

Investment Analysis and Asset Selection on Lockheed Martin, Enphase Energy, NextEra Energy

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Abstract. The objective of this paper is to analysis the financials of three renowned companies listed on the US stock market. The three companies under consideration are engaged in diverse business activities, including technology and energy, as well as the production of military equipment. They are NextEra Energy (NEE), Enphase Energy (ENPH), and Lockheed Martin (LMT). This article will commence with a fundamental analysis, encompassing the company's risks, profitability and market data. Furthermore, the analysis will be conducted in accordance with market data for mainstream investors, including value investors, income investors, index investors, momentum investors and PEG investors. Ultimately, the paper will conclude with a synthesis of the findings. Following an investigation into the financial performance of the aforementioned companies, it can be concluded that Lockheed Martin (LMT) will appeal to investors seeking income, index and price-earnings-growth (PEG) opportunities. Similarly, Enphase Energy (ENPH) will attract those with an interest in index and momentum strategies. Finally, NextEra Energy (NEE) will appeal to investors with a focus on income and PEG. The principal objective of this article is to examine the fundamental characteristics of these three stocks in order to provide recommendations to investors with varying investment objectives.

Keywords: Risk; Profitability; Assets selection.

1. Introduction

Investing in different assets is one way to achieve financial success, and choosing the assets that an investor needs to suit his or her needs can lead to expected returns and manageable risks. Warren Buffet said 'investing is buying future financial freedom' [1]. Ray Dario mentions in his book, "Principal", that "The right asset allocation can help investors achieve their financial goals and mitigate risks" [2]. In this context, investment decisions are of particular consequence.

In light of the aforementioned analysis, this paper puts forth a recommendation of three companies: Enphase Energy (ENPH), Nextera Energy (NEE), and Lockheed Martin (LMT). Of the three companies under consideration, ENPH and NEE are engaged in the development and management of clean energy, while LMT is a military company with a strong relationship with the U.S. Department of Defense and a focus on advanced military equipment research. In addition to these considerations, this study provides financial indicator analysis for the three companies, offering insights for investors across a range of investment profiles.

2. Basic Information

Lockheed Martin (LMT) is an American global aerospace, defense, security and advanced technology company. It is one of the largest defense contractors in the world. The company is engaged in the research, design, development, manufacture, integration and maintenance of advanced technology systems, products and services. Lockheed Martin's areas of focus include aeronautics, missile and fire control, rotary and mission systems, and space. With a history dating back to the early 20th century, Lockheed Martin has been a key player in the defense and aerospace industries, providing innovative solutions to military, government and commercial customers worldwide.

Enphase Energy (ENPH) is a global leader in the field of energy technology, specializing in the design and manufacture of advanced solar energy solutions. The company is renowned for its innovative microinverter technology, which optimizes energy production and simplifies the installation of solar energy systems. Enphase Energy's solutions are suitable for a range of applications, including residential, commercial and utility-scale solar installations. They enable customers to generate clean, renewable energy and reduce their carbon footprint. With a focus on sustainability and cutting-edge technology, Enphase Energy is at the vanguard of the solar industry, facilitating the global adoption of solar energy.

NextEra Energy (NEE) is a prominent clean energy enterprise headquartered in the United States. It is the foremost clean energy provider and new product development company in the United States. The company is distinguished by its emphasis on renewable energy and operates through subsidiaries such as Florida Power & Light Company and NextEra Energy Resources. It is a principal supplier of wind, solar and nuclear power generation, and NextEra Energy is a driving force in the advancement of clean energy solutions through its dedication to sustainability and the reduction of carbon emissions.

3. Fundamental Analysis

3.1. Risk Analysis

The analysis will start with the company's risk level in terms of Beta, Market Cap and Debt Ratio. Figure of Beta shows the level of fluctuation compare to the hole market. Which means when Beta is higher than 1 show the fluctuation is higher than market average. Meanwhile, Beta lower than 1 means the fluctuation is lower than market average [3]. In addition, Market cap shows the size risk of each firm. If market cap higher than 50B\$ which means the large company. When market cap lower than 50B\$ shows the small firms [4]. Furthermore, Debt ratio shows the ratio of liabilities to total assets. If the debt ratio is over than 50% which shows high debt ratio. On the other hand, if debt ratio lower than 50% shows the healthy debt ratio [5]. The risk reference data for the three companies in this study are shown in Table 1.

Table 1. The Data of Risk Ratio.

Name	LMT	ENPH	NEE
Market Cap	113.8B	15.8B	147.8B
Beta	0.46	1.71	0.51
Debt Ratio	86.97%	71.88%	72.94%

LMT's market cap is 113,8B\$ which means the large company. This is attributed to LMT's status as a U.S. military monopoly and strong business capabilities. In this case, LMT is more stable and attract the investors. In addition, the high market cap ensures the stability of the company's response to emergencies. LMT's beta is 0.46 which means when market average stock price improves 100%, LMT's stock price average increase 46%. It means that LMT's share price is more stable and suitable for investors to hold for a long period of time, while also avoiding losses to a certain extent. LMT's debt ratio is 86.97%, which is typically within a high range. However, due to LMT's status as a U.S. monopoly military enterprise with a close relationship with the U.S. Department of Defense, LMT has a stable cash flow. Consequently, despite the high debt ratio, LMT's stability remains unaffected.

