



Q3 2017 Earnings Presentation

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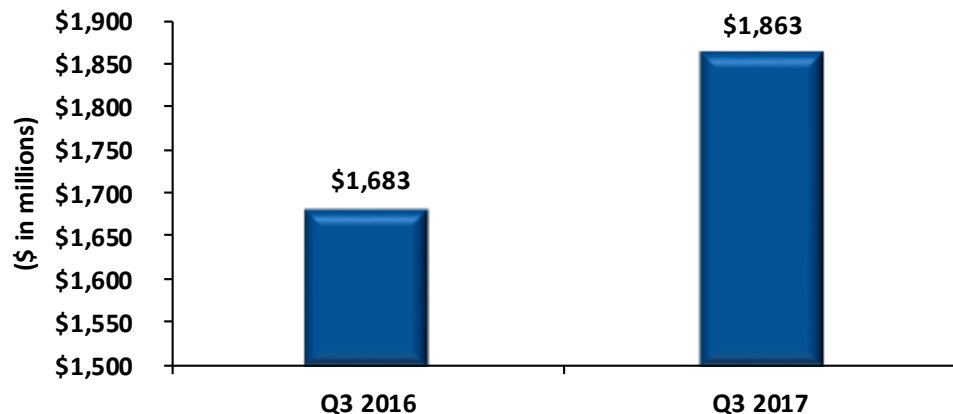


- Revenues were \$1.86 billion in the quarter
- Diluted EPS was \$3.27 in the quarter
- Total backlog at the end of the quarter was ~\$23 billion; new contract awards in the quarter totaled approximately \$3 billion
- Ingalls Shipbuilding
 - Delivered *Portland* (LPD 27) and USS *Ramage* (DDG 61)
 - Completed Acceptance Trials on *Ralph Johnson* (DDG 114), launched *Delbert D. Black* (DDG 119), and christened *Tripoli* (LHA 7)
 - Selected to perform repairs on USS *Fitzgerald* (DDG 62)
- Newport News Shipbuilding
 - Awarded refueling and complex overhaul of USS *George Washington* (CVN 73)
 - Focused on *Kennedy* (CVN 79) unit outfitting and assembly in the drydock
 - Achieved first cut of steel on *Enterprise* (CVN 80)
- Technical Solutions
 - Captured key contracts
 - Effectively working through integration process



