RESEARCH / EARNINGS AND VALUATION

Lockheed Martin Stock Q3 2026: Sales Up 11% as Backlog Reaches $292bn

BY QSI LABS RESEARCH, QSI LABS · PUBLISHED 2 NOVEMBER 2026 · UPDATED 2 NOVEMBER 2026

> **As of:** Figures are as of Lockheed Martin's third-quarter 2026 results (the quarter ended 27 September 2026, reported 22 October 2026 in a Form 8-K, with the Form 10-Q filed the same day). Lockheed's fiscal year is the calendar year, so its Q3 2026 covers July to September 2026; it closes its quarterly books on the last Sunday of the quarter, and its fourth quarter of 2026 has 14 weeks. The share price used in our valuation is the NYSE close of LMT on 2 November 2026, $643.15. Analyst data were accessed on 2 November 2026. Published 2 November 2026.

The short answer. Lockheed Martin stock Q3 2026 is a story of a much bigger order book and a share price that has run ahead of the cash flows. Lockheed Martin reported sales of $20,711m for the three months to 27 September 2026, up 11.3%, and net earnings of $1,845m, or $7.97 a share, up 14%. Backlog rose 27% in the quarter to $292.0bn, which Lockheed called a record, mainly because of a $52.5bn multi-year award for PAC-3 MSE interceptors, and the company raised its 2026 outlook for sales, earnings per share and free cash flow for the second quarter in a row. The shares rose 7.0% on results day and closed at $643.15 on 2 November 2026, up 33.0% for the year. Our discounted cash flow model values the shares at $416.69, about 0.65 times the price; the gap comes mainly from a 10.31% cost of capital built on the defence industry's beta, while Lockheed's own share price has barely moved with the market.

Key takeaways

- **Sales grew 11%.** Sales were $20,711m, up from $18,609m, and all four business segments grew. Missiles and Fire Control grew fastest, by 24%, on PAC-3, THAAD, GMLRS and PrSM production ramps.
- **Profit grew faster than sales.** Net earnings rose 14.0% to $1,845m and diluted earnings per share rose to $7.97 from $6.95. The effective tax rate fell to 15.1% from 16.5%.

- **The order book jumped.** Backlog was $291,984m at 27 September, up from $230.4bn at the end of June and $193.6bn at the end of 2025. Missiles and Fire Control backlog more than tripled in nine months to $142.5bn.
- **Guidance went up again.** Lockheed now expects 2026 sales of about $80bn to $82bn, earnings per share of about $30.35 to $30.75 and free cash flow of about $7.8bn to $8.0bn, up from $7.0bn to $7.2bn in July.
- **2027 should grow too.** Chief financial officer Evan Scott said Lockheed sees "clear line of sight to high single-digit revenue growth next year as a company", and expects a pension contribution of more than $1bn next year.
- **Our value: $416.69 a share,** against a $643.15 close on 2 November 2026. Across costs of capital from 9.31% to 11.31% and terminal growth from 1.5% to 3.5% the model gives $353.79 to $515.53. Analysts' average target is $652.57.
- **What to watch.** The F-35 Lot 20 contract, where Lockheed's costs now exceed its funding; the closing of the $3.45bn Ultra Maritime acquisition; problems at United Launch Alliance; and 2027 guidance in January.

Key numbers from Lockheed Martin's Q3 2026 earnings

$20.71bn

Q3 2026 sales, up 11.3%; nine months $58.80bn, up 7.4%

8-K EX 99.1

$292.0bn

Backlog at 27 September 2026, up 27% in the quarter, including $52.5bn for PAC-3 MSE

8-K EX 99.1; 10-Q

$7.97

Diluted EPS, up from $6.95; net earnings $1.85bn, up 14.0%

8-K EX 99.1

+24.2%

Missiles and Fire Control sales growth, to $4.50bn

8-K EX 99.1

$7.8-8.0bn

2026 free cash flow guidance, raised from $7.0-7.2bn

8-K EX 99.1

$416.69

QSILabs DCF value per share

QSILABS DCF

MEASURE	Q3 2026	Q3 2025	CHANGE
Sales	$20,711m	$18,609m	+11.3%
Business segment operating profit	$2,229m	$2,029m	+9.9%
Consolidated operating profit	$2,443m	$2,280m	+7.1%
Net earnings	$1,845m	$1,619m	+14.0%
Diluted earnings per share	$7.97	$6.95	+14.7%
Cash from operations	$3,438m	$3,728m	-7.8%
Capital expenditures	$439m	$381m	+15.2%
Free cash flow	$2,999m	$3,347m	-10.4%
Backlog (end of period)	$291,984m	n/a	+50.8% since 31 Dec 2025

Source: Lockheed Martin Q3 2026 earnings release (Form 8-K, Exhibit 99.1). Business segment operating profit and free cash flow are non-GAAP measures defined by Lockheed Martin.

Lockheed Martin Q3 2026 earnings: what happened

Lockheed Martin reported third-quarter results on 22 October 2026. Sales rose $2.1bn, or 11%, to $20,711m, driven by growth in each of the company's four business segments. Operating costs rose slightly faster, by 11.6% to $18,275m, so consolidated operating profit rose 7.1% to $2,443m and the operating margin slipped to 11.8% from 12.3%. Business segment operating profit, which excludes pension accounting adjustments and other unallocated items, rose 9.9% to $2,229m.

Lower tax did the rest. The effective tax rate was 15.1%, against 16.5% a year earlier, mainly because of larger deductions for foreign-derived deduction-eligible income, so net earnings rose 14.0% to $1,845m. For the first nine months sales were $58,795m, up 7.4%, and net earnings $5,169m, up 40.7%; the 2025 figures included $1,615m of reach-forward losses on select programs.

Chairman and chief executive Jim Taiclet said "the momentum in our business is accelerating", and described defence demand "that appears permanent". In the release he said the company had raised its outlook "the second consecutive quarter we have raised our financial guidance".

