**LOCKHEED MARTIN**



* Lockheed Martin is one of the Big Four defense contractors.
* Its existence largely depends on the contracts given to it by the Federal government.
* It rakes in the most money of the four, exceeding $35 billion a year.
* It employs more than 140,000 people and has a presence in 46 of the nation’s 50 states.
* The term “active shooter” was common in the culture a Lockheed Martin plant was once the scene of an active shooter

**How Lockheed Martin Makes Money**

Lockheed Martin's largest revenue source is its Aeronautics business.

* Lockheed Martin Corp. (LMT) is a global defense and aerospace company engaged in research, design, development, manufacturing, and services.
* The company operates through four main business segments: Aeronautics, Missiles and Fire Control, Rotary and Mission Systems, and Space.
* Lockheed competes both in the U.S. and internationally.
* Some of its big-name competitors include aircraft manufacturer Boeing Co. (BA), defense firm Raytheon Co. (RTN), defense and aerospace company BAE Systems Inc., and global defense company Northrop Grumman Corp. (NOC).

**Key Takeaways**

* Lockheed Martin provides advanced technology systems, products, and services related to the aerospace and defense industry.
* The biggest share of Lockheed's sales come from the aeronautics business.
* Lockheed exceeded its F-35 aircraft delivery goal for 2019.
* Rising geopolitical tensions and the escalating conflict with Iran may increase government defense spending, boosting revenue and profit for Lockheed.

**Lockheed Martin's Financials**

* Lockheed Martin posted net income of $5.0 billion on $53.8 billion of revenue in 2018 for a net profit margin of 9.3%.3
* As much as 71.7%, or $38.6 billion, of revenue originated domestically.
* The remaining 28.3% came from other regions across the globe, including Asia Pacific (9.9%), Europe (10.0%), the Middle East (6.7%), and Other (1.7%).
* The U.S. government is the company’s biggest client, accounting for 70%, or $37.7 billion, of total revenue.
* Growth in both net income and revenue accelerated in 2018.
* Lower taxes from the Trump administration’s Tax Cuts and Jobs Act helped net income soar by 157.1%.
* One reason for that gain is that a one-time tax charge of $2.0 billion related to the Act resulted in net income falling by as much as 62.1% in 2017.
* Revenue rose by 7.6% in 2018 compared to 5.6% in 2017.
* Through the first three quarters of 2019, revenue growth accelerated further.
* For the nine-month period that ended September, Lockheed posted an 11.6% increase in revenue from the year earlier period.
* With the one-time effect of the tax cuts behind it, net income returned to a slower, but still strong, growth rate.
* Net income jumped by 24.8% through the first three quarters of 2019 compared to the year ago period.

**Lockheed Martin's Business Segments**

* Lockheed Martin operates four main business segments: Aeronautics, Missiles and Fire Control, Rotary and Mission Systems, and Space.
* The company breaks down its revenue and operating income in the four main segments below.

**Aeronautics**

* Lockheed's Aeronautics business engages in the research, design, development, manufacture, integration, sustainment, support and upgrade of advanced military aircraft, unmanned air vehicles, and related technologies.
* The Aeronautics segment posted $21.2 billion in revenue and $2.3 billion in operating profit in 2018, comprising 39.4% of the company’s total revenue and 39.0% of its total operating profit of $5.9 billion.
* The segment’s revenue grew by 9.4% throughout 2018 compared to 12.2% throughout 2017. Operating profit grew by 4.4% in 2018 versus 17.9% throughout 2017.
* Through the first three quarters of 2019, Aeronautics revenue grew by 12.7% year-over-year (YOY).
* Missiles and Fire Control
* Lockheed's Missiles and Fire Control business offers a diverse range of products and services, including air and missile defense systems, logistics, fire control systems, mission operations support, manned and unmanned ground vehicles, and energy management solutions.
* The segment posted $8.5 billion in revenue and $1.2 billion in operating profit in 2018, comprising 15.8% of the company’s total revenue and 20.3% of its total operating profit.
* The segment’s revenue grew by 16.2% in 2018 compared to 7.3% throughout 2017.
* Operating profit grew 20.7% throughout 2018 versus 3.0% throughout 2017. 7 Through the first three quarters of 2019, Missiles and Fire Control revenue grew by 22.0% compared to the year ago period.
* Rotary and Mission Systems
* Lockheed's Rotary and Mission Systems business provides design, manufacture, service and support for areas such as military and commercial helicopters; ship and submarine systems, sea and land-based missile defense systems, and cybersecurity.
* The segment posted $14.3 billion in revenue and $1.3 billion in operating profit in 2018, comprising 26.6% of the company’s total revenue and 22.0% of its total operating profit.
* The segment’s revenue grew by 4.3% throughout 2018 compared to 1% throughout 2017.
* Operating profit grew by 44.3% throughout 2018 versus 6.7% throughout 2017.
* Through the first three quarters of 2019, Rotary and Mission Systems revenue grew by 5.7% YOY.

