



Q3 2018 Earnings Presentation

November 8, 2018

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Forward-Looking Statements

Statements in this presentation, other than statements of historical fact, may 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.

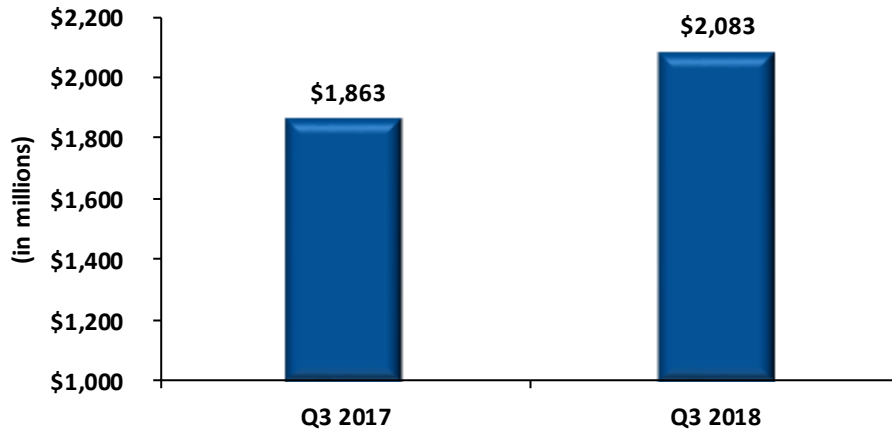


- Revenues were \$2.1 billion in the quarter
- Diluted EPS was \$5.29 in the quarter
- Total backlog at the end of the quarter was ~\$22 billion; new contract awards in the quarter totaled \$2.8 billion
- Ingalls Shipbuilding
 - Awarded \$5.1 billion multiyear contract for six *Arleigh Burke*-class destroyers
 - \$1.8 billion for the first two destroyers currently exercised
 - Awarded a \$165.5 million advance procurement contract for LPD 30
 - Delivered the National Security Cutter *Kimball* (NSC 7)
- Newport News Shipbuilding
 - Reached 50 percent completion of *John F. Kennedy* (CVN 79)
 - Awarded an advance planning contract for the RCOH of *USS John C. Stennis* (CVN 74)
- Technical Solutions
 - Awarded a contract valued at \$34 million, including options, to provide engineering, technical, repair and logistical support to the U.S. Navy's Coastal Riverine Forces