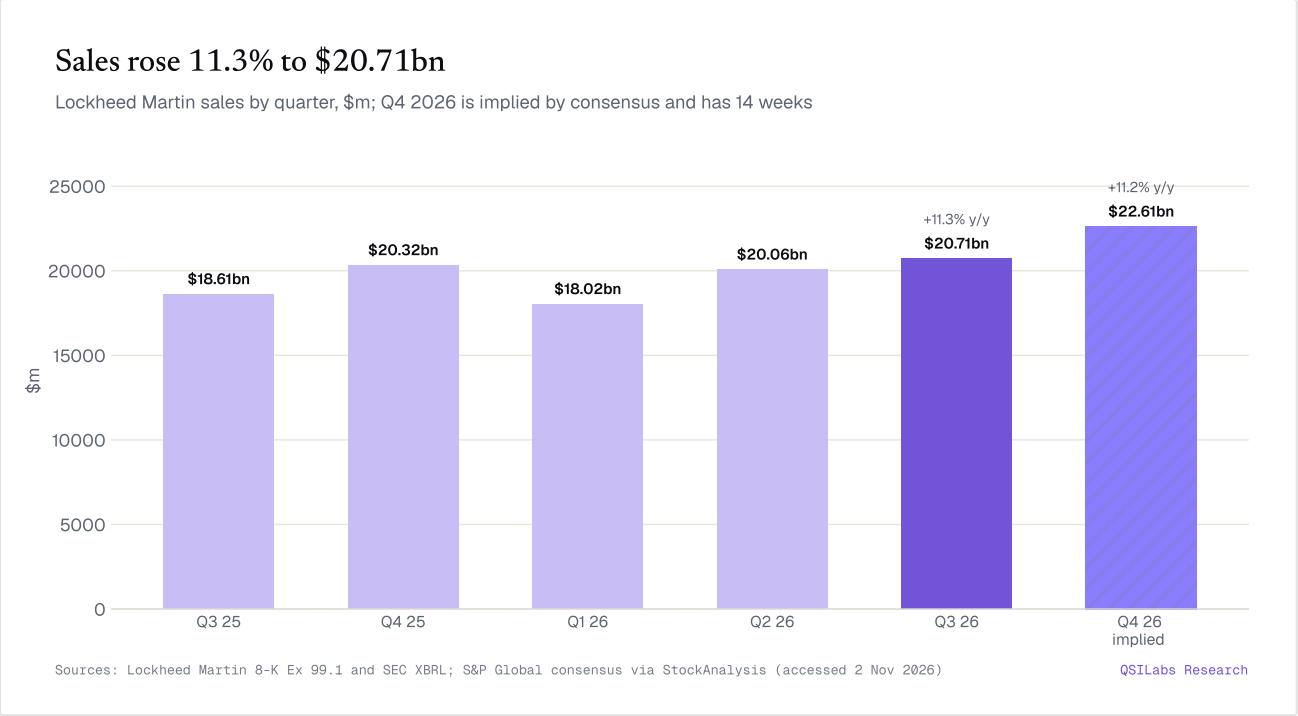


FIGURE 1 Lockheed Martin's sales rose 11.3% to $20.71bn in Q3 2026. Consensus sales for 2026 of $81.40bn imply fourth-quarter sales of about $22.61bn, up 11.2%, in a quarter that has 14 weeks against 13.

Cash flow was lower than a year earlier. Cash from operations was $3,438m against $3,728m, which Lockheed put down to higher customer receipts in the third quarter of 2025, and free cash flow, cash from operations less capital expenditures, was $2,999m against $3,347m. For the first nine months free cash flow was $5,625m, up from $4,152m.

LOCKHEED MARTIN FROM LATE 2025 TO NOVEMBER 2026

31 DEC 2025	LMT ends 2025 at $483.67; 2025 sales were $75.05bn and backlog $193.6bn	Yahoo Finance; Form 10-K; 8-K Ex 99.1
2 MAR 2026	LMT closes at $676.70, its 52-week closing high	Yahoo Finance
Q1 2026	ULA's Vulcan Centaur rocket has performance problems	Form 10-Q
JULY 2026	Q2 results; backlog $230.4bn; agreement to buy Ultra Maritime for $3.45bn	Q2 2026 8-K and 10-Q; Q3 10-Q
22 OCT 2026	Q3 results: backlog $292.0bn, guidance raised again; LMT rises 7.0% to $589.91	8-K Ex 99.1; Yahoo Finance
2 NOV 2026	LMT closes at $643.15, the price used in our valuation	Yahoo Finance
Q4 2026	Ultra Maritime acquisition expected to close, paid in cash	Form 10-Q
JANUARY 2027	Lockheed plans to give 2027 guidance	Q3 2026 earnings call

Which Lockheed Martin segments grew fastest?

Missiles and Fire Control (MFC). Its sales rose 24.2% to $4,501m, with $480m more from integrated air and missile defence programs, PAC-3 and THAAD, and $330m more from tactical and strike missiles, GMLRS and the Precision Strike Missile. Its operating profit also rose 24%, to $631m, a margin of 14.0%. Lockheed said on the call that MFC is on track to grow sales and profit by about 20% in 2026, and Scott said the company expects "mid-teens sales CAGRs over the next five years" at MFC.

Aeronautics, the largest segment and home of the F-35, grew sales 13.2% to $8,214m: $710m more from F-35 production and sustainment and $270m more from the C-130 program, partly offset by $130m less from the F-16. Its operating profit rose 9% to $743m, but its margin fell to 9.0% from 9.4% after unfavourable profit adjustments of $40m each on the F-16 and C-130. Lockheed delivered 43 F-35s in the quarter, against 46 a year earlier.