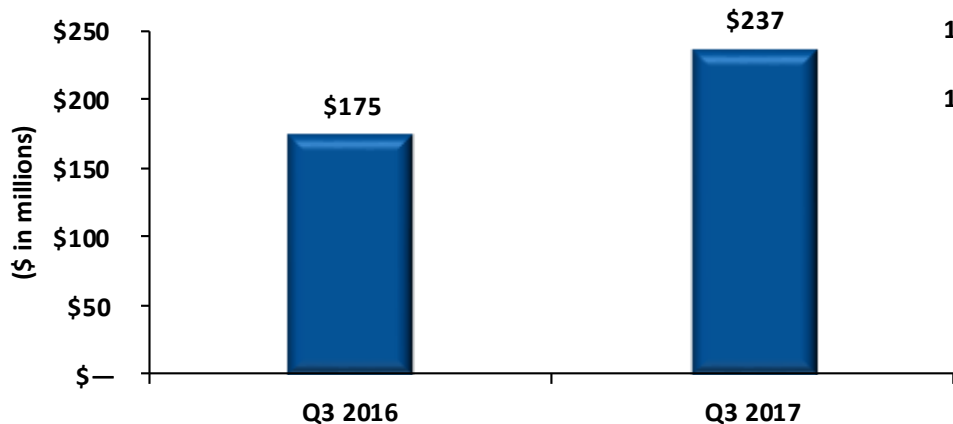
HII's Q3 2017 Consolidated Results

Revenues

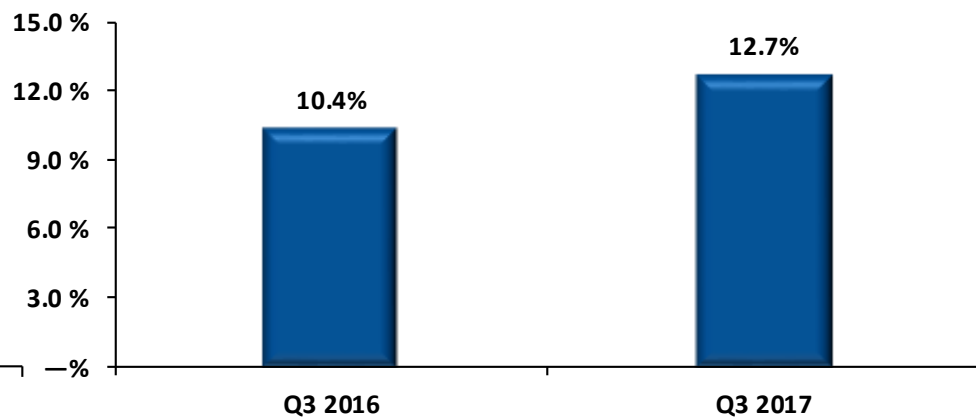


- HII's revenues up 10.7% YOY due to increased volume at Newport News and the acquisition of Camber Corp., which contributed \$74M in the quarter
- HII's operating income and operating margin up YOY due to the resolution of outstanding contract changes at Newport News, the reversal of a portion of an accounts receivable reserve at Technical Solutions, strong performance at Ingalls and a higher FAS/CAS adjustment

