

Q4 2019 Earnings Presentation

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Forward-Looking Statements

Statements in this presentation, other than statements of historical fact, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those expressed in these statements. Factors that may cause such differences include: changes in government and customer priorities and requirements (including government budgetary constraints, shifts in defense spending, and changes in customer short-range and long-range plans); our ability to estimate our future contract costs and perform our contracts effectively; changes in procurement processes and government regulations and our ability to comply with such requirements; our ability to deliver our products and services at an affordable life cycle cost and compete within our markets; natural and environmental disasters and political instability; our ability to execute our strategic plan, including with respect to share repurchases, dividends, capital expenditures, and strategic acquisitions; adverse economic conditions in the United States and globally; changes in key estimates and assumptions regarding our pension and retiree health care costs; security threats, including cyber security threats, and related disruptions; and other risk factors discussed in our filings with the U.S. Securities and Exchange Commission. There may be other risks and uncertainties that we are unable to predict at this time or that we currently do not expect to have a material adverse effect on our business, and we undertake no obligation to update any forward-looking statements. You should not place undue reliance on any forward-looking statements that we may make. This presentation also contains non-GAAP financial measures and includes a GAAP reconciliation of these financial measures. Non-GAAP financial measures should not be construed as being more important than comparable GAAP measures.

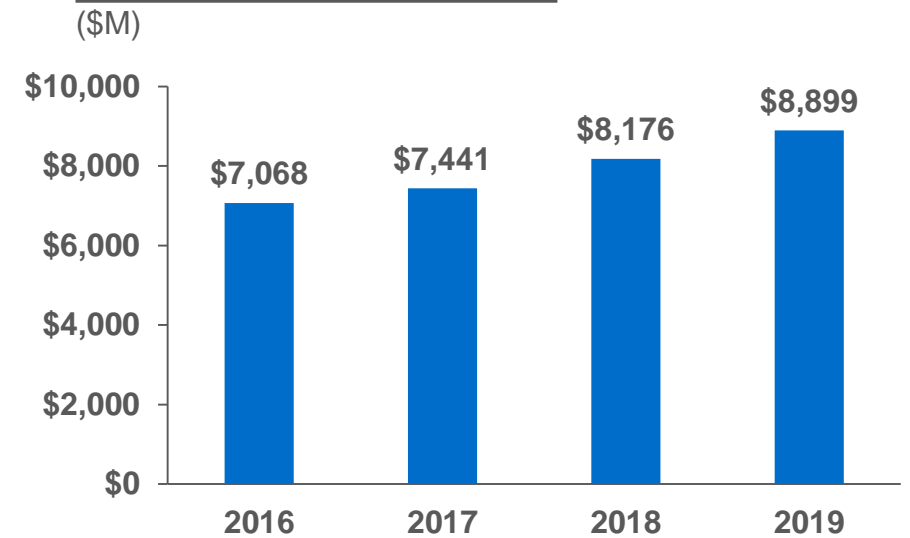


HI's Q4 & FY 2019 Highlights

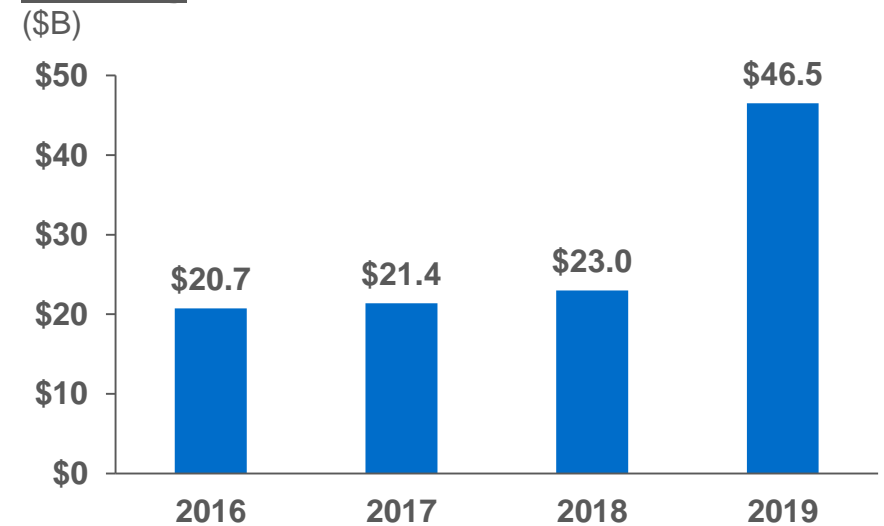
- Revenues were ~\$2.4 billion in the quarter; ~\$8.9 billion in 2019
- Diluted EPS was \$3.61 in the quarter; \$13.26 in 2019
- Adjusted diluted EPS¹ was \$4.36 in the quarter; \$14.01 in 2019
- Cash from operations was \$896 million and free cash flow¹ was \$460 million in 2019

