**Intrinsic Valuation**

Company: Lockheed Martin Corporation (LMT)

NYSE: LMT

Contents

# STEP 1: Gauging Priors and understanding of the right model

## Model.xls

Using *model.xls*, we first identify the model that we require for a more accurate valuation of the company. This is necessary to understand available information and how this is going to help us in getting an up to date and precise intrinsic value to the stock price.

### Important notes and formulas:

Positive earnings in the recent 10k reports observed[[1]](#footnote-1)

**The expected inflation rate in the economy = 3.20%[[2]](#footnote-2)**

**The expected real growth rate in the economy = 2.00%[[3]](#footnote-3)** (Here, the inflation-adjusted bond coupon rate of US is being used – the inflation-adjusted rate portrays the real growth rate in the economy)

**Expected growth rate in earnings of the company = 2.8%[[4]](#footnote-4)** (Analyst growth rate)

**Current debt ratio:**

1. Market value of equity = outstanding shares \* stock price = $9266 Million
2. Market value of debt = PV (debt, cost of debt, maturity)
3. Cost of debt = 5.18% (we get this from the *ratings.xls* sheet)

1. SEC Filings, LMT, 10K FY2019-2023 [↑](#footnote-ref-1)
2. <https://tradingeconomics.com/united-states/inflation-cpi>, TEForecast [↑](#footnote-ref-2)
3. <https://fred.stlouisfed.org/series/DFII10>, inflation-indexed bond rate as of 21/09/2023 [↑](#footnote-ref-3)
4. <https://finance.yahoo.com/quote/LMT/analysis>, Sales Growth [↑](#footnote-ref-4)