Operating Income

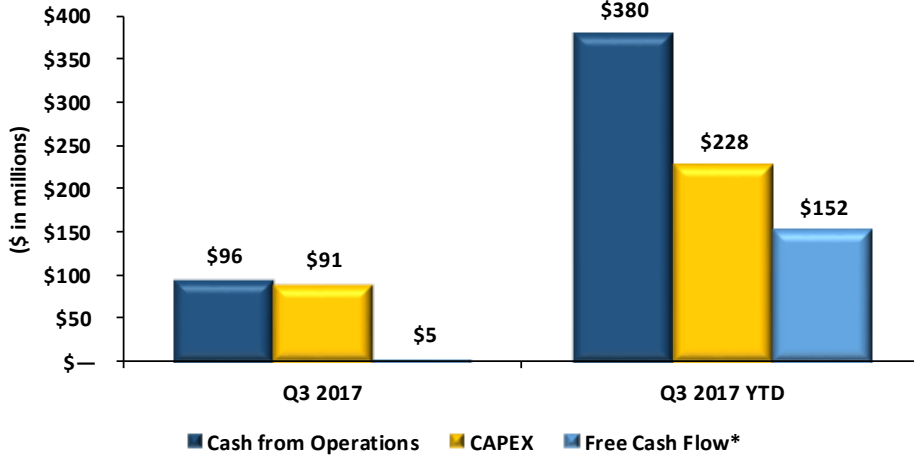


Operating Margin

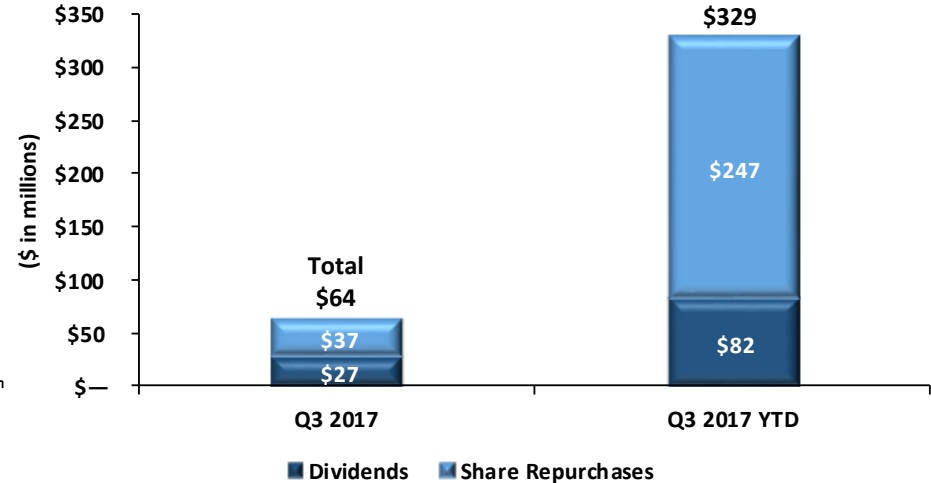


HII's Q3 and YTD 2017 Capital Deployment

Cash Flow Generation



Shareholder Distributions



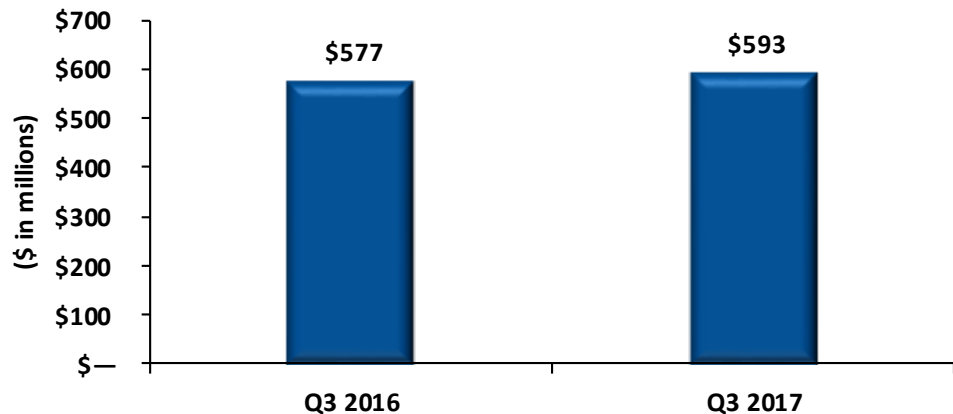
- Capital expenditures were \$91 million or 4.9% of revenues in the quarter
 - YTD capital expenditures were \$228 million or 4.2% of YTD revenues
- Contributed \$215 million to pension and postretirement benefits plans in the quarter
 - YTD, contributed \$294 million to qualified pension plans
- Distributed \$64 million to shareholders in the quarter and \$329 million YTD
 - Repurchased 178 thousand shares at a cost of \$37 million in the quarter; Bringing the balance remaining on the share repurchase program to \$269 million
 - Paid dividends of \$27 million in the third quarter
 - YTD shareholder distributions of \$329 million represent 217% of YTD free cash flow