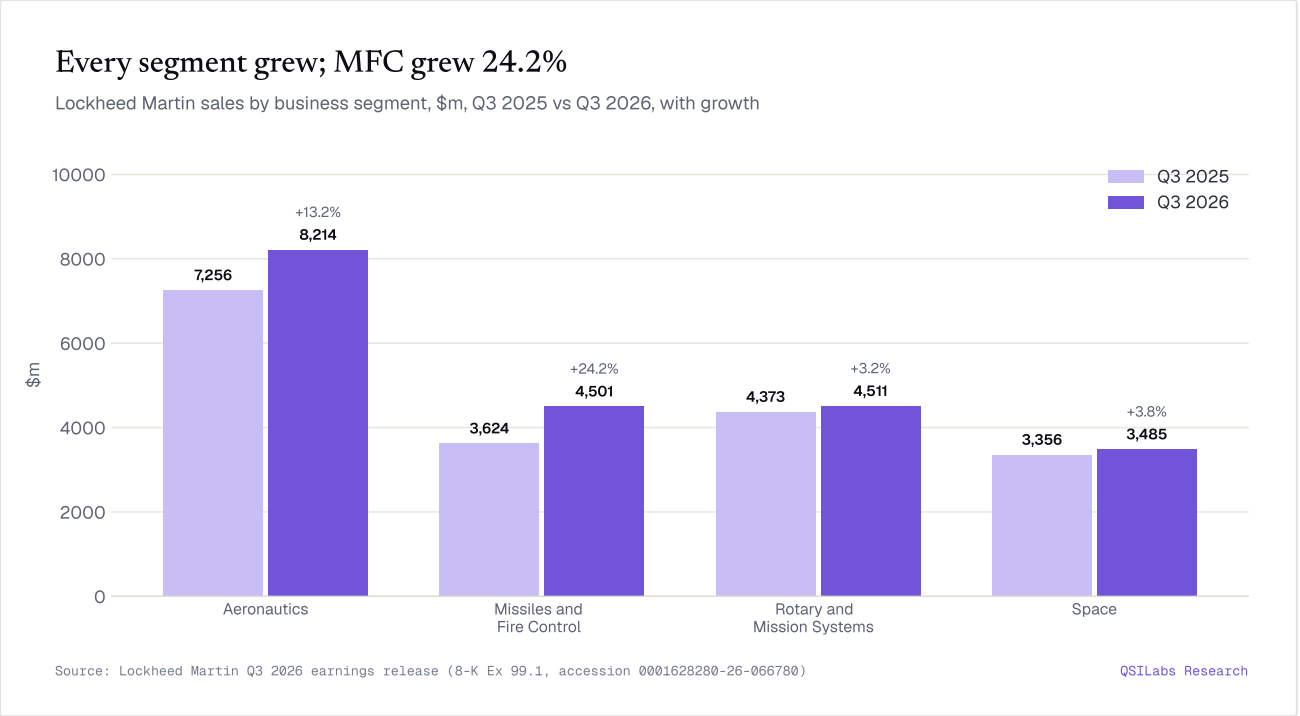


FIGURE 2 All four Lockheed Martin segments grew sales in Q3 2026: Missiles and Fire Control by 24.2%, Aeronautics by 13.2%, Space by 3.8% and Rotary and Mission Systems by 3.2%.

Rotary and Mission Systems (RMS), which includes Sikorsky helicopters and radars, grew sales 3.2% to $4,511m and operating profit 4% to $524m, helped by a $40m favourable adjustment on a contracting matter and held back by $45m of unfavourable adjustments on the Heavy Lift and Seahawk programs. Space grew sales 3.8% to $3,485m on the Fleet Ballistic Missile and Next Generation Interceptor programs, while operating profit was flat at $331m.

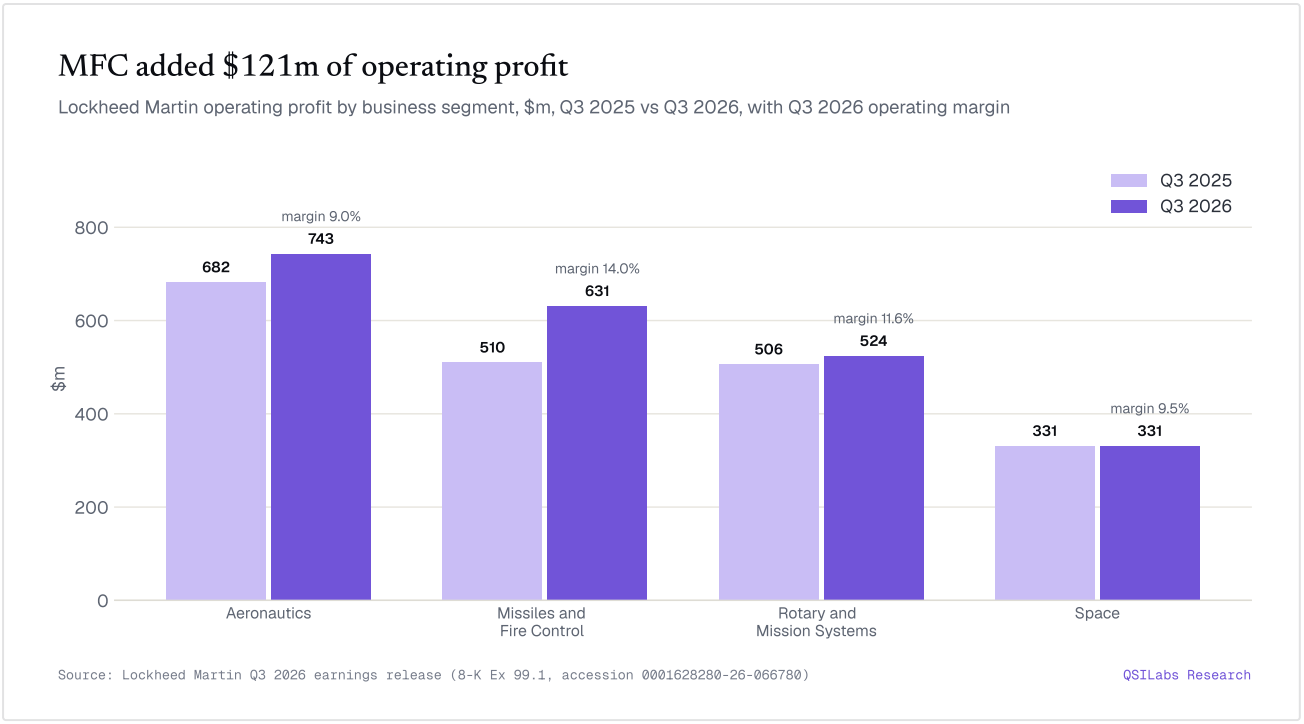


FIGURE 3 Missiles and Fire Control added the most operating profit in Q3 2026, $121m, and Aeronautics $61m; Space operating profit was unchanged at $331m.

Over a longer period, sales have grown from $67.0bn in 2021 to $75.0bn in 2025, but the operating margin fell from 13.6% in 2021 to 9.9% in 2024 and was 10.3% in 2025. Consensus operating income of $9.60bn for 2026 implies a margin of 11.8%.