- Newport News Shipbuilding
 - Christened and launched aircraft carrier *John F. Kennedy* (CVN 79)
 - Re-delivered USS *Gerald R. Ford* (CVN 78) after completing post shakedown availability
 - Completed the undocking of USS *George Washington* (CVN 73)
 - Delivered *Virginia*-class submarine *Delaware* (SSN 791)
 - Awarded \$15.2 billion contract for aircraft carriers CVN 80 and CVN 81
 - Awarded \$7.7 billion contract for Block V *Virginia*-class submarines
- Ingalls Shipbuilding
 - Delivered guided missile destroyer *Paul Ignatius* (DDG 117)
 - Delivered National Security Cutter *Midgett* (NSC 8)
 - Completed acceptance trials for *Tripoli* (LHA 7)
 - Awarded \$1.5 billion contract for detail design and construction of *Harrisburg* (LPD 30)
- Technical Solutions
 - Book-to-bill of 1.1x; Significant new contract wins

Consolidated Revenues



Backlog



Unprecedented backlog and strong operating momentum heading into FY20

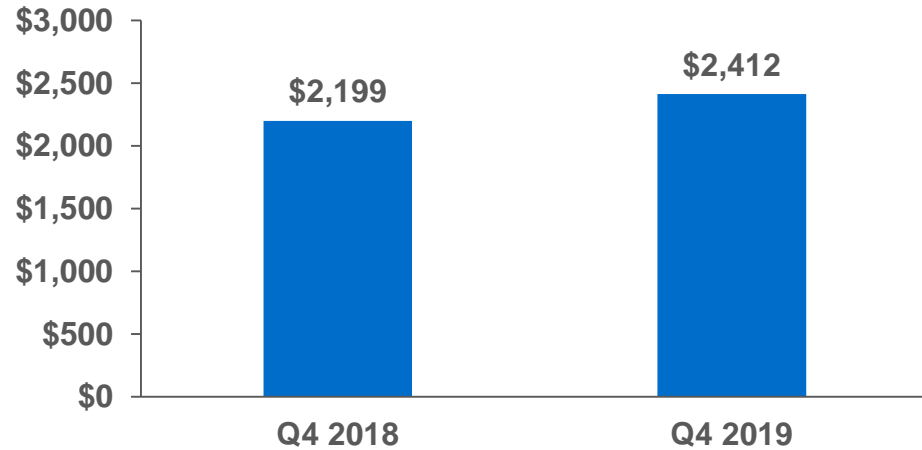


¹ Non-GAAP measure. See appendix for definition and reconciliation.

HII's Q4 2019 Consolidated Results

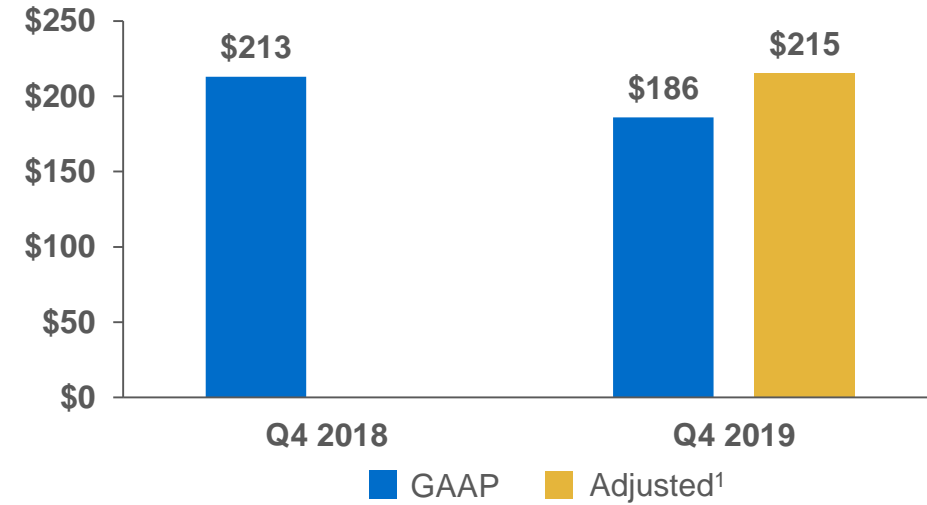
Consolidated Revenues

(\$M)