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



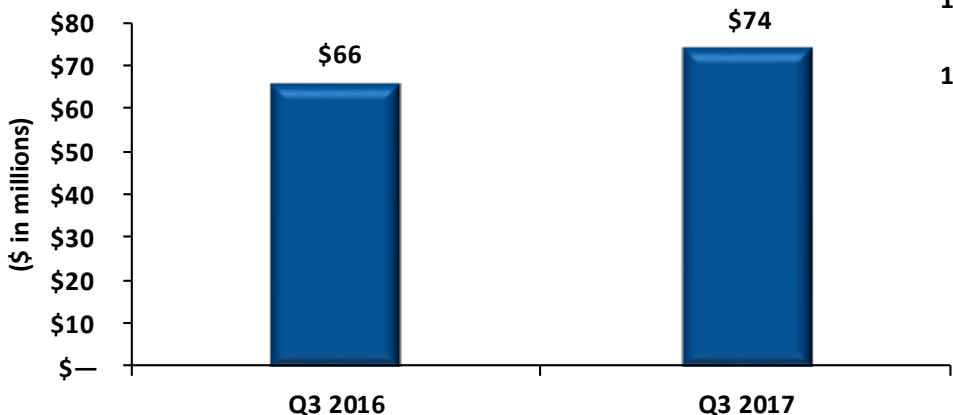
Ingalls Shipbuilding Q3 2017 Results

Revenues

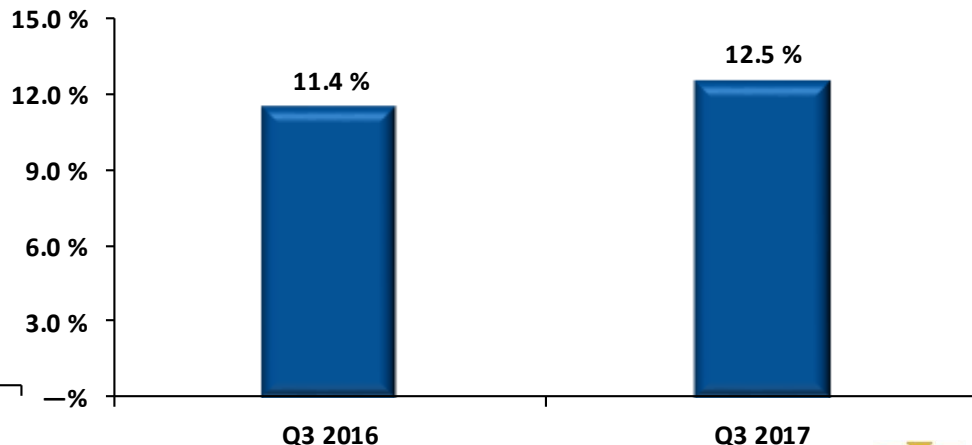


- Ingalls revenues up 2.8% YOY due to higher volumes on the LPD and LHA programs, partially offset by lower volume on the NSC program
- Ingalls segment operating income and margin up YOY due to higher risk retirement on the LPD program, partially offset by lower risk retirement on the NSC program

Segment Operating Income (Loss)*



Segment Operating Margin*

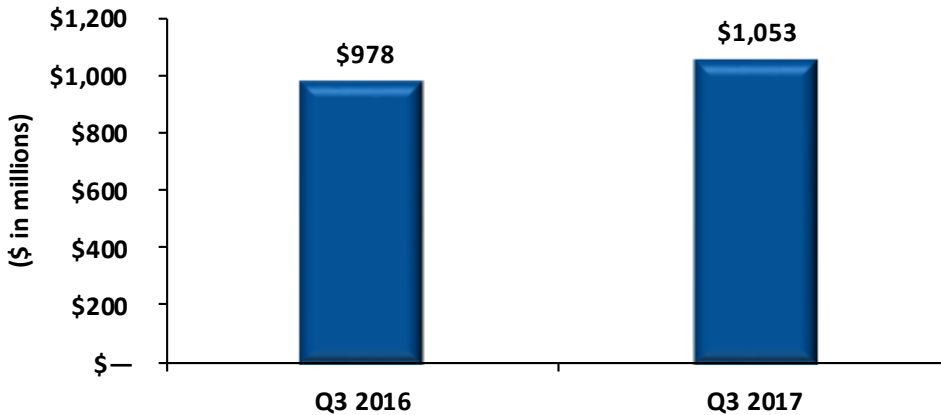


*Non-GAAP measure. See appendix for definition and reconciliation.



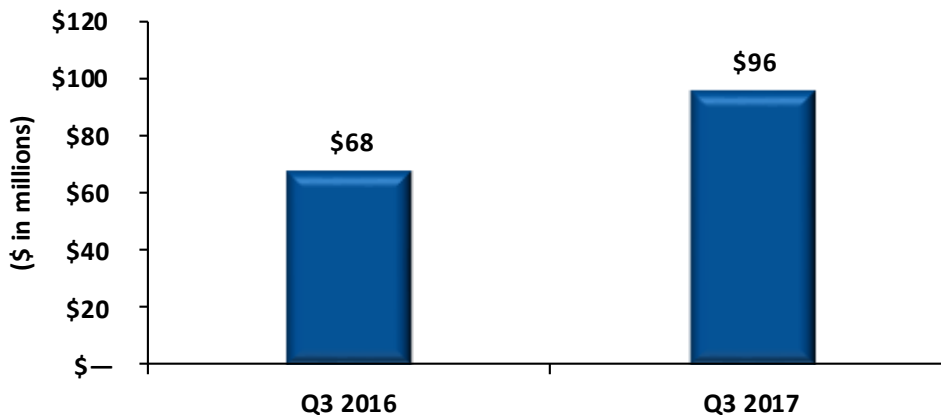
Newport News Shipbuilding Q3 2017 Results