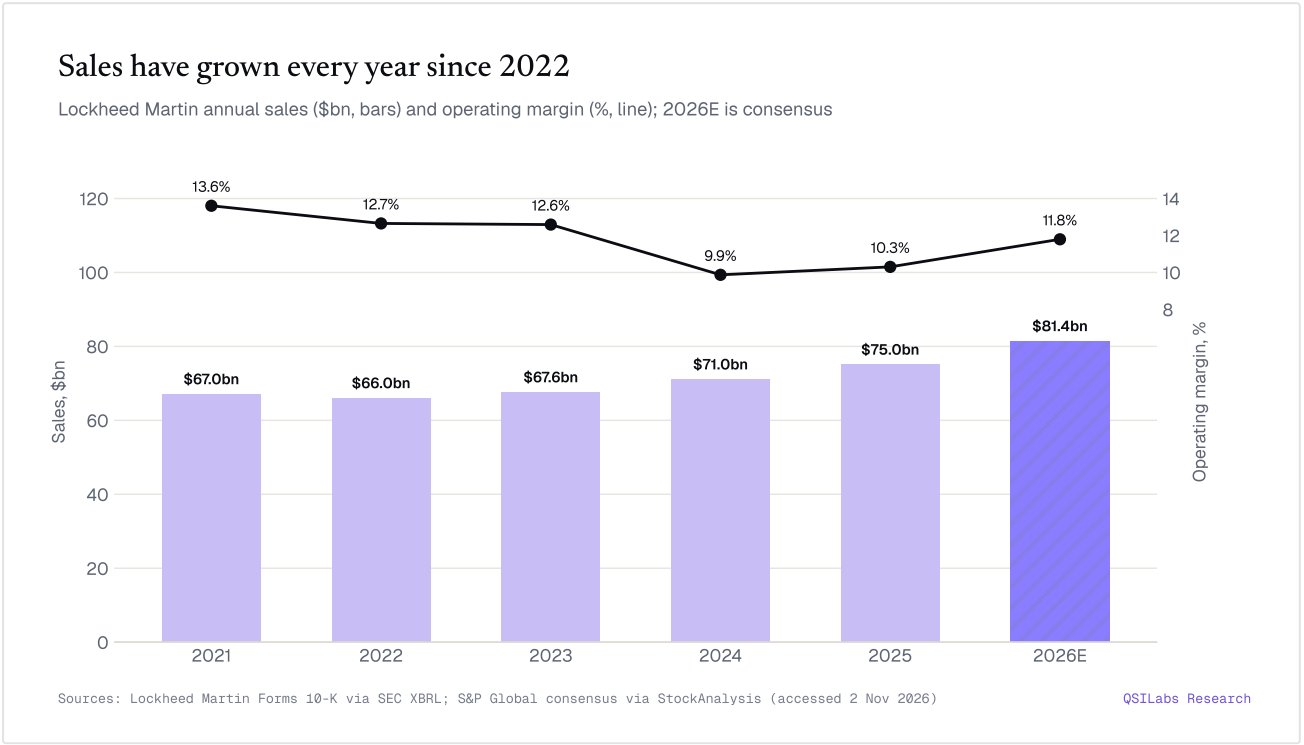


FIGURE 4 Lockheed Martin's sales rose from $67.0bn in 2021 to $75.0bn in 2025, and consensus is $81.4bn for 2026. The operating margin fell from 13.6% in 2021 to 9.9% in 2024 and is 11.8% in 2026 on consensus operating income.

Why did Lockheed Martin's backlog jump to $292bn?

Mostly because of one contract. Backlog, the sales Lockheed expects to recognise on contracts already won, rose by $61.6bn in the quarter to $292.0bn, and $52.5bn of that was the multi-year award to produce PAC-3 MSE interceptors. Taiclet said the PAC-3 deal is a seven-year contract and builds on a seven-year THAAD contract signed earlier in the year; Scott said it brings the multi-year contract to a total value of up to $58.6bn and that the book-to-bill ratio in the quarter was 4 times. MFC backlog was $142.5bn at 27 September, against $46.7bn at the end of 2025.

