

Raytheon, Lockheed May Win in Obama Missile Plan

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Raytheon Co. and Lockheed Martin Corp. may be winners in President Barack Obama's decision to shift a proposed missile-defense network in Europe toward a more flexible system, said Rob Stallard, an analyst at Macquarie Capital Inc. in New York.

Obama's plan would place anti-missile systems aboard destroyers at sea and include mobile land-based radar. The previous plan by former President George W. Bush would have put land-based missiles in Poland and a radar system in the Czech Republic to defend against hostile nations, primarily Iran.

The shift reflects a strategy U.S. Defense Secretary Robert Gates advocated in February that uses the Patriot Advanced Capability-3 missiles and Terminal High Altitude Area Defense, both by Lockheed, and Raytheon's Standard Missile-3, while curtailing Ground-based Midcourse Defense and the Airborne Laser, both made by Boeing Co., Stallard wrote. Lockheed shares gained the most in five months.

"This shift clearly benefits Lockheed Martin and Raytheon and is negative" for Boeing, Stallard said in an e-mail. "The move away from fixed missile-defense sites in Eastern Europe is a continuation of the more flexible, tactical missile-defense shield that Secretary Gates advocated."

Orbital Sciences

Obama called for current and future variants of Standard Missile-3 interceptors and the AN/TPY-2 transportable radar, both made by Raytheon, and destroyers equipped with the Aegis Weapon System, made by Lockheed.

Orbital Sciences Corp., of Dulles, Virginia, which has a contract to build 44 ground-based interceptors for two U.S. sites, was to build 10 interceptors for the proposed Eastern European missile shield, Richard Lehner, a spokesman for the Pentagon's Missile Defense Agency, said in an e-mail. Orbital hasn't received a contract for the European system, he said.

Boeing "will continue to support the requirements that our customer, the U.S. Missile Defense Agency, and U.S. policymakers determine" at home and abroad, Jessica Carlton, a spokeswoman for the company, said in an e-mail. "We look forward to continuing our efforts" to develop the Ground-based Midcourse Defense system.

Work With U.S.

Lockheed "is not involved in the Ground-based Midcourse Defense program," said

spokesman Jeffery Adams. With the administration's decision to end plans for a European ground-based system, "we are prepared to work with the U.S. and allied governments to apply our capabilities wherever needed."

Barry Beneski, a spokesman for Orbital, declined to comment on the European cancellation in a telephone interview, saying the company doesn't yet have all the details of the plan. A spokesman for Raytheon said he couldn't comment without getting more information from the Pentagon.

Raytheon, based in Waltham, Massachusetts, rose \$1.55, or 3.4 percent, to \$47.72 at 4:15 p.m. in New York Stock Exchange composite trading. Chicago-based Boeing gained 52 cents to \$52.88. Bethesda, Maryland-based Lockheed rose \$3.40, or 4.5 percent, to \$79.56, the biggest gain since April 6. Orbital Sciences rose 1 cent to \$14.93.

Long-Range Plans

The Pentagon has yet to release long-range procurement plans for the Standard Missile-3 and improvements to the Aegis Weapon system, Steve Zaloga, a missile-defense analyst at Teal Group in Fairfax, Virginia, said in an interview.

"It's difficult to gauge the new plan's significance to Raytheon," he said.

The benefit to Raytheon depends on how many ground-based variants of the Standard Missile-3 the Pentagon orders in addition to planned sea-based versions, Zaloga said. It may choose to deploy ones already on order rather than buy more, he said.

"I'll be convinced when I see the fiscal 2011 budget," he said.

The Pentagon's 2010 budget seeks 250 Standard Missile-3 interceptors. It also seeks to increase to 27 from 21 the number of warships equipped to launch the Standard Missile-3s and requests \$1.6 billion to develop software and hardware to upgrade ships and to develop a ground-based model.

That's up from \$1.13 billion Congress approved for this year and \$1.24 billion in fiscal 2008.

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