design, development, and manufacturing of aerospace and defense products and services. LMT primarily produces these products and services for governments and their militaries, primarily those of the US and Israel. The company is segmented into four groups; Aeronautics with 27% of 2008 sales, Electronic Systems with 27%, Information Systems and Global Services with 27%, and Space Systems at 19%. The company was founded in 1909 and headquartered in Bethesda, Maryland.

Current Price	\$76.18
52 Week High	\$107.32
52 Week Low	\$57.41
One Yr Target	\$90.00
Market Cap (in billions)	\$29.28
P/E (Trailing)	10.12
P/E(1 Yr Forward)	9.30
P/E/G	0.93
ROA	9.35%
ROE	49.45%
EPS	\$7.53
Beta	0.32
Annualized Dividend	\$2.28
Dividend Yield	2.99%
Analyst Consensus	2.00
Debt to Equity	11.30



Annual EPS

2005	\$4.09	
2006	\$5.80	41.81%
2007	\$7.10	22.41%
2008	\$7.86	10.70%
2009E	\$7.53	-4.23%

Annual Revenue (in millions)

2005	\$37,213.00	
2006	\$39,620.00	6.47%
2007	\$41,862.00	5.66%
2008	\$42,731.00	2.08%

Annual Net Income (in millions)

2005	\$1,825.00	
2006	\$2,529.00	38.58%
2007	\$3,033.00	19.93%
2008	\$3,217.00	6.07%

Free Cash Flows (in millions)

2005	\$2,329.00	
2006	\$2,872.00	23.31%
2007	\$3,298.00	14.83%
2008	\$3,495.00	5.97%

Required Rate of Return

6.00%

Dividend Growth Model

Present Value of 2014 Price	n/a
Holding Period Return (5 years)	n/a

Expected Annualized Return Model

Present Value of 2014 Price	\$271.54
Holding Period Return (5 years)	35.00%

Residual Income Model

Intrinsic Stock Price	\$12.79
-----------------------	---------

Analysis

Positives

PEG < 1 is nice, very good ROE numbers

Stock is liked as a buy by the majority of analysts

EAR valuation model has stock price as currently undervalued

Negatives

RI valuation model has stock price as currently overvalued

Financial Statements

Balance Sheet is decent, but Equity has declined in the past year

Income Statement numbers are nice but have been slowing over several years

Cash Flows are volatile with huge swings, and are negative for most recent year

Industry Analysis

Company is the largest in the industry

Company has some of the best financial ratio numbers, but lag on margins

Summary

LMT is a great company, and one whose stock is currently thought to be undervalued. This is supported by strong financial ratios, such as a low Beta coupled with a high ROE. This is also supported by the EAR model having the stock price as undervalued, and the DG model is not applicable because dividends are growing at such a high rate. The company's financial statements are decent, but not fantastic and have been losing ground in the past several years. LMT's revenues are affected by several factors, some of the bigger ones being the defense budget of the US and strict regulation. While defense contracts are set out years ahead, the nation's budget deficit and political movements don't favor heavy spending. LMT also faces a growing concern from its huge pension plan expenses. With all of this taken into account, LMT earns only a **hold** rating.