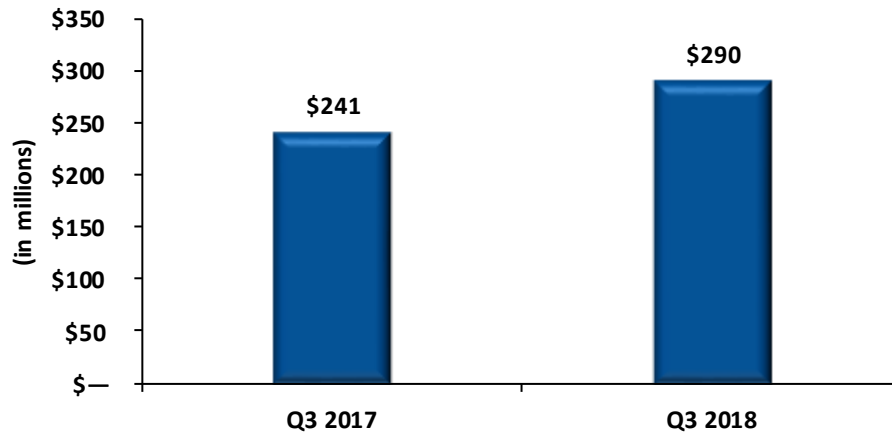
HII's Q3 2018 Consolidated Results

Revenues

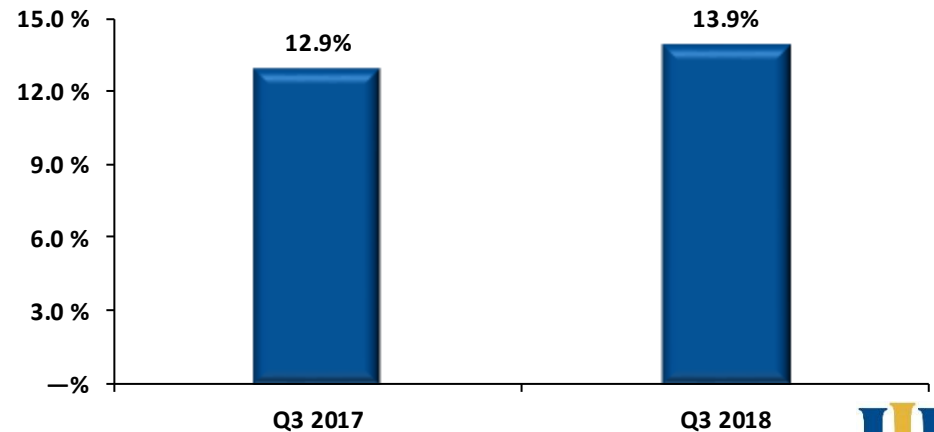


- HII's revenues up 12% YOY due to increased volume at the shipbuilding segments
- HII's operating income and margin up YOY due to higher segment operating income and favorable change in Operating FAS/CAS Adjustment