**Space**

* Lockheed's Space business engages in a broad range of activities including the development and production of satellites, space transportation systems, and defensive systems.
* The segment is also responsible for various classified systems and services in support of vital national security systems.
* The Space segment posted $9.8 billion in revenue and $1.1 billion in operating profit in 2018, comprising 18.2% of the company’s total revenue and 18.6% of total operating profit.
* The segment’s revenue grew by 2.1% throughout 2018 compared to essentially flat growth throughout 2017.
* Operating profit grew by 7.7% throughout 2018 after falling 23.9% throughout 2017.
* Through the first three quarters of 2019, Space revenue grew by 9.6% compared to the year earlier period.

**Lockheed Martin's Recent Developments**

* Lockheed Martin recently announced that it exceeded its 2019 delivery target for its F-35 Lightning II Joint Strike Fighter, representing a 47% increase from 2018 and a nearly 200% increase from 2016.
* In 2018, the F-35 generated 27% of Lockheed’s total consolidated revenue and 68% of its Aeronautics segment’s revenue.
* Rising tensions in the Middle East, especially between the U.S. and Iran, could lead to more demand for Lockheed's military products and services.
* Tensions between Iran and the U.S. have been escalating ever since U.S. President Donald Trump first pulled out of the 2015 nuclear deal in the spring of 2018.
* More recently, Trump ordered an air strike that killed top Iranian general Qasem Soleimani on January 3

**Lockheed Martin may be as patriotic as they come**

* In the late 90’s the company was directly involved in the building of the Mars Climate Orbiter
* whose goal was to get to Mars and send back climatic data, among other things.
* At a cost of $125 million, the orbiter got lost because of a difference in measuring units.
* The guidance system software got confused because the Jet Propulsion Laboratory used metric units but the engineers at Lockheed Martin used feet and pounds.
* The result was a crash and burn, or a burn and crash.

**In the last defence budget, the company got an order for 90 F-35s**

* The reason this is on the list is because the F-35 is one of those futuristic combat planes that has been fraught with controversy for some time.
* Military pilots have said that the plane still has technical problems that make flying it dangerous, and the cost per plane is, as expected, over budget.
* Add to that that each branch of the military has its own customized version of the F35, and it compounds the existing problems.
* The question is whether the military can put progress on hold before ordering more planes. The answer is obviously – no.

**Lockheed Martin is working on a commercial airplane**

* The commercial airplane the company is working on is intended to be the world’s first supersonic business jet, flying at 3 times the speed of sound.
* At that speed a plane could cross the country in about 90 minutes versus the current 5 -6 hour flight time. But the practical problem of flight is what was once a polar cultural term – the sonic boom. Back in the 1970’s sonic booms were a common occurrence around airports that resulted in broken house windows and other unsightly side effects.

**The company has already reached the Mach 3 speed on one of its military models**

* The SR-71 spy plane has been used for reconnaissance missions for a number of years, but this simple reality opens the door to an apparent contradiction.
* How can a spy plane go into airspace and return unnoticed when it leaves behind such an obvious sound signature?
* The actual method is very likely classified as Sensitive Compartmented Information (SCI) which requires weeks of investigation before one can even become eligible to obtain.
* Lockheed Martin cannot apply the technology to its commercial venture, so is probably looking for a way to apply the technology without compromising national security.