Revenues

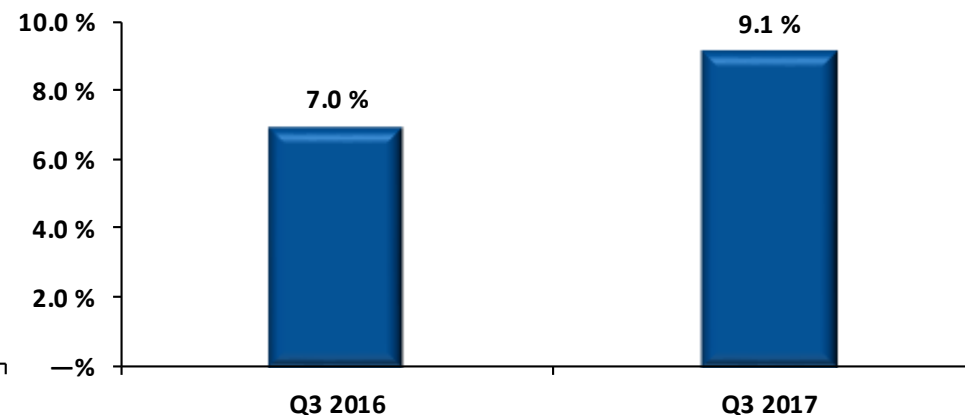


- Newport News revenues up 7.7% YOY due to higher volumes on aircraft carriers and submarines
- Newport News segment operating income and margin up YOY primarily due to the resolution of outstanding contract changes on CVN 65 and CVN 72