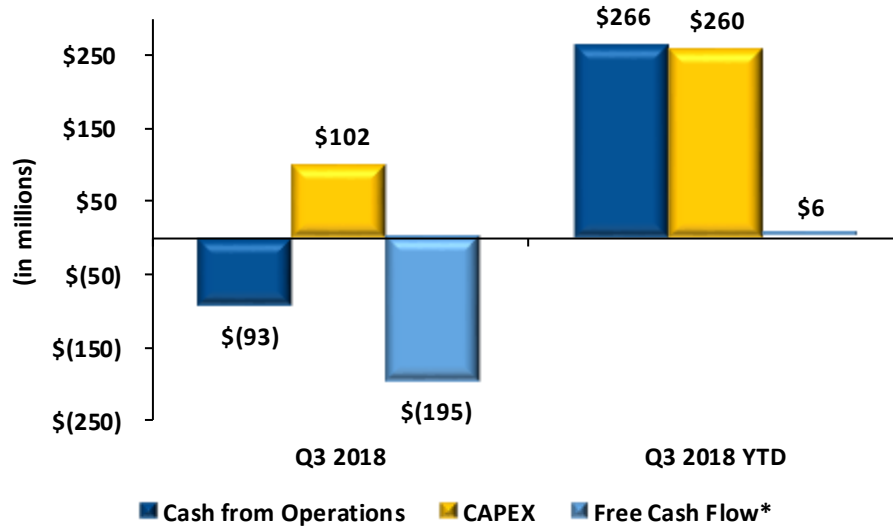
Operating Income



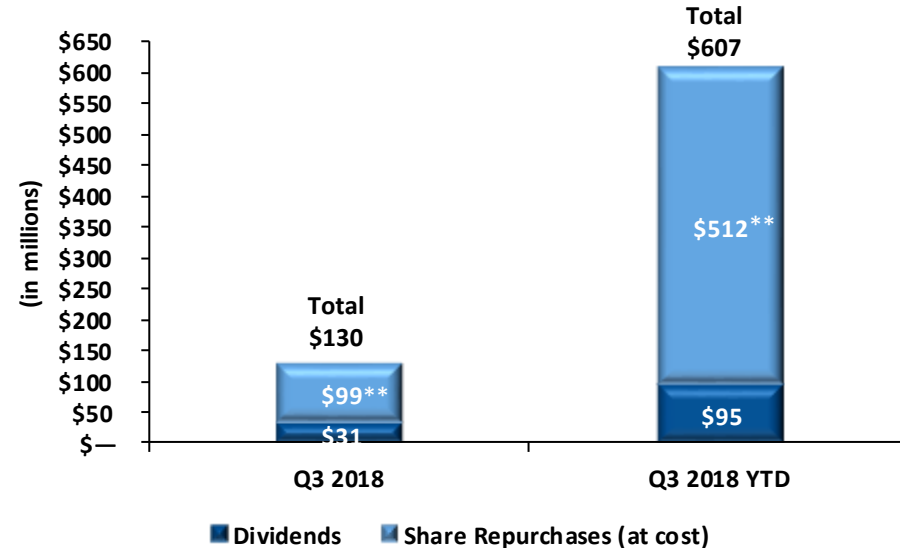
Operating Margin



Cash Flow Generation



Shareholder Distributions



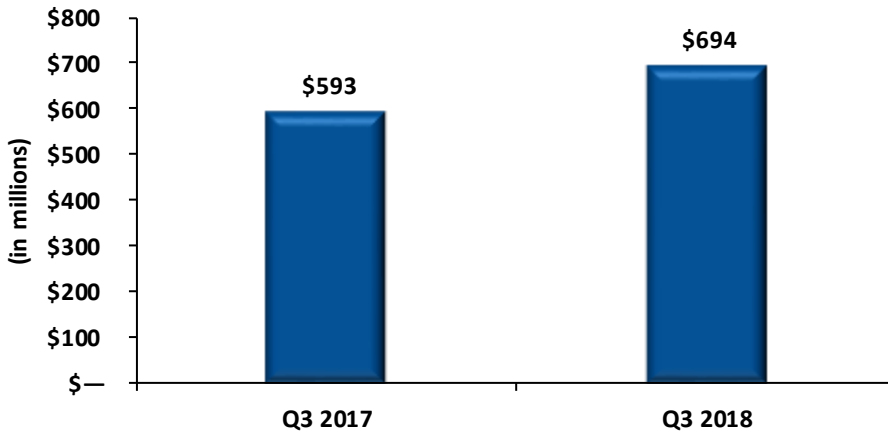
- Contributed \$434 million to pension and postretirement benefits plans in Q3 2018
 - \$424 million were discretionary contributions to our qualified pension plans
- Capital expenditures, net of related grant proceeds, were \$102 million or 4.9% of revenues in Q3 2018
 - YTD capital expenditures, net of related grant proceeds, were \$260 million or 4.4% of YTD revenues
- Distributed \$130 million to shareholders in Q3 2018
 - Repurchased 412 thousand shares at a cost of \$99** million
 - Paid dividends of \$31 million

*Non-GAAP measure. See appendix for definition and reconciliation.
 **Includes \$2 million for share repurchases not settled as of Sept. 30, 2018.