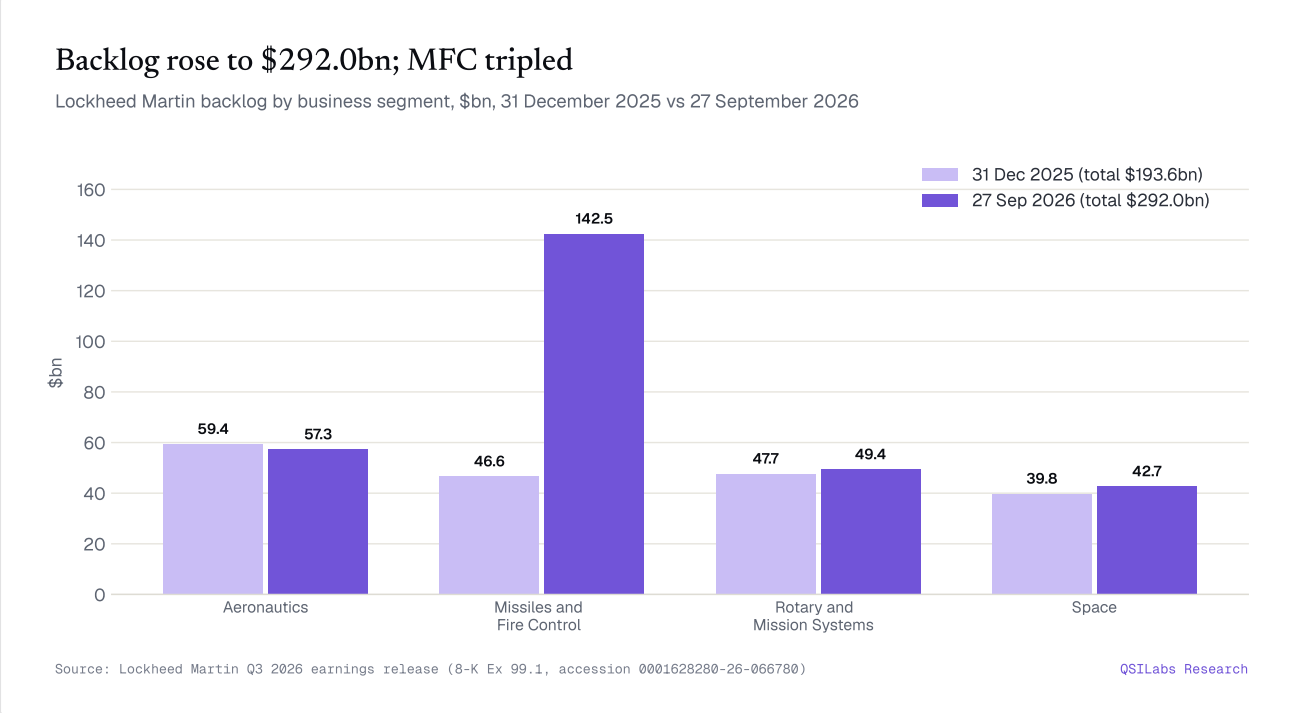


FIGURE 5 Lockheed Martin's backlog rose from $193.6bn at 31 December 2025 to $292.0bn at 27 September 2026; Missiles and Fire Control backlog rose from $46.7bn to $142.5bn.

The backlog is long. Lockheed expects to recognise about 23% of it as sales over the next 12 months, so a large part of the PAC-3 award turns into revenue over several years. Other orders included $4.4bn of C-130J contracts for 34 aircraft and a $1.2bn production contract for the second increment of the Precision Strike Missile, according to the call.

The F-35 is the other long-term pillar. Taiclet said a new multi-year agreement "solidifies the path to 850 U.S. aircraft over a 10-year span" and, with sales to allies, production of 156 aircraft a year for 10 years. But Lockheed is still negotiating production contracts for Lots 20 and higher, and its costs on the Lot 20 advance acquisition contract began to exceed the

current authorisation and funding in the third quarter. The release warns that without more authorisation and funding its results, cash flows and financial condition "will be negatively impacted in future periods". Scott said signing Lot 20 this year would be upside to guidance, which does not assume it.

Lockheed also said margins matter in the new munitions framework agreements. Taiclet said the company entered them expecting margins "at or better than the rates that we have demonstrated under the traditional CAS accounting system", the government's cost accounting standards.

What did Lockheed Martin say about 2026 and 2027?

It raised 2026 guidance for the second quarter running. Lockheed now expects sales of about $80.0bn to $82.0bn, against $79.75bn to $81.75bn in July, business segment operating profit of about $8,575m to $8,675m, diluted earnings per share of about $30.35 to $30.75, cash from operations of about $10.0bn to $10.2bn and free cash flow of about $7.8bn to $8.0bn. Capital expenditures are expected to be about $2.1bn to $2.3bn. The outlook does not include the Ultra Maritime acquisition or any ULA equity earnings in the fourth quarter.

For 2027 Lockheed will give guidance in January. Scott said all four segments should grow next year and that the company sees "clear line of sight to high single-digit revenue growth next year as a company". Cash will be held back by pension funding: he said "a pension contribution in excess of $1 billion" will be required next year, and that Lockheed has not decided whether to pre-fund it this year.

How much cash does Lockheed Martin return to shareholders?

Mainly through dividends in 2026. Lockheed paid $2,408m of dividends in the first nine months and did not buy back shares, against $2,250m of repurchases a year earlier. The board raised the quarterly dividend by $0.15 to $3.60 a share, the 24th consecutive annual increase, from $3.45. Long-term debt was $20,498m at 27 September, with no current maturities after Lockheed repaid $1,168m this year, and cash was $5,960m. Lockheed expects to pay the $3.45bn for Ultra Maritime, an undersea warfare business that will join RMS, with cash on hand when the deal closes in the fourth quarter.

How has LMT stock performed in 2026?

Strongly. LMT closed at $643.15 on 2 November 2026, up 33.0% from $483.67 at the end of 2025, and 5.0% below its 52-week closing high of $676.70 on 2 March 2026. The 52-week closing low was $439.19 on 1 December 2025. The shares rose 7.0% to $589.91 on 22 October, the day of the results, and kept rising to $636.95 at the end of October.

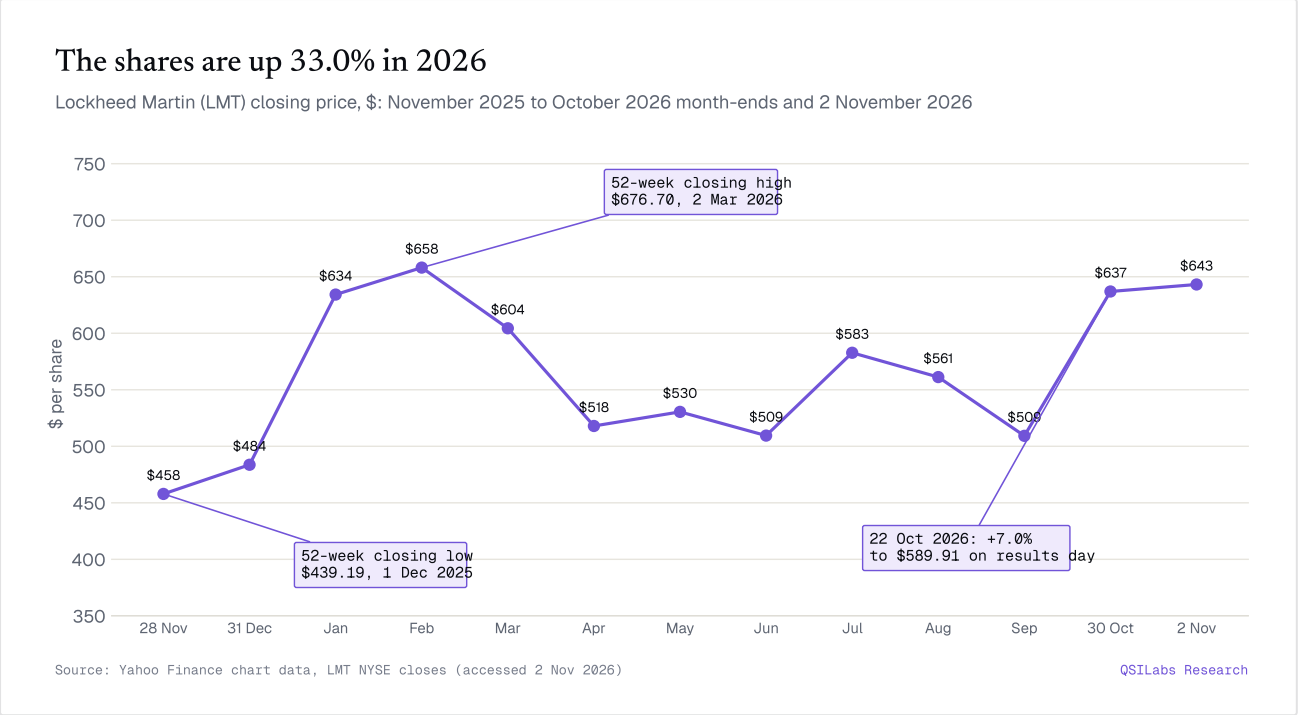


FIGURE 6 LMT rose from $483.67 at the end of 2025 to a closing high of $676.70 on 2 March 2026, fell to $509.25 at the end of September and closed at $643.15 on 2 November 2026, up 33.0% for the year.