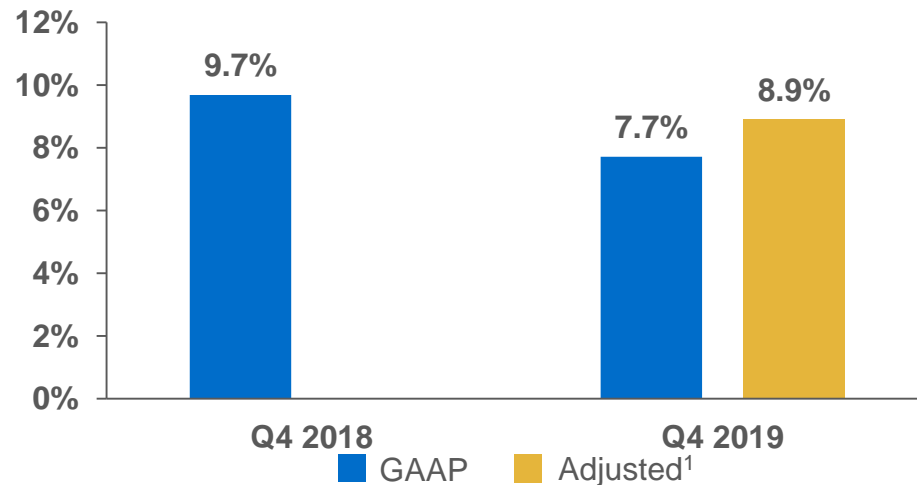


Operating Income

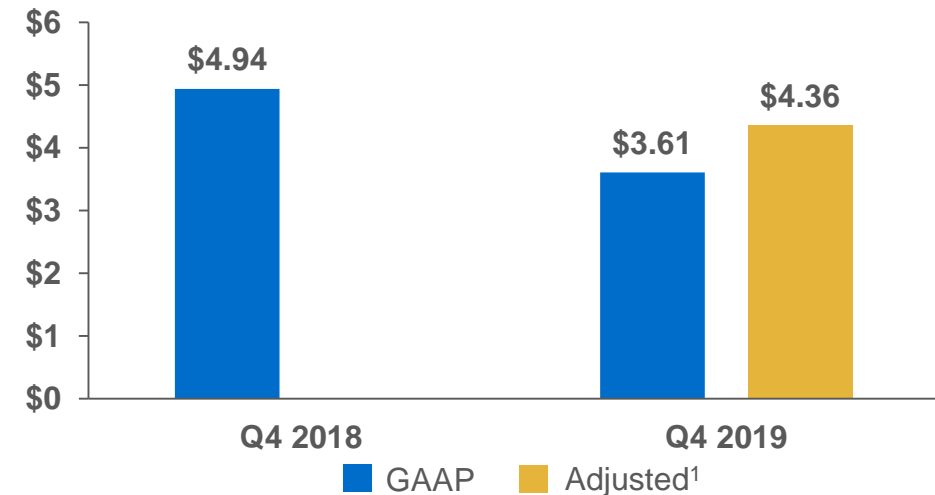
(\$M)



Operating Margin



Diluted EPS



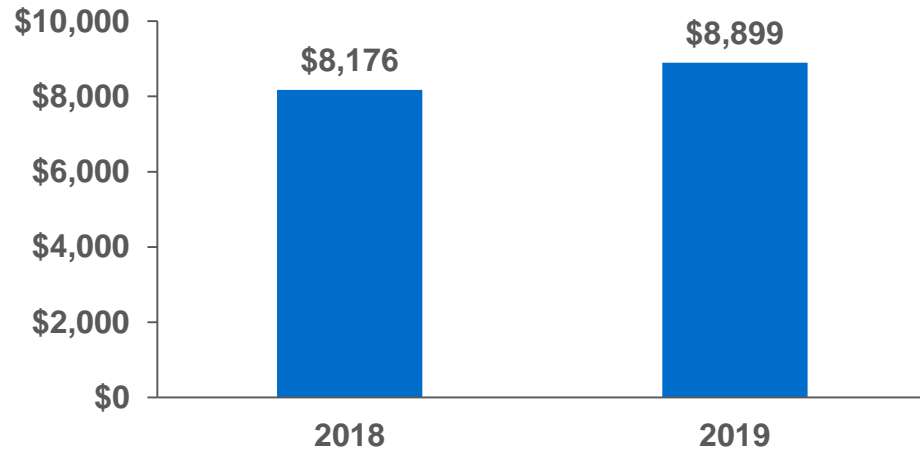
¹Non-GAAP measure. See appendix for definition and reconciliation.