ENPH's Market only have 15.8B which means is a small company. This is because ENPH only focus on USA market and solar technology which means the product and market is limit. So ENPH may face size risk and negative effect to investors. ENPH's Beta is 1.71. which means when market average stock price increase 100%, the average stock price of ENPH rises 171% but also means when market average stock price decrease 100%, the ENPH's average market price will decline 171%

which means investors need take such risks and only short-run buying. ENPH's debt ratio is 71.88%, which is a notably high figure. This indicates that 71.88% of ENPH's assets are liabilities.

NEE's Market cap is 147.8B which is a large company. In this case, the NEE has no size risk. NEE's Beta is 0.51, which means when market average stock price rise 100%, the average stock price of NEE will rises 51%. In this case NEE given its suitability for long-term investment, NEE is an appropriate choice for those looking to hold shares over the long term, as share price fluctuations are less volatile. NEE's debt ratio is 72.94%. This indicates that 72.94 per cent of NEE's assets are liabilities.

3.2. Profitability Analysis

The following section presents an analysis of the company's profitability in terms of its Total Assets Turnover (T/O), Return on Assets (ROA), Return on Equity (ROE) and Profit Margin. The Total Assets T/O ratio indicates the efficiency of the company in converting its assets into revenue [6]. The ROA ratio indicates the profitability of the company per unit generated. The ROE ratio indicates the profitability of shareholders' equity. Finally, the Profit Margin ratio indicates the percentage of profit realized by the company per unit of sales. However, the Profit Margin ratio is of lesser importance than the ROA and ROE ratios [7]. The profitability reference figures for the three companies in this study are shown in Table 2.

Table 2. The Data of Profitability Ratio.

Name	LMT	ENPH	NEE
Total Assets T/O	1.28	0.71	0.51
Profit Margin	9.73%	15%	28%
ROA	3.89%	-0.88%	1.39%
ROE	22.91%	-1.69%	4.72%

LMT's total assets turnover is 1.28, a value greater than 1 indicating the company's favorable conversion efficiency, whereby assets are converted into revenue at a rapid rate. This is primarily due to the inelasticity of the majority of LMT's products, which ensures the reliability of its offerings. LMT's profit margin is 9.73%, is the lowest value of these three companies. LMT's ROA and ROE are the highest of the three stocks, with an ROA figure of 3.89%, which reflects LMT's satisfactory asset profitability. Furthermore, an ROE of 22.91% demonstrates LMT's robust shareholders' equity profitability.

The Total Assets Turnover ratio for ENPH is 0.71, a value less than 1. This indicates that the conversion of ENPH assets into income is not occurring at an optimal rate, which in turn constrains the company's profitability to a certain extent. ENPH's profit margin is 15% which is the second of these three stocks. ENPH's ROA and ROE are the least optimistic of the three stocks, as ENPH has negative ROE and ROA values. This indicates that, rather than generating income for shareholders and the company, ENPH has incurred losses in the recent past. This is an extremely unfavorable situation, but it should be noted that these figures only reflect the last three months and do not represent the company's long-term profitability.

NEE's total assets turnover is 0.51 which shows a bad performance of efficient to turn assets to profit. NEE's figure is the lowest, which shows that NEE's profitability is not as good as that of the other two companies. NEE's Profit Margin is 28%, which is the highest of the three, implying that NEE has been fairly profitable in the recent past. The ROA and ROE of NEE are 1.39% and 4.72%, respectively, which are both lower than the industry average. This indicates that NEE has recently experienced low earnings through assets and returns to shareholders. However, when compared to ENPH, which has negative values, NEE's ROA and ROE are ranked second.

3.3. Market Ratio

Market ratios are various ratios used to assess the performance and market value of a company. This study employs a range of financial ratios, including PE, PB, dividend yield, PEG, index, valuation, momentum (200-day), insider buying, stock buyback, and smart money, to reflect the market ratio. The price/earnings ratio (P/E) is the ratio used to measure the value of a company. The price/book value ratio (P/B) is the book value [8]. Dividend Yield (D/E) is a ratio that measures the annual return an investor can expect to earn from investing in a stock in relation to the stock's current market capitalization [9]. Price-earnings ratio (PEG) is a financial ratio used to evaluate the relationship between a company's price-earnings ratio (P/E) and expected earnings growth [10]. Momentum is a trading strategy used when a stock moves up or down significantly. There is also the S&P 500 index used to measure the positioning and reliability of stocks in the U.S. stock market [11]. Insider buying, stock buy backs and smart money are also referenced to help investors find buy signals. The three companies' market ratio are shown in Table 3.