The 23 analysts compiled by StockAnalysis from S&P Global data have an average price target of $652.57, a median of $650, a low of $498 and a high of $835, and their consensus rating is Buy: in October 8 rated the shares Strong Buy, 2 Buy, 12 Hold and 1 Strong Sell. Consensus adjusted earnings per share is $30.69 for 2026 and $33.31 for 2027, so the shares trade at about 21.0 times this year's expected earnings and 19.3 times next year's.

Lockheed Martin stock Q3 2026: is LMT overvalued?

On our numbers, yes, but the answer depends heavily on the cost of capital. Our discounted cash flow model values Lockheed Martin at $416.69 a share, 0.65 times the $643.15 close on

2 November 2026. At that price the market value of the equity was about $148.9bn on 231.5m diluted shares; our equity value is $96.5bn.

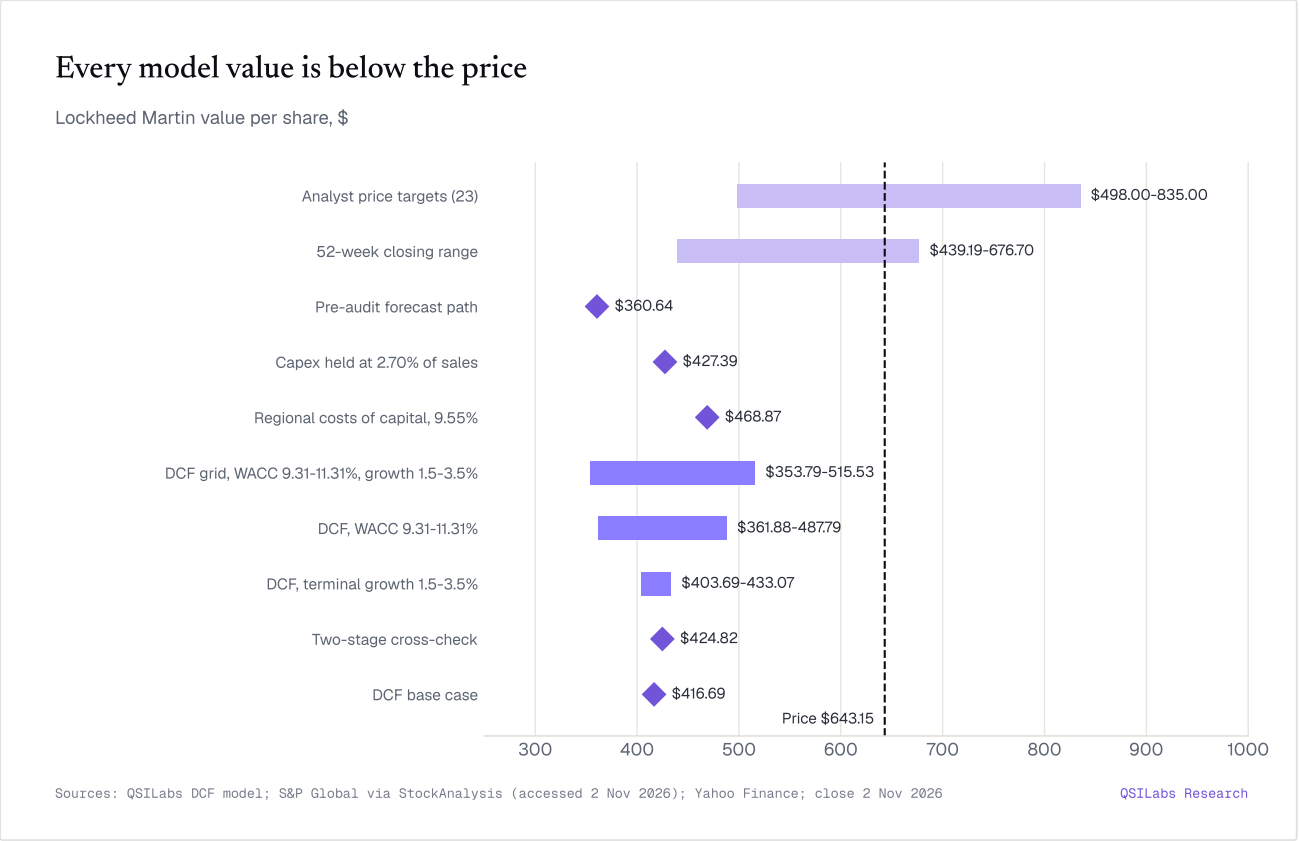


FIGURE 7 Our base case is $416.69 a share against a $643.15 close. Every value in our sensitivity grid, from $353.79 to $515.53, is below the share price, and so is every alternative we ran, up to $468.87 with regional costs of capital.

We value the cash available to all lenders and shareholders, unlevered free cash flow: operating profit after tax at 15.6%, Lockheed's effective rate in the first nine months of 2026, plus depreciation and amortisation, less capital expenditures and the extra working capital that growth needs. That gives $7.10bn in 2026, rising to $7.72bn in 2027, $9.04bn in 2030 and $10.84bn in 2035. Our 2026 figure is below Lockheed's free cash flow guidance of $7.8bn to $8.0bn, partly because we charge full tax on operating profit while Scott credited part of this year's cash flow to favourable IRS tax guidance. From the enterprise value of $112.9bn we deduct net debt of $14.5bn and the $3.1bn after-tax deficit in the pension plans, and add Lockheed's 50% stake in United Launch Alliance at its $578m book value and $0.63bn of cash generated between 27 September and 2 November, net of interest.