**Lockheed Martin was once seriously involved in IT**

* In 2015, the conglomerate decided to divorce itself from its extremely powerful and influential Information Systems and Global Solutions business that at one time could be compared to the NSA.
* There were five major parts of the IT division: air traffic management, technical services, government and enterprise IT systems, commercial cyber security, and government health care.
* Add these services to its military contracts and you don’t have to discuss the military-industrial complex. Lockheed Martin would actually be both in a single company.

**Iron Man is no stranger to Lockheed Martin**

* The Iron Man suit in the movie franchise is said to have the ability to lift 175 tons.
* While that limit has yet to be reached, development is underway to build what is technically called an untethered exoskeleton.
* Lockheed Martin’s version is called the Human Universal Load Carrier (HULC) and currently has the capacity to assist soldiers in carrying up to 200 pounds of equipment traveling at 10 miles per hour.
* The important difference is that the HULC is intended to do this for long periods of time uninterrupted.
* Though the suits are being designed for commercial use, some experts say that an individual could purchase a HULC if they have the estimated $70,00o to spend.
* Not exactly something you would put under your kid’s Christmas tree.

**It is maximizing the use of older technologies**

* Since the company is already heavily invested in aircraft, bringing back the dirigible is an avenue worth exploring.
* There is a 120 foot long, 21 foot tall model that is being developed and tested to transport cargo to remote locations.
* The idea behind its development is to scale up to a larger version that will be able to deliver heavy cargo and people where needed.
* There are three air-filled pontoons that allow the craft to land virtually anywhere, including the open seas.
* It is being created with the idea of fuel efficiency in mind, as it will be filled with helium to keep it aloft and be powered by fuel efficient engines.

**It is a corporate version of a survivor**

* In the early 1990’s, the defense industry had gone through a serious downsizing as a result of a cut in national defense spending.
* A large number of defense contractors found themselves either being taken over by larger ones or simply closing its doors.
* Lockheed Martin was one of the few survivors and has earned the position of being one of the Big Four defense contractors. The other three are Boeing, Raytheon, and Northrop Grumman.
* As was noted earlier, it has streamlined its business and now focuses primarily on aircraft and related industries.

**In 2014, Lockheed Martin began designing a nuclear power source**

* In order to stay current and remain competitive as a company, it began working on a form of nuclear power that has the potential to significantly reduce the expenditures and reliance on fossil fuels.
* To do this, the company has built a prototype of a Compact Fusion Reactor which uses fusion technology instead of the reaction technology found in today’s nuclear power plants.
* The issues of nuclear waste and safety will no longer have to be addressed, while supply entire cities with enough electrical power to meet the growing demands of technology.
* The fusion reactor has a great deal of promise, and may become a reality within the next decade.

**Skunk Works is where the future is**

* Lockheed Martin’s Advanced Development Projects (ADP) are developed and tested at various sites, but the biggest and most advanced of the locations is affectionately called Skunk Works.
* The employees of the facility are known as Skunks. The group prides itself on collaboratively working in a team structured environment, where the company believes the best and brightest talents can really shine.
* Kelly Johnson, the creator of Skunk Works, defined the overriding philosophy behind the mission – “We are defined not by the technologies we create but the process in which we create them.”

**Lockheed Martin’s hiring process is very efficient**

* Getting a job at Lockheed Martin may seem to be a huge bureaucratic process, but the experience of a number of job applicants and hires at Glassdoor.com seem to indicate the exact opposite is the case.
* Your resume is key to getting an interview, which may take a month or so to happen.
* Once you have been notified, you will be scheduled for a phone interview that can last anywhere from 30 minutes to an hour.
* If you are invited for a face-to-face interview, you can expect the usual interview questions, but the gist of the process is that they want to see if you are a reasonably normal person.
* Depending on where you are working you can expect some serious background checking, but the overall hiring process is very efficient.