Table 3. The data of market ratio.

Name	LMT	ENPH	NEE
PE	16.82%	40.98%	19.74%
PB	17.14%	16.38%	3.04%
Dividend Yield	3.15%	0%	2.73%
PEG	0.8	2.48	0.22
Index	S&P 500	S&P 500	N/A
Valuation	N/A	N/A	N/A
Momentum200-day	+14.14%	+57.8%	+5.59%
Insider Buying	YES (6 month)	YES (6 month)	YES (6 month)
Stock Buy Back	NO (0.0059%)	NO (3.09%)	NO (0%)
Smart Money	YES	NO	NO

All of these 3 companies are growth stocks because of the high PE and PB ratio. Also, the dividend yield for LMT and NEE is high, which shows a high dividend return also means a high income feedback for investors. The PEG ratio of LMT and NEE is lower than 1, which means the stock is undervalued. On the other hand, the PEG ratio of ENPH is too high which means overvalued. For the index, the LMT and NEE are a member of S&P 500. The momentum 200-day of these 3 companies are positive which shows a good growth performance recently. In addition, all of these 3 stocks face an insider buying during near 6 month so that will lead stock price increases which means a good buying signal for investors but also none of them have stock buybacks over 5% in these 6 month although ENPH's stock buy back are 3.09% which is highest among these three stocks. For the smart money, LMT have smart money from Bank of American corporation, which will attract investors to buy.

4. Results of Asset Selection

The market comprises a multitude of investors, each with their own perspectives and data sets that inform their stock selection strategies. In general, the most common types of investors in the market can be classified as value investors, income investors, index investors, momentum investors and PEG investors. For those investing in accordance with a value-based strategy, a price-to-earnings ratio of less than 10 and a price-to-book ratio of less than 1 represents an undervalued stock. Income investors consider dividend yield to be the underlying return of investing in a stock, which will improve the overall return. For index investors, the S&P 500 is the only reference standard, and stocks outside of this index will provide index investors with confidence to invest. Momentum investors focus on the trend of stocks and markets. They will compare the 200-day momentum change with the current stock price to judge the time to buy. The investment strategies of several types of investors regarding the three companies are shown in the Table 4.

Table 4. Three companies' investment selection results.

Name	LMT	ENPH	NEE
Value investors	NO	NO	NO
Income Investors	BUY	NO	BUY
Index Investors	BUY	BUY	NO
Momentum Investors	NO	YES	NO
PEG Investors	BUY	NO	STRONG BUY

LMT's PE and PB ratio is too high so value investors will not invest LMT. LMT's dividend yield is 0.315\$ which is a good number for income investors to buy. For the index investors, LMT is a member of S&P 500, so it will attract index investors to buy. LMT's PEG ratio is 0.8 which is lower than 1 which means the stock is undervalued. In this case the PEG investors will invest LMT. Furthermore, according to the figure in near 6 month, there are insider buying and smart money, so that is a buying signal for investors.

ENPH's PE and PB are 40.98% and 16.38% which shows the value is too high to invest for value investors. Also, the dividend yield is 0\$ so income investors will not buy the ENPH. According to the figure, ENPH is a member of S&P 500, so it will attract index investors. Furthermore, the momentum 200-day shows the ENPH has a strong moving ability so it will attract momentum investors. Also, ENPH's PEG ratio is too high that will not lead PEG investors to buy.

NEE's PE and PB ratio are higher than 10 and 1, which means the NEE is unlikely to attract value investors. Conversely, NEE's dividend yield of 0.273% indicates that the stock will appeal to income investors. However, NEE is not included in the S&P 500, which limits its appeal to index investors. For PEG investors, the PEG ratio is a primary consideration. NEE's PEG ratio of 0.22 suggests that the stock is undervalued, which is likely to attract PEG investors.

5. Conclusion

This paper presents an analysis of the financial data of three prominent companies listed on the US stock market. The three companies under consideration are NextEra Energy (NEE), Enphase Energy (ENPH), and Lockheed Martin (LMT). The paper commences with a fundamental analysis, encompassing the company's risk profile, profitability, and market data. Furthermore, the paper examines market data from the perspective of various types of investors, including those with a value, income, index, momentum, and PEG (price-to-earnings growth) investment strategy. Following an investigation into the financial performance of the aforementioned companies, it can be concluded that the Lockheed Martin Corporation (LMT) will attract investors seeking income, index and price-to-earnings growth (PEG) opportunities. Similarly, Enphase Energy (ENPH) will appeal to investors interested in index and momentum strategies. Finally, NextEra Energy (NEE) will attract investors who are focused on income and price-to-earnings growth (PEG).

In light of the temporality of the data and the inherent unpredictability of future events, there is a clear necessity for more contemporary research, a commitment to monitoring the latest financial data of the company, and the formulation of corresponding investment recommendations for a broader investor base with evolving perspectives. Research can equip investors with more informed recommendations based on a more comprehensive fundamental research and modeling approach.

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