We discount at a weighted average cost of capital of 10.31%. The cost of equity is 11.06%: a US 10-year Treasury yield of 5.12% plus a beta of 1.24 times an equity risk premium of 4.80%. The beta is the global aerospace and defence industry's unlevered beta of 1.12 relevered at Lockheed's debt-to-equity ratio of 0.14. The risk premium is weighted by where Lockheed sold in the first nine months of 2026: 69.6% in the United States, 14.0% in Europe, 3.2% in

the Middle East and 13.3% in Asia Pacific and elsewhere. Debt is 12.1% of capital at an after-tax cost of 4.85%. After 2035 we assume growth of 2.5% a year; that terminal value is 51.3% of our enterprise value.

Plainly, the value is low because the cost of capital is high. A beta of 1.24 says Lockheed's shares should move more than the market, but StockAnalysis puts Lockheed's own five-year beta at 0.10: investors have treated the shares as close to riskless, government-backed cash flows, not as a typical industrial. Even at a 9.31% cost of capital and 3.5% terminal growth, the corner of our grid, the model gives $515.53, 20% below the price. The share price implies a much lower cost of capital than the industry beta gives, or growth and margins well above consensus for longer.

Our forecast for Lockheed Martin

Sales are $81.40bn in 2026, in line with S&P Global consensus as published by StockAnalysis and inside Lockheed's guidance range, which implies fourth-quarter sales of about $22.61bn, up 11.2%. For 2027 we use consensus of $87.13bn, up 7.0%, consistent with Scott's "high single-digit" growth. Growth of 6.0% in 2028 matches the consensus three-year forecast of 7.17% annual growth from 2025. We then take 7.1% in 2029 and 2030, Research and Markets' forecast annual growth for the aerospace and defence market to 2030, and 5.9% in 2031, Global Market Insights' forecast for 2026 to 2035, before fading to 2.5% by 2035.

The operating margin is 11.8% in 2026, consensus operating income of $9.60bn, which is inside Lockheed's guidance of about $9,520m to $9,620m. For 2027 we add the $2.62 rise in consensus earnings per share, grossed up for tax on 231.5m shares, which gives operating profit of about $10.3bn and a margin of 11.8%; we hold that margin to 2035. Depreciation and amortisation is 2.08% of sales, the nine-month rate, and capital expenditures are $2.2bn in 2026, the middle of guidance, and 2.70% of sales in 2027, after which we raise capital spending gradually to 3.56% of sales by 2035, the level our model needs to fund growth after the forecast period.

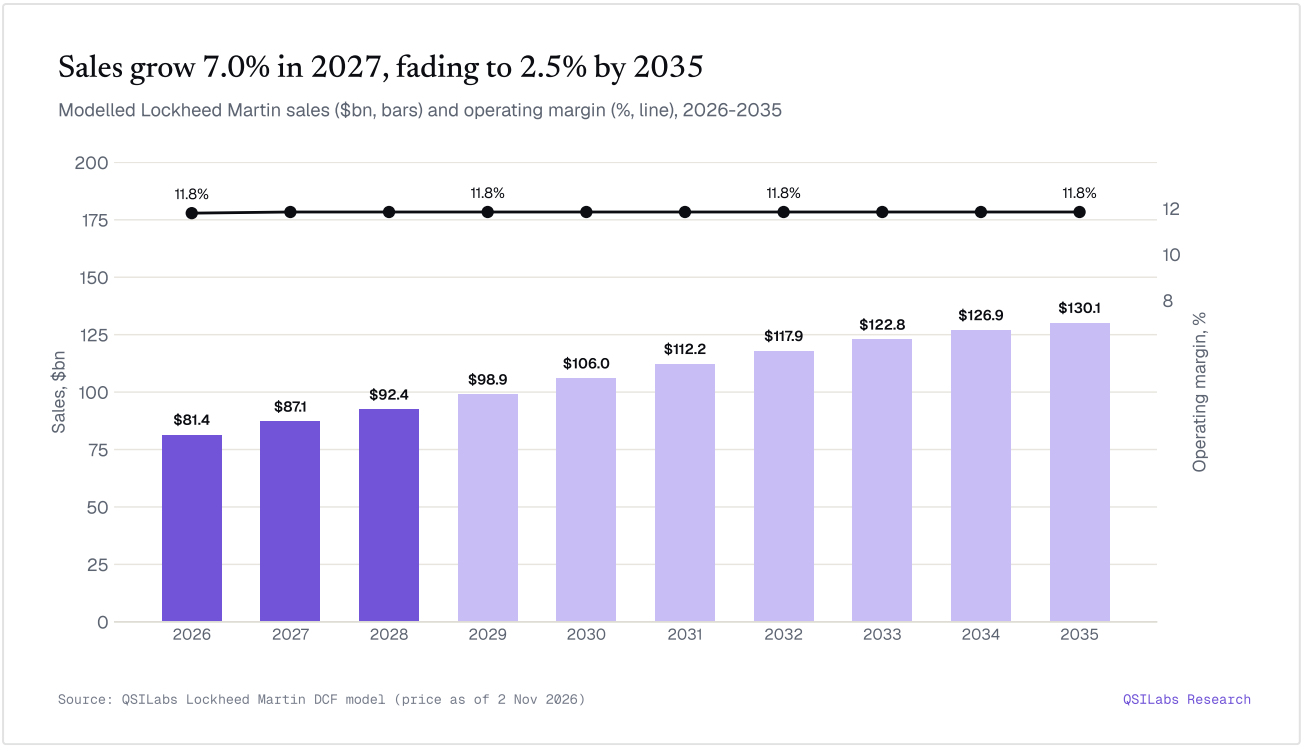


FIGURE 8 We forecast sales rising from $81.4bn in 2026 to $87.1bn in 2027 and $130.1bn in 2035, with the operating margin at 11.8% throughout.

Our previous model, priced at the 22 October close of $589.91, gave $359.34. It used revenue growth of 5.0% in 2027 falling to 3.0% from 2031 and an operating margin of 11.81% without a cited source. Run in today's model, that old path gives $360.64, so the sourced forecast adds $56.05. Capital spending is the largest choice we make: holding it at 2.70% of sales every year, in line with this year's guidance and above the 2.2% to 2.5% Lockheed spent from 2021 to 2025, gives $427.39.