HII's FY 2019 Consolidated Results

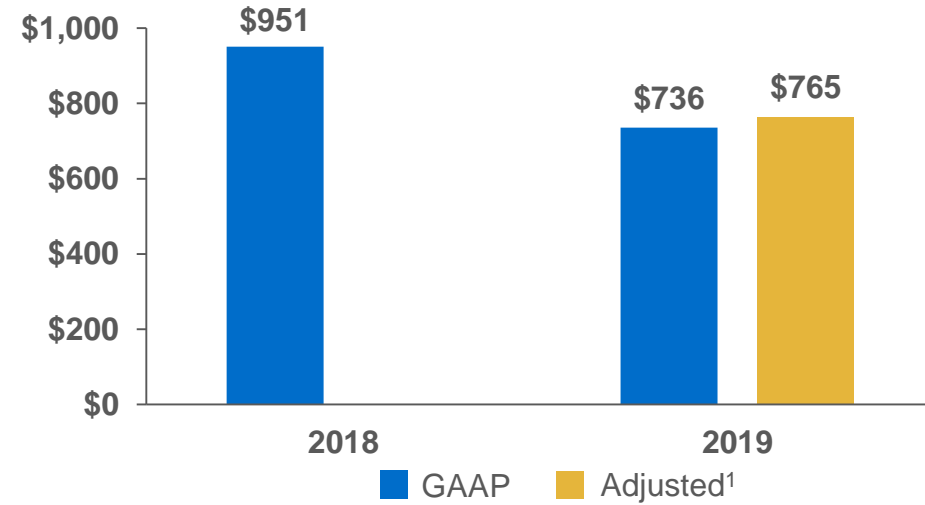
Consolidated Revenues

(\$M)

