Lockheed Martin (NASDAQ, LMT)
Sector: Aerospace and Defense

**Business Description**
Lockheed Martin Corp. engages in the research, design, development, manufacturing, and sustainment of technology systems, products, and services. It operates through four business segments: Aeronautics, Missiles and Fire Control, Rotary and Mission Systems, and Space. They are headquartered in Bethesda, Maryland.

**Industry Trends**
The aerospace and defense segment of the industrials sector has outperformed the S&P 500 year to date due to several catalysts and market trends. The largest trend comes from increases in government spending in the United States and abroad. The Department of Defense, Lockheed’s largest customer, has increased its spending over the last few years, and is planning to continue this trend. In addition, international governments have been increasing their defense spending as well, leading to further growth in the industry. The industry has been consistently growing, but this growth could slow if defense spending begins to decrease.

**Investment Thesis**
Lockheed Martin can provide long-term sustainable growth through its already profitable business model, significant growth opportunities, strong relationship with the U.S. government, and game changing innovation that has led to the creation of some of the most high-tech products in the industry. Lockheed has consistently performed highly and beaten expectations and won many contracts with governments throughout the world. This company-wide and industry-wide growth makes Lockheed a strong stock pick with a high chance for growth and low risk.

**Valuation Assumptions and Key Financials**
- WACC: 9%
- Current stock price: $303.21
- Terminal Growth: 3.25%
- Intrinsic Value: $335.11
- Upside: 10.52%

Sources: Bloomberg, Annual reports

**Corporate Social Responsibility**
- Employ over 21,000 veterans and donated $8.6M to vet programs
- Supports STEM education, especially for minorities and females
- Since 2010, reduced energy use by 23%, water use by 22% and carbon emissions by 33%

**Report Prepared By:**
Sean Homa and Zack Yellen on 11/6/2018