



Lockheed Martin has secured a satellite launch contract from a European communications company that will pay them €3.9M per year for the next 8 years. To land that contract, they invested €13M in a satellite tracking system. Of that amount, €8M was paid up front and the remaining €5M was spent during the first year of operation. The annual operating costs for the satellite tracking system are estimated at €0.9M per year (which includes the cost of personnel, electricity, maintenance, etc.). At the end of the contract, it is estimated that the equipment will have a salvage value of €0.5M. What is Lockheed Martin's internal rate of return (IRR) on this project?