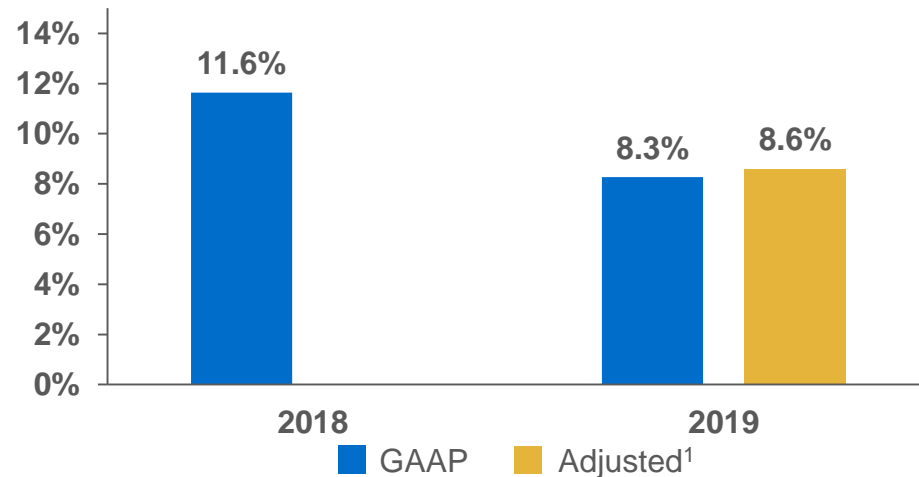


Operating Income

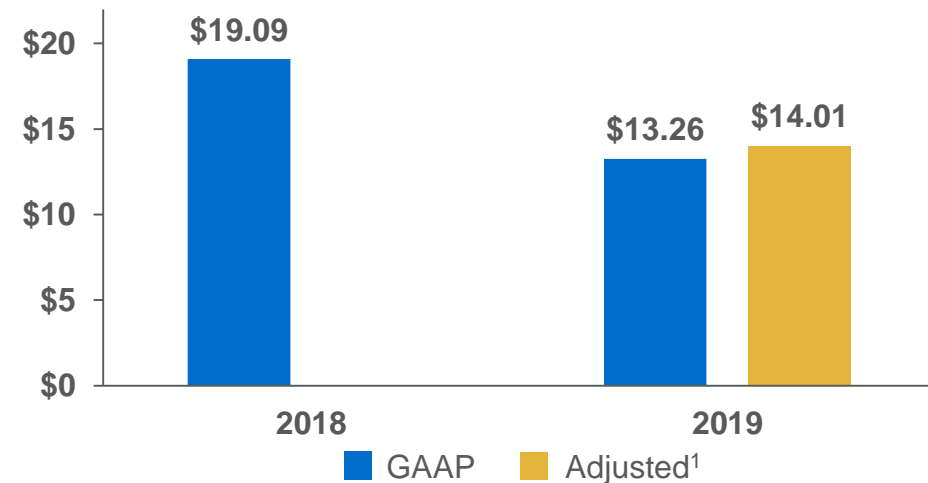
(\$M)



Operating Margin



Diluted EPS



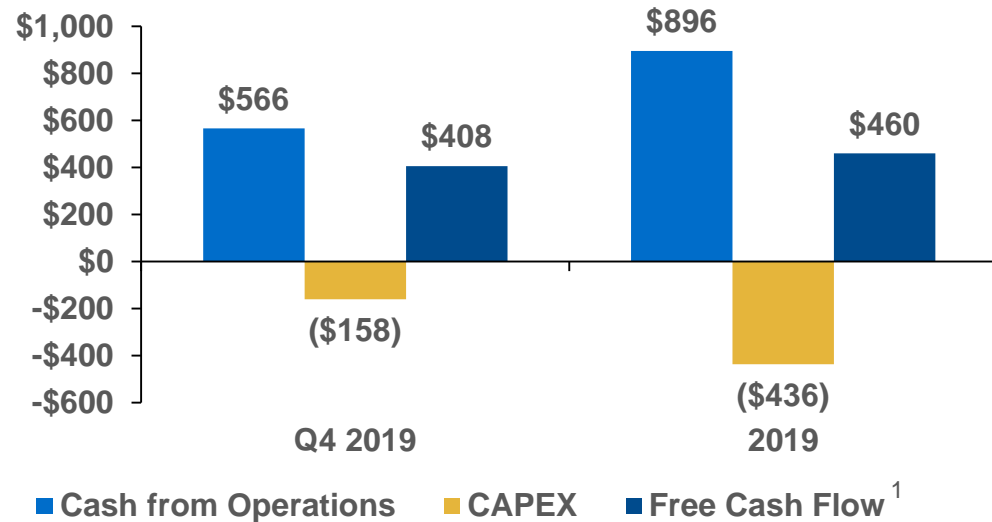
¹Non-GAAP measure. See appendix for definition and reconciliation.



HI's Q4 and 2019 Capital Deployment

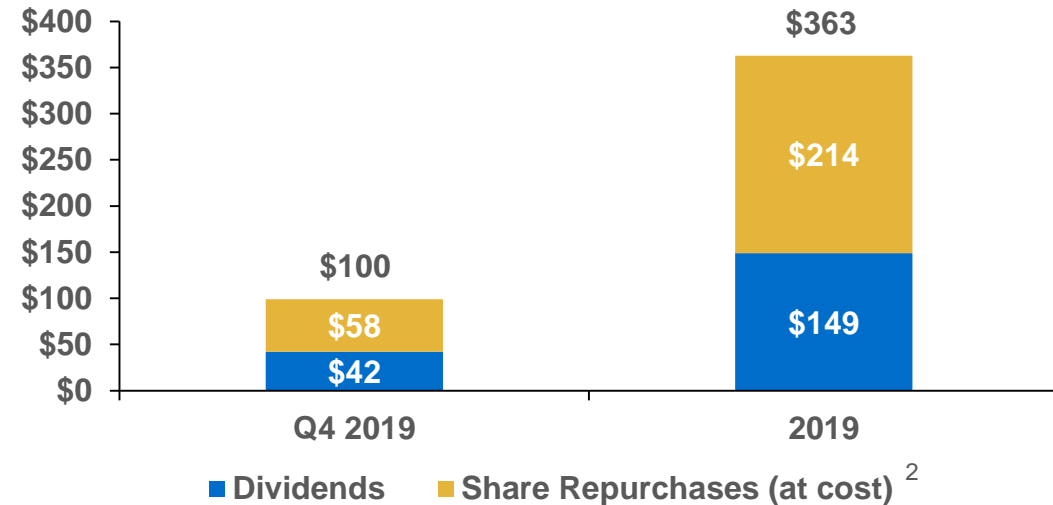
Cash Flow Generation

(\$M)