Segment Operating Income (Loss)*



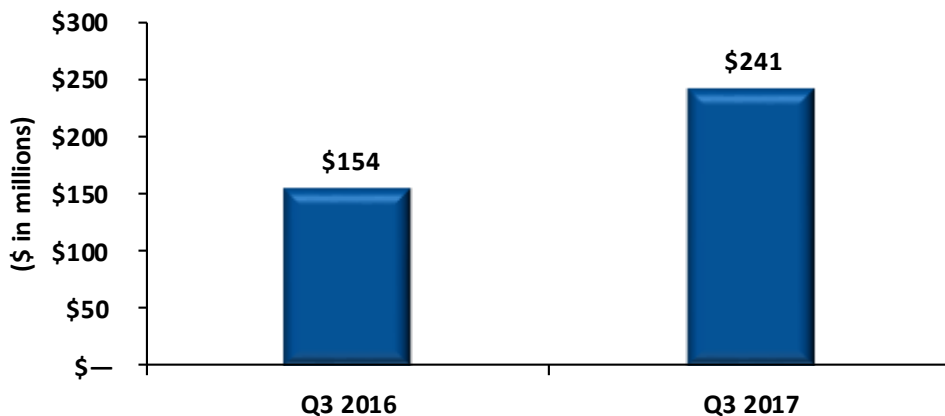
Segment Operating Margin*



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

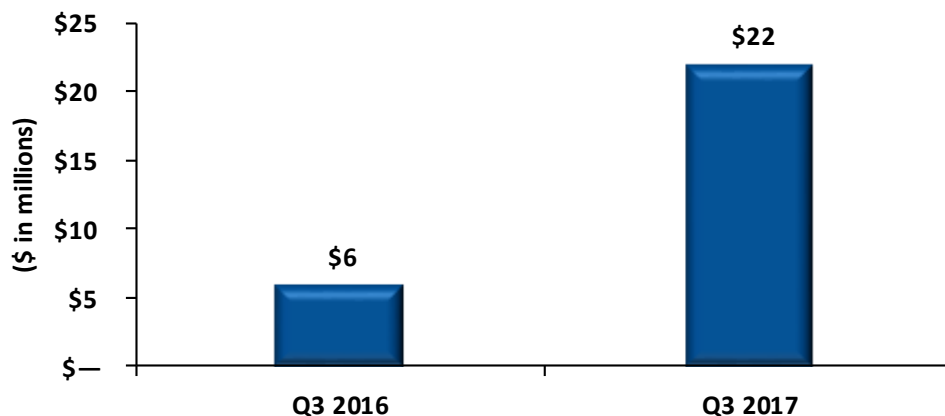


Revenues

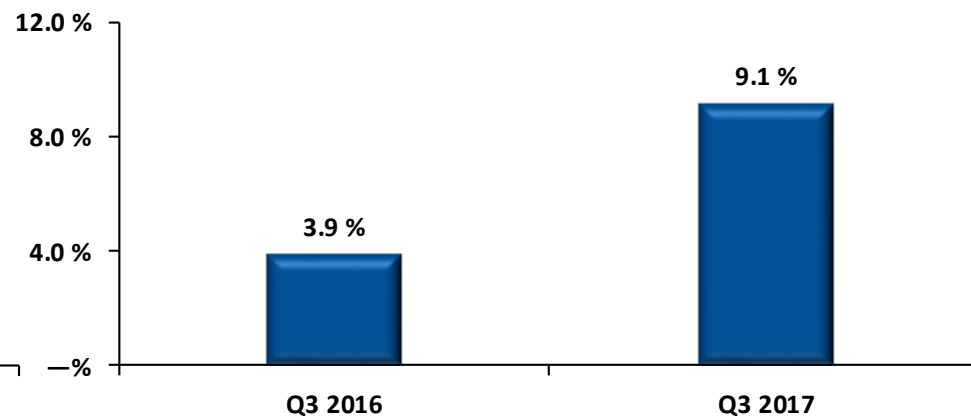


- Technical Solutions revenues up 56.5% YOY due to the 4Q16 acquisition of Camber Corporation
- Technical Solutions segment operating income and margin up YOY primarily due to the reversal of a portion of an allowance for accounts receivable

Segment Operating Income (Loss)*



Segment Operating Margin*



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



Appendix



Non-GAAP Measures Definitions

We make reference to “segment operating income (loss),” “segment operating margin,” “adjusted net earnings (loss),” “adjusted diluted earnings per share,” and “free cash flow.”

We internally manage our operations by reference to “segment operating income (loss)” and “segment operating margin,” which are not recognized measures under GAAP. When analyzing our operating performance, investors should use segment operating income (loss) and segment operating margin in addition to, and not as alternatives for, operating income and operating margin or any other performance measure presented in accordance with GAAP. They are measures that we use to evaluate our core operating performance. We believe that segment operating income (loss) and segment operating margin reflect an additional way of viewing aspects of our operations that, when viewed with our GAAP results, provide a more complete understanding of factors and trends affecting our business. We believe these measures are used by investors and are a useful indicator to measure our performance. Because not all companies use identical calculations, our presentation of segment operating income (loss) and segment operating margin may not be comparable to similarly titled measures of other companies.

Adjusted net earnings (loss) 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

Segment operating income (loss) is defined as operating income (loss) for the relevant segment(s) before the FAS/CAS Adjustment and non-current state income taxes.

Segment operating margin is defined as segment operating income (loss) as a percentage of sales and service revenues.

Adjusted net earnings (loss) is defined as net earnings (loss) adjusted for the after-tax impact of the FAS/CAS Adjustment.

Adjusted diluted earnings per share is defined as adjusted net earnings (loss) 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.

FAS/CAS Adjustment is defined as the difference between our pension and postretirement plan expense under GAAP Financial Accounting Standards and the same expense under U.S. Cost Accounting Standards (CAS). Our pension and postretirement plan expense is charged to our contracts under CAS and included in segment operating income.

Non-current state income taxes are defined as deferred state income taxes, which reflect the change in deferred state tax assets and liabilities and the tax expense or benefit associated with changes in state uncertain tax positions in the relevant period. These amounts are recorded within operating income. Current period state income tax expense is charged to contract costs and included in cost of sales and service revenues in segment operating income.

