

## 10 companies profiting the most from war

These companies have benefited tremendously from the growth in military spending in the U.S., which by far has the largest military budget in the world. In 2000, the U.S. defense budget was approximately \$312 billion. By 2011, the figure had grown to \$712 billion. Arm sales grew alongside general defense spending growth. SIPRI noted that between 2002 and 2011, arms sales among the top 100 companies grew by 51%.

The business of war is profitable. In 2011, the 100 largest contractors sold \$410 billion in arms and military services. Just 10 of those companies sold over \$208 billion. Based on a list of the top 100 arms-producing and military services companies in 2011 compiled by the Stockholm International Peace Research Institute (SIPRI), 24/7 Wall St. reviewed the 10 companies with the most military sales worldwide.

Based on the SIPRI report, 24/7 Wall St. reviewed the 10 biggest weapons companies. Arms were defined as sales to military customers, either for procurement or for export, but do not include sales of general purpose items, such as oil or computer equipment. We looked at sales figures for two years through 2011, among other metrics. Here are the 10 companies that profit the most from war:

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### 10. United Technologies (UTX) -- aircraft, electronics, engines

Arm sales: \$11.6 billion, total sales: \$58.2 billion

Gross profit: \$5.3 billion, total workforce: 199,900

United Technologies makes a wide range of arms — notably military helicopters, including the Black Hawk helicopter for the U.S. Army and the Seahawk helicopter for the U.S. Navy. The company was the biggest employer in the top 10 though arms sales accounted for just 20% of revenue. UTX also produces elevators, escalators, air-conditioners and refrigerators. International sales comprised 60% of the company's revenue in 2012.

### 9. L-3 Communications (LLL) -- electronics

Arm sales: \$12.5 billion, total sales: \$15.2 billion

Gross profit: \$956 million, total workforce: 61,000

Some 83% of L-3 Communications sales in 2011 came from arms sales, but this was down from what it sold the prior year. The company has four business segments: electronic systems; aircraft modernization and maintenance; national security solutions; and command, control, communications, intelligence, surveillance and reconnaissance. Among many products manufactured, the company has become a major provider of unmanned aircraft systems.

### 8. Finmeccanica -- aircraft, artillery, engines, electronics, vehicles and missiles

Arms sales, \$14.6 billion, total sales: \$24.1 billion

Gross profit: \$ -3.2 billion, total workforce: 70,470

Italian company Finmeccanica makes a wide range of arms, including helicopters and security electronics. Nearly 60% of the company's sales in 2011 were in arms. Finmeccanica lost \$3.2 billion in 2011. The Italian company is currently fending off allegation that it paid bribes to win an approximately

\$750 million contract to provide 12 military helicopters to the Indian government in 2010. The then-head of the company, Giuseppe Orsi, was arrested in February but has denied wrongdoing. Other executives, including the head of the company's helicopter unit, have been replaced, and the company has delayed the release of recent financial results.

**7. EADS** -- aircraft, electronics, missiles and space

**Arm sales: \$16.4 billion**, total sales:\$68.3 billion

Gross profit: \$1.4 billion, total workforce: 133,120

The European Aeronautic Defense and Space Company (EADS), based in the Netherlands, had sales in 2011 roughly in line with the prior year. Arms sales comprised just 24% of the company's revenue. EADS and BAE Systems unsuccessfully attempted to merge for \$45 billion in 2012, which would have created the world's largest aerospace company. The deal collapsed in October after German Chancellor Angela Merkel expressed concerns about the merger.

**6. Northrop Grumman (NOC)** -- aircraft, electronics, missiles, ships, space

**Arm sales: \$21.4 billion**, total sales: \$26.4 billion

Gross profit: \$2.1 billion, total workforce: 72,500

Northrop Grumman's 2011 arms sales comprised about 81% of total sales even after a sharp decline in arms sales year over year. The company attributed the decline to reduced government spending on defense projects. Nevertheless, the company was more profitable than in the prior year.

**5. Raytheon (RTN)** -- electronics, missiles

**Arm sales: \$22.5 billion**, total sales:\$24.9 billion

Gross profit: \$1.9 billion, total workforce:71,000

Raytheon, based in Waltham, Mass., is one of the largest defense contractors in the U.S. The company makes the Tomahawk Cruise Missile, among others. Arms sales comprised about 90% of the company's sales in 2011 though they as a total they were lower than in the prior year. The slide hasn't let up. Total sales in 2012 fell 1.5%, and Raytheon is expecting sales to fall 3% in 2013, a projection which doesn't take into account the effects of mandated budget cuts. The company can rely on overseas customers to somewhat offset weak sales at home. As of January, approximately 40% of the company's backlog was booked overseas. The company expects approximately a 5% increase in international sales in 2013.

**4. General Dynamics (GD)** -- artillery, electronics, vehicles, small arms, ships

**Arm sales: \$23.8 billion**, total sales:\$32.7 billion

Gross profit: \$2.5 billion, total workforce:95,100

With 18,000 transactions in 2011, General Dynamics was the third-largest contractor to the U.S. government. Of those contracts, approximately \$12.9 billion worth went to the Navy, while an additional \$4.6 billion went to the Army. The company's arms sales in 2011 comprised 73% of total sales. Arms sales in 2011 were slightly below 2010 levels. The company makes a host of products, including electric boats, tracked and wheeled military vehicles, and battle tanks. The company announced layoffs in early March, blaming mandated federal budget cuts.

**3. BAE Systems** -- aircraft, artillery, electronics, vehicles, missiles, ships

**Arm sales: \$29.2 billion**, total sales:\$30.7 billion

Gross profit: \$2.3 billion, total workforce: 93,500

**BAE Systems was the largest non-U.S. company based on arms sales.** Arms sales represented 95% of the company's total sales in 2011 even though they were lower as a total of overall sales compared to the

prior year. The products BAE sells include the L-ROD Bar Armor System that shields defense vehicles and the Hawk Advanced Jet Trainer that provides sophisticated simulation training for military pilots. In 2013, the company said its growth would likely come from outside the U.S. and Great Britain — its home market. BAE noted that its outlook for those two countries was "constrained," likely due to the diminished presence in international conflicts and government budget cuts.

**2. Boeing (BA)** -- aircraft, electronics, missiles, space

**Arm sales: \$31.8 billion**, total sales: \$68.7 billion

Gross profit: \$4 billion, total workforce: 171,700

Boeing was the second-largest U.S. government contractor in 2011, with about \$21.5 billion worth of goods contracted. The Chicago-based company makes a wide range of arms, including strategic missile systems, laser and electro-optical systems and global positioning systems. Despite all these technologies, just 46% of the company's total sales of \$68.7 billion in 2011 came from arms. Boeing is the largest commercial airplane manufacturer in the world, making planes such as the 747, 757 and recently, the 787 Dreamliner. The company is also known for its space technology — Boeing had \$1 billion worth of contracts with NASA in 2011.

**1. Lockheed Martin (LMT)** -- aircraft, electronics, missiles, space

**Arm sales: \$36.3 billion**, total sales: \$46.5 billion

Gross profit: \$2.7 billion, total workforce: 123,000

Lockheed Martin notched \$36.3 billion in sales in 2011, slightly higher than the \$35.7 billion the company sold in 2010. The arms sales comprised 78% of the company's total 2011 sales. Lockheed makes a wide range of products, including aircraft, missiles, unmanned systems and radar systems. The company and its employees have been concerned about the effects of the "fiscal cliff" and sequestration, the latter of which includes significant cuts to the U.S. Department of Defense. In the fall of 2012, the company planned on issuing layoff notices to all employees before backing down at the White House's request.

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