Shareholder Distributions

(\$M)



- Capital expenditures were 4.9% of revenues in 2019
- Cash contributions to pension and postretirement benefit plans were \$59 million in 2019
 - \$21 million were discretionary contributions to our qualified pension plans
- Distributed \$100 million to shareholders in the fourth quarter, \$363 million in 2019
 - Repurchased 1 million shares at a cost of \$214 million in 2019
 - Paid dividends of \$149 million in 2019

¹Non-GAAP measure. See appendix for definition and reconciliation.

²\$214 million cash paid for repurchases excludes \$48 million not yet settled for cash at the end of the prior year.



2020-2024 Pension Outlook

(\$ in millions)	2019 (Actual)	2020 ³	2021 ³	2022 ³	2023 ³	2024 ³
Pension Discount Rate	4.34%	3.39%	3.39%	3.39%	3.39%	3.39%
Expected Long-Term Return on Assets	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%
CAS Recoveries over/(under) Cash Contributions ^{1,2}	\$216	\$173	(\$40)	\$25	\$41	\$12
FAS Expense ¹	(\$139)	(\$69)	(\$61)	(\$49)	(\$21)	\$7
CAS Expense ¹	\$275	\$436	\$48	\$60	\$116	\$127
FAS/CAS Adjustment ¹	\$136	\$367	(\$13)	\$11	\$95	\$134
Operating FAS/CAS Adjustment ¹	\$124	\$247	(\$139)	(\$122)	(\$60)	(\$43)
Non-Operating Retirement (Expense)/Income ¹	\$12	\$120	\$126	\$133	\$155	\$177
Pension and Post-retirement Benefits Cash Contributions ²	\$59	\$263	\$88	\$35	\$75	\$115

¹ Includes pension & other postretirement benefits.

² 2020 projected cash contributions of \$263 million include \$213 million of discretionary pension contributions (\$205 million qualified; \$8 million non-qualified), \$33 million of post retirement benefits contributions, and \$17 million of contributions to a grantor trust. 2021 projected cash contributions of \$88 million include \$54 million of discretionary pension contributions (\$46 million qualified; \$8 million non-qualified) and \$34 million of post retirement benefits contributions.

³ Projected and subject to change.



2020 Financial Considerations¹

- 2020 Revenue
 - Shipbuilding growth of 3-5%
 - Refined Technical Solutions portfolio to generate ~\$1B in revenue
 - Excludes results from oil and gas business and San Diego Shipyard
 - Assumes the acquisition of Hydroid closes by the end of Q1 2020
- 2020 Operating Margin
 - 9% shipbuilding ROS
 - Averages ~8% for Q1-Q3 2020 with significant milestone events weighted toward Q4 2020
 - 5-7% Technical Solutions ROS
- Capital expenditures declining to ~2.5% of revenues in 2021

(\$M)	2019 (Actual)	2020 ²
Non-Current State Income Taxes	\$19 expense	NM
Effective Tax Rate	19.6%	~21%
Interest Expense	\$70	~\$72
Depreciation & Amortization	\$230	~\$240
Capital Expenditures	4.9% of Sales	4-5% of Sales

¹ Projected and subject to change.

² Figures exclude impacts related to the acquisition of Hydroid, Inc., the divestiture of our oil and gas business and the San Diego Shipyard transaction.

Upcoming Program Milestones¹

■ 2020

○ Ingalls

- Re-deliver DDG 62 (*USS Fitzgerald*)
- Deliver DDG 119 (*Delbert D. Black*)
- Deliver LHA 7 (*Tripoli*)
- Deliver NSC 9 (*Stone*)

○ Newport News

- Pier-side system testing on CVN 73 (*USS George Washington*)
- System build-out in prep for major testing on CVN 79 (*John F. Kennedy*)
- Re-deliver SSN 725 (*USS Helena*)
- Pressure hull complete SSN 796 (*New Jersey*)

■ 2021

○ Ingalls

- Launch DDG 125 (*Jack H. Lucas*)
- Lay keel of DDG 128 (*Ted Stevens*)
- Complete sea trials for LPD 28 (*Fort Lauderdale*)
- Lay keel of NSC 11 (unnamed)

○ Newport News

- Re-deliver CVN 73 (*USS George Washington*)
- Deliver SSN 794 (*Montana*)
- Float off SSN 796 (*New Jersey*)
- Ship final module of SSN 797 (*Iowa*)

¹All milestones based upon current expectations and subject to change based upon future events.
List is alphabetical by program designation.