**Lockheed Martin is heavily involved in cybersecurity**

* You would expect that from a company that is heavily involved in the nation’s defense, but remember that the company had a serious corporate and financial investment in the IT arena.
* Though it divested virtually its entire IT division a few years ago, it continues to work very closely with the companies it sold its business to so that there can be a collaboration and communication of information between the various businesses to address the cybersecurity needs of today.
* From a forward perspective, Lockheed Martin’s current investment in the energy sector makes its involvement in cybersecurity almost essential.
* There is obviously a financial interest for the company, but having the profit connection to the nation’s cybersecurity is not necessarily a bad thing.

**Their company philosophy is both simple and effective**

* In 1997, a former CEO of Lockheed Martin was interviewed and he stated what he called his 13 words that established how he ran a company with more than 140,000 people: “Find good people. Tell them what you want and then leave them alone.”

**Skunk Works projects may be scarier than the Big Brother label**

* Earlier the secret development site known as Skunk Works was mentioned, but the reality of what goes on there in Palmdale, California is probably scarier than most people can imagine.
* It’s not apocalyptic kind of scary, but what scientists and engineers have decided on what is possible and what is not.
* James Goodall, an aerospace journalist, has said to have had an interview with Ben Rich, one of the engineers who worked at the facility before his death.
* In a phone call, Rich is reported to have said to Goodall, “Jim, we have things out in the desert that are fifty years beyond what you can comprehend. If you have seen it on Star Wars or Star Trek, we’ve been there, done that, or decided it wasn’t worth the effort.”

**19. The company stock would drop by more than 2 percent after a single Twitter comment**

* Shortly after winning the presidential election in 2016, President Trump singlehandedly caused the stock of Lockheed Martin to tumble after publicly complaining about the cost overruns of the F-35 fighter jets.
* He said he would work to significantly reduce the cost of the jets, as costs were out of control.
* The estimated cost of each jet had exceeded $1 billion.
* The newly elected president would later work with Lockheed to better manage costs and ensure on time deliveries of the jets.

**Lockheed Martin helped train TSA agents**

* Though the TSA is a government program, the reach of Lockheed Martin back in the early 21st century was considerable.
* Their triad of connections to the national security, military defense, and its vast databases of information made it the ideal company to work with to train the people who would be insuring the nation’s air traffic security.

**Conclusion**

* You likely noticed there are a number of points that connect these 20 factoids. It is a reflection of both how the company operates and how influential it is after surviving the federal government’s early 1990’s anti-defense stance. Given the scope of its Skunk Works facility, it is likely it saw some of these changes coming, one of the reasons it managed to survive to become one of today’s Big Four defense contractors. Back then, the Internet was brand new and broadband was only a concept in the days when 56k modems were the norm for business and personal use.
* The company appears to know how to dodge bad public relations bullets. It avoided significant publicity and backlash over the active shooter fiasco (which was quickly referenced in the movie Up in the Air). The issue with Chad was hidden because not many people concern themselves with an African country that has little meaning to Americans. And it managed to shift the focus of attention from it being Big Brother by giving up its IT empire and making the federal government the privacy violator.
* As a defense contractor, Lockheed Martin has an interesting place in the eye of the media. While it can be applauded for its technological prowess for the development of combat jets such as the F-35, it is also open to criticism when there are significant problems with the technology. Yet unlike biotechnology failures that are just as important, it has managed to sidestep any real media scrutiny because of the critical role it plays in national defense. With the lion’s share of the defense contracts, none of the other Big Four defense contractors could hope to pick up Lockheed’s projects and bring them into production on time.
* The simple reason the company has managed to remain successful and continue to be a survivor is because its bottom line is the bottom line. Employing 140,000 people makes it a major private employer, and whether people like it or not, it is clearly in the business of making money as a growing business concern. Its venture into cost-effective energy is partly for profit and partly to provide a solution for creating a safer and more environmentally friendly energy source. But the underlying philosophy of the company to allow people to do their best work with a minimum of red tape may be what allows the company to keep its employers and customers happy.