How the number moves if you argue with us

The table shows our value per share at different costs of capital and terminal growth rates. Even at a 9.31% cost of capital and 3.5% terminal growth, the model gives $515.53, about 0.80 times the share price.

COST OF CAPITAL	GROWTH 1.5%	GROWTH 2.0%	GROWTH 2.5%	GROWTH 3.0%	GROWTH 3.5%
9.31%	$466.72	$476.59	$487.79	$500.62	$515.53
9.81%	$433.27	$441.05	$449.79	$459.69	$471.04
10.31%	$403.69	$409.85	**$416.69**	$424.37	$433.07
10.81%	$377.37	$382.24	$387.62	$393.59	$400.28
11.31%	$353.79	$357.66	$361.88	$366.52	$371.67

A two-stage version of the model, which adds a 10-year period after 2035 in which growth fades gradually to 2.5% and returns on new investment fall to 2 percentage points above the cost of capital, gives $424.82. Using a separate cost of capital for each region, each with its own industry beta, gives 9.55% and $468.87.

For the share price to be right on our method, investors would need to accept a return close to the Treasury yield plus a small premium, in line with Lockheed's low beta, or munitions and F-35 growth would need to keep sales rising faster than consensus well beyond 2028.

Risks to the Lockheed Martin investment case

- **F-35 funding.** Lockheed's costs on Lot 20 already exceed the government's authorisation and funding. A late or less favourable contract would hit results and cash flow.
- **Program charges.** Lockheed booked $1,615m of reach-forward losses on select programs in the first nine months of 2025, and could book more; Aeronautics and RMS both took unfavourable profit adjustments this quarter.
- **Pension cash.** Lockheed expects to contribute more than $1bn to its pension plans in 2027, and accrued pension liabilities were $3,938m at 27 September. Operating profit includes a FAS/CAS pension operating adjustment of about $1,685m expected for 2026, the amount by which pension cost recovered through contracts exceeds the accounting service cost.
- **ULA.** United Launch Alliance's Vulcan Centaur rocket has had performance problems. Lockheed has guaranteed up to $750m of ULA borrowings, expects to provide more support and could book impairments; we carry the stake at its $578m book value.

- **Budgets and margins.** The US government accounted for .7bn, or 69.3%, of nine-month sales. Changes to defence budgets or to how the new munitions agreements are priced would change growth and margins.
- **Valuation risk.** The share price already sits above every value in our grid; our value rests on a 10.31% cost of capital from the industry beta, while Lockheed's own beta is far lower.

FAQ

What value does QSILabs put on Lockheed Martin stock?

Our discounted cash flow model gives $416.69 a share, against a $643.15 close on 2 November 2026. Across costs of capital from 9.31% to 11.31% and terminal growth from 1.5% to 3.5% the value ranges from $353.79 to $515.53. A two-stage cross-check gives $424.82.

Should I buy Lockheed Martin stock after the Q3 2026 results?

We do not give personal advice. Results were strong, with sales up 11%, a backlog of $292.0bn and higher guidance, but on our numbers the shares trade well above the value of their cash flows unless you accept a much lower cost of capital. Read the sensitivity table and the risks above before deciding.

How much did Lockheed Martin earn last quarter?

Lockheed Martin reported net earnings of $1,845m for the third quarter of 2026, the three months to 27 September, up 14.0% from $1,619m, on sales of $20,711m. Diluted earnings per share were $7.97, against $6.95.

How big is Lockheed Martin's backlog?

Lockheed Martin's backlog was $291,984m at 27 September 2026: $142.5bn in Missiles and Fire Control, $57.3bn in Aeronautics, $49.4bn in Rotary and Mission Systems and $42.7bn in Space. It expects to recognise about 23% of it as sales over the next 12 months.

Does Lockheed Martin pay a dividend?

Yes. The board raised the quarterly dividend to $3.60 a share from $3.45, the 24th consecutive annual increase. That is $14.40 a year, a yield of about 2.2% at the $643.15 close on 2 November 2026. Lockheed has not bought back shares in 2026.

What price target do analysts have for LMT?

The 23 analysts compiled by StockAnalysis have an average target of $652.57, about 1.5% above the $643.15 close on 2 November 2026, with a median of $650, a low of $498 and a high of $835. Their consensus rating is Buy.

How much debt does Lockheed Martin have?

Lockheed Martin had $20,498m of long-term debt at 27 September 2026, with no current maturities, and $5,960m of cash, so net debt was $14,538m. It also had $3,938m of accrued pension liabilities and has guaranteed up to $750m of ULA borrowings.

What is happening with the F-35 contract?

A multi-year agreement sets a path to 850 US aircraft over 10 years and, with allies, 156 aircraft a year, according to Taiclet. Lockheed is still negotiating Lots 20 and higher, and its Lot 20 costs began to exceed the current authorisation and funding in the third quarter of 2026.

What is the Ultra Maritime acquisition?

In July 2026 Lockheed Martin agreed to buy Ultra Maritime Solutions, which makes undersea warfare and anti-submarine systems, for $3.45bn. It will be part of Rotary and Mission Systems, will be paid for with cash on hand and is expected to close in the fourth quarter of 2026. It is not in the 2026 guidance.

Who runs Lockheed Martin?

Jim Taiclet is chairman, president and chief executive of Lockheed Martin, and Evan Scott is chief financial officer.

Sources

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About this analysis

Written by QSI Labs Research. We read Lockheed Martin's filings (the Q3 2026 earnings release filed with the SEC on Form 8-K, the Form 10-Q for the quarter ended 27 September 2026, the Form 10-Q for the quarter ended 28 June 2026, the Form 10-K for 2025 and quarterly and annual data in SEC XBRL) and the transcript of the 22 October 2026 earnings call, and value the company with a discounted cash flow model: sales, operating margin, tax, depreciation, capital expenditures and working capital are forecast year by year to 2035, and unlevered free cash flow is discounted at the weighted average cost of capital, with a terminal value after that. Forecasts are QSILabs estimates based on S&P Global consensus and aerospace and defence market forecasts from Research and Markets and Global Market Insights; every reported figure is cited to its source. Figures as of Q3 2026 results; price as of the 2 November 2026 close.

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