Appendix

Non-GAAP Measures Definitions

We make reference to "adjusted operating income," "adjusted operating margin," "adjusted net earnings," "adjusted diluted earnings per share" and "free cash flow."

Adjusted operating income, adjusted operating margin, adjusted net earnings and adjusted diluted earnings per share are not measures recognized under GAAP. They should be considered supplemental to and not a substitute for financial information prepared in accordance with GAAP. We believe these measures are useful to investors because they exclude items that do not reflect our core operating performance. They may not be comparable to similarly titled measures of other companies.

Free cash flow is not a measure recognized under GAAP. Free cash flow has limitations as an analytical tool and should not be considered in isolation from, or as a substitute for, analysis of our results as reported under GAAP. We believe free cash flow is an important measure for our investors because it provides them insight into our current and period-to-period performance and our ability to generate cash from continuing operations. We also use free cash flow as a key operating metric in assessing the performance of our business and as a key performance measure in evaluating management performance and determining incentive compensation. Free cash flow may not be comparable to similarly titled measures of other companies.



Non-GAAP Measures Definitions Cont'd

Adjusted operating income is defined as operating income adjusted for the impact of the goodwill impairment in the fourth quarter of 2019.

Adjusted operating margin is defined as adjusted operating income as a percentage of sales and service revenues.

Adjusted net earnings is defined as net earnings adjusted for the impacts of the goodwill and long-lived asset impairments in the fourth quarter of 2019.

Adjusted diluted earnings per share is defined as adjusted net earnings divided by the weighted-average diluted common shares outstanding.

Free cash flow is defined as net cash provided by (used in) operating activities less capital expenditures net of related grant proceeds.



Non-GAAP Reconciliations – Adjusted Operating Income & Adjusted Operating Margin

(\$ in millions)	Three Months Ended		Year Ended	
	December 31		December 31	
	2019	2018	2019	2018
Operating income	\$ 186	\$ 213	\$ 736	\$ 951
<i>As a percentage of sales and service revenues</i>	7.7 %	9.7 %	8.3 %	11.6 %
Adjustment for impairments of goodwill	29	-	29	-
Adjusted Operating Income	\$ 215	\$ 213	\$ 765	\$ 951
<i>As a percentage of sales and service revenues</i>	8.9 %	9.7 %	8.6 %	11.6 %

Non-GAAP Reconciliations – Adjusted Net Earnings & Adjusted Diluted EPS

<i>(in millions, except per share amounts)</i>	Three Months Ended		Year Ended	
	December 31		December 31	
	2019	2018	2019	2018
Adjusted Net Earnings				
Net earnings	\$ 149	\$ 212	\$ 549	\$ 836
After-tax adjustment for goodwill and long-lived asset impairments ⁽¹⁾	31	-	31	-
Adjusted Net Earnings	\$ 180	\$ 212	\$ 580	\$ 836
Adjusted Diluted EPS				
Diluted earnings per share	\$ 3.61	\$ 4.94	\$ 13.26	\$ 19.09
After-tax adjustment for goodwill and long-lived asset impairments per share ⁽¹⁾	0.75	-	0.75	-
Adjusted Diluted EPS	\$ 4.36	\$ 4.94	\$ 14.01	\$ 19.09
(1) Goodwill and other long-lived asset impairments				
Tax effect*	4	-	4	-
After-tax effect	31	-	31	-
Weighted-Average Diluted Shares Outstanding	41.3	42.9	41.4	43.8
Per share impact**	\$ 0.75	\$ -	\$ 0.75	\$ -

*The income tax impact is calculated using the tax rate in effect for the relevant non-GAAP adjustment.

**Amounts may not recalculate exactly due to rounding.

Non-GAAP Reconciliations – Free Cash Flow

<i>(\$ in millions)</i>	Three Months Ended December 31		Year Ended December 31	
	2019	2018	2019	2018
Net cash provided by (used in) operating activities	566	648	896	914
Less capital expenditures:				
Capital expenditure additions	(181)	(170)	(530)	(463)
Grant proceeds for capital expenditures	23	28	94	61
Free cash flow	408	506	460	512



