

US sues to block Lockheed Martin-Aerojet deal

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The Federal Trade Commission sued to block Lockheed Martin's \$4.4 billion takeover of Aerojet Rocketdyne.

US authorities announced Tuesday they are suing to block Lockheed Martin's \$4.4 billion takeover of Aerojet Rocketdyne, asserting the proposed deal would lead to higher costs on defense systems.

Noting that Aerojet is "the last independent US supplier of missile propulsion systems," the Federal Trade Commission (FTC) said it would file a complaint in US District Court to kill the transaction.

The move comes as President Joe Biden's administration and its FTC Chair Lina Khan have signaled a rigorous enforcement push against "illegal mergers."

"Lockheed is one of a few missile middlemen the US military relies on to supply vital weapons that keep our country safe," said FTC Bureau of Competition Director Holly Vedova in a statement.

"If consummated, this deal would give Lockheed the ability to cut off other defense contractors from the critical components they need to build competing missiles.

"Without competitive pressure, Lockheed can jack up the price the US government has to pay, while delivering lower quality and less innovation. We cannot afford to allow further concentration in markets critical to our national security and defense."

In announcing the deal in December 2020, Lockheed Martin cited Aerojet Rocketdyne's "deep customer relationships" and superior propulsion technology, which it said would allow the company "to reduce costs for our customers and the American taxpayer."

On Tuesday, Lockheed warned of the possible FTC lawsuit as it released quarterly results.

Lockheed said it "could elect to defend the lawsuit or terminate the merger agreement," adding that it "continues to believe in the benefits of the transaction for the United States, and its allies, the industry and all of the company's shareholders."

Aerojet released a similar statement.

Later a Lockheed spokesperson said the company is "reviewing the FTC's complaint and will respond in due course."

Shares of Aerojet fell 18.5 percent to \$36.65 in late-morning trading, while Lockheed Martin gained 1.8 percent to \$39.93.

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