

1 KEY RESULTS VS. CONSENSUS			
Metric	Reported	Consensus	vs. Cons.
Revenue	\$20.711B	\$20.47B	+1.2%
Operating Income	\$2.443B	\$2.4B	+1.8%
Diluted EPS	\$7.97	\$7.51	+6.1%
Backlog	\$291.984B	\$231.53B	+26.1%
Cash Flow from Operations	\$3.44B	\$2.4B	+43.3%
Free Cash Flow	\$2.999B	\$1.75B	+71.4%
SEGMENT REVENUE			
Aeronautics	\$8.214B	\$8.08B	+1.7%
Missiles and Fire Control	\$4.501B	\$4.32B	+4.2%
Rotary and Mission Systems	\$4.511B	\$4.61B	-2.1%
Space	\$3.485B	\$3.54B	-1.6%

2 | GUIDANCE AND OUTLOOK

Full-year guidance rose modestly on earnings and substantially on cash: revenue to \$80.0 billion to \$82.0 billion, EPS to \$30.35 to \$30.75, midpoints at consensus. Segment operating-profit guidance rose only \$25 million at the midpoint; consolidated operating-profit guidance fell \$25 million, on higher unallocated expense. Operating cash flow guidance rose to \$10.0 billion to \$10.2 billion and free cash flow to \$7.8 billion to \$8.0 billion, midpoints up \$800 million. Management expects 2027 revenue growth in all four segments, with clear line of sight to high-single-digit growth, not formal guidance.

3 | EARNINGS ANALYSIS

GROWTH WAS REAL BUT CONCENTRATED. Revenue rose 11.3% to \$20.711 billion, beating consensus by 1.2%, and EPS rose 14.7% to \$7.97, beating by 6.1%. The growth was concentrated: Aeronautics and Missiles and Fire Control supplied about 87% of the revenue increase and 91% of the segment profit increase. MFC revenue rose 24.2% and its operating profit 23.7% as PAC-3, THAAD, GMLRS, and PrSM production ramped.

MARGINS DID NOT FOLLOW VOLUME. Segment operating profit rose 9.9% to \$2.229 billion, but segment margin fell about 14 basis points to 10.76%, and consolidated operating profit rose 7.1% to \$2.443 billion as its margin fell about 46 basis points to 11.80%. Aeronautics beat on revenue yet missed profit consensus by 2.7%, and about 28% of its revenue increase was a C-130 cost-liquidation item. EPS also gained about \$0.13 from a lower tax rate and \$0.04 from fewer shares. RMS profit beat consensus by 10.2%, aided by a \$40 million favorable contracting adjustment against \$45 million of unfavorable program adjustments.

CASH BEAT EXPECTATIONS, NOT HISTORY. Operating cash flow of \$3.438 billion beat consensus by about 43% and free cash flow of \$2.999 billion by about 71%, yet both declined year over year, by 7.8% and 10.4%. The full-year cash guidance increase of \$800 million at the midpoint came from operating cash, not lower capital spending. The 2026 baseline is flattered by tax benefits that shrink in 2027 and precedes a required pension contribution above \$1 billion.

CONVERSION IS THE OPEN QUESTION. Backlog rose \$61.568 billion sequentially to \$291.984 billion, but the \$52.5 billion PAC-3 addition supplied about 85% of the increase, and MFC is now about 49% of backlog. The F-35 framework for 850 U.S. aircraft over 10 years still needs multiyear authority and appropriations before pricing and schedules are final, and Lot 20 costs already exceed contractual authorization and funding. The verdict is constructive on the trajectory and conditional on contract execution.

4 | KEY READ-THROUGHS

PAC-3 EDGE CHANGES NEXT-GENERATION CONTENT OWNERSHIP, NOT JUST MISSILE CAPABILITY
Boeing (BA), L3Harris (LHX), Northrop Grumman (NOC), Lockheed Martin (LMT) | Mixed | Potentially meaningful
PAC-3 Edge replaces the incumbent architecture: the seeker moves in-house to Lockheed Martin's RMS Center of Excellence and the motor to Northrop Grumman, so Boeing's MSE seeker role and L3Harris's MSE propulsion do not carry into the next generation automatically. Testing starts in 2027 and deployment is targeted for 2031; current MSE contracts are not canceled.

BOEING'S SEEKER AWARD IS A MATERIAL DEFENSE OPPORTUNITY
Boeing (BA) | Positive | Material
Boeing's approximately \$14.7 billion contract to triple PAC-3 seeker production under a 7-year framework averages near \$2.1 billion a year, which is not revenue guidance. The award supports capacity, workforce planning, and fixed-cost absorption in an established franchise, separate from Boeing's development-heavy aircraft programs. The call validates the commitments behind the earlier award.

PROPULSION SUPPLIERS HAVE DIRECT EXPOSURE TO THE RAMP
L3Harris (LHX), Northrop Grumman (NOC) | Positive | High
L3Harris holds a \$4.7 billion, 7-year PAC-3 propulsion award covering the MSE motor, lethality enhancer, and attitude-control motors, with two Camden facilities becoming operational in 2027. Northrop Grumman holds \$1.6 billion for propulsion and components. MFC revenue and operating profit rose about 24% with ramps ahead of schedule; conversion turns on commissioning and qualification.

LOT 20 EXPOSES A GAP BETWEEN STRATEGIC COMMITMENT AND CURRENT CONTRACT FUNDING
Lockheed Martin (LMT) | Negative | Potentially material
Costs on the F-35 Lot 20 advance-acquisition contract began exceeding contractual authorization and funding during Q3; the release warns results, cash flows, and financial condition will be hurt without more authorization. The CFO called a 2026 agreement upside to effectively all metrics, not in guidance. Lot 20 is separate from the Lots 21 to 30 framework.