We present financial measures adjusted for the FAS/CAS Adjustment and non-current state income taxes to reflect the company's performance based upon the pension costs and state tax expense charged to our contracts under CAS. We use these adjusted measures as internal measures of operating performance and for performance-based compensation decisions.



Non-GAAP Reconciliations – Segment Operating Income (Loss) & Segment Operating Margin

| (\$ in millions) | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|--|------------------------------------|---------------|-----------------------------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| Ingalls revenues | \$ 593 | \$ 577 | \$ 1,782 | \$ 1,748 |
| Newport News revenues | 1,053 | 978 | 3,025 | 2,970 |
| Technical Solutions revenues | 241 | 154 | 710 | 505 |
| Intersegment eliminations | (24) | (26) | (72) | (77) |
| Sales and Service Revenues | 1,863 | 1,683 | 5,445 | 5,146 |
| Segment Operating Income (Loss) | | | | |
| Ingalls | 74 | 66 | 238 | 236 |
| <i>As a percentage of Ingalls revenues</i> | 12.5 % | 11.4 % | 13.4 % | 13.5 % |
| Newport News | 96 | 68 | 248 | 247 |
| <i>As a percentage of Newport News revenues</i> | 9.1 % | 7.0 % | 8.2 % | 8.3 % |
| Technical Solutions | 22 | 6 | 13 | 7 |
| <i>As a percentage of Technical Solutions revenues</i> | 9.1 % | 3.9 % | 1.8 % | 1.4 % |
| Segment Operating Income (Loss) | 192 | 140 | 499 | 490 |
| <i>As a percentage of sales and service revenues</i> | 10.3 % | 8.3 % | 9.2 % | 9.5 % |
| Non-segment factors affecting operating income (loss): | | | | |
| FAS/CAS Adjustment | 46 | 37 | 144 | 107 |
| Non-current state income taxes | (1) | (2) | (5) | (7) |
| Operating Income (Loss) | 237 | 175 | 638 | 590 |
| Interest expense | (18) | (19) | (53) | (56) |
| Other, net | 1 | 1 | — | (1) |
| Federal and foreign income taxes | (71) | (50) | (170) | (157) |
| Net Earnings (Loss) | \$ 149 | \$ 107 | \$ 415 | \$ 376 |



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

| (\$ in millions) | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|--|------------------------------------|----------------|-----------------------------------|-----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Net Earnings | \$ 149 | \$ 107 | \$ 415 | \$ 376 |
| After-tax adjustment for FAS/CAS Adjustment ⁽¹⁾ | (30) | (24) | (94) | (70) |
| Adjusted Net Earnings | 119 | 83 | 321 | 306 |
| Diluted earnings per share | \$ 3.27 | \$ 2.27 | \$ 9.04 | \$ 7.93 |
| After-tax FAS/CAS Adjustment per share ⁽¹⁾ | (0.66) | (0.51) | (2.05) | (1.48) |
| Adjusted Diluted EPS | \$ 2.61 | \$ 1.76 | \$ 6.99 | \$ 6.45 |
| (1) FAS/CAS Adjustment | \$ (46) | \$ (37) | \$ (144) | \$ (107) |
| Tax effect at 35% statutory rate* | 16 | 13 | 50 | 37 |
| After-tax effect | \$ (30) | \$ (24) | \$ (94) | \$ (70) |
| Weighted-Average Diluted Shares Outstanding | 45.5 | 47.2 | 45.9 | 47.4 |
| After-tax per share impact** | \$ (0.66) | \$ (0.51) | \$ (2.05) | \$ (1.48) |

*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 Reconciliation – Free Cash Flow

| <i>(\$ in millions)</i> | Three Months Ended | | Nine Months Ended | |
|---|--------------------|------|-------------------|-------|
| | September 30 | | September 30 | |
| | 2017 | 2016 | 2017 | 2016 |
| Net cash provided by (used in) operating activities | 96 | 254 | 380 | 477 |
| Less: | | | | |
| Capital expenditures | (91) | (60) | (228) | (145) |
| Free cash flow | 5 | 194 | 152 | 332 |





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