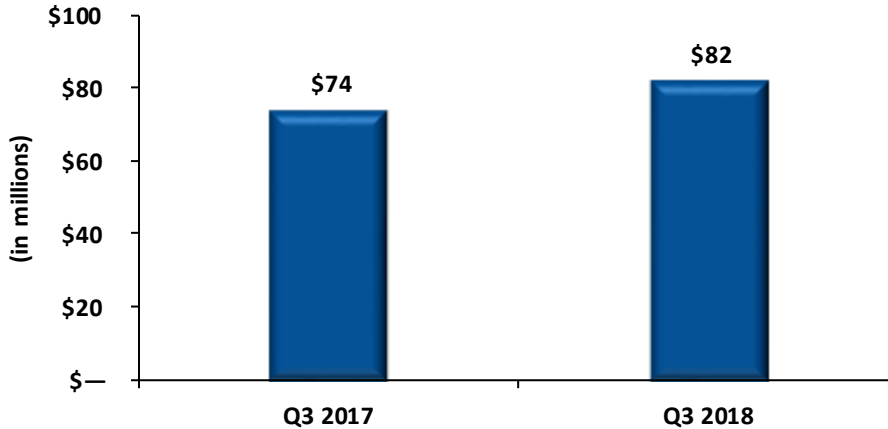
Ingalls Shipbuilding Q3 2018 Results

Revenues

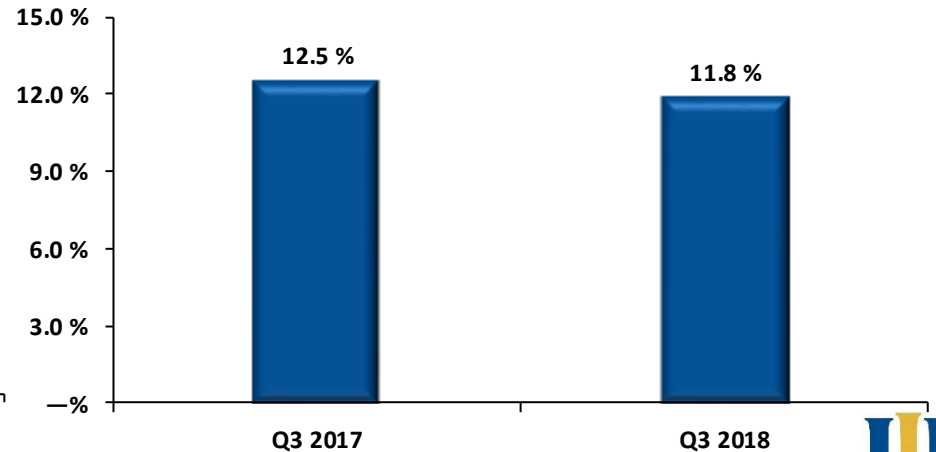


- Ingalls revenues up 17% YOY due to increased volumes on amphibious assault ships and the NSC program, partially offset by decreased surface combatant volume
- Ingalls segment operating income up YOY mainly due to higher revenues

Segment Operating Income*



Segment Operating Margin*

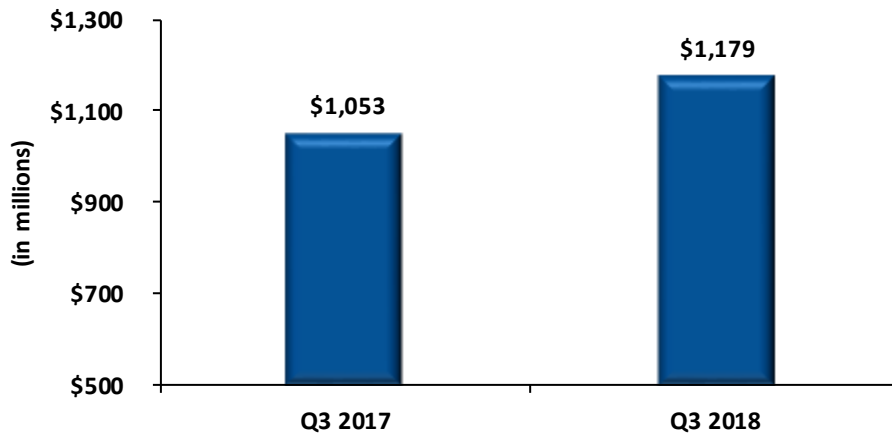


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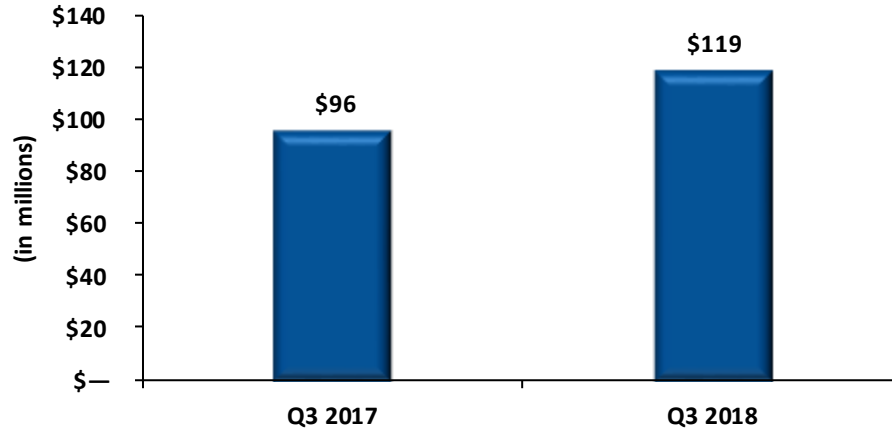
Newport News Shipbuilding Q3 2018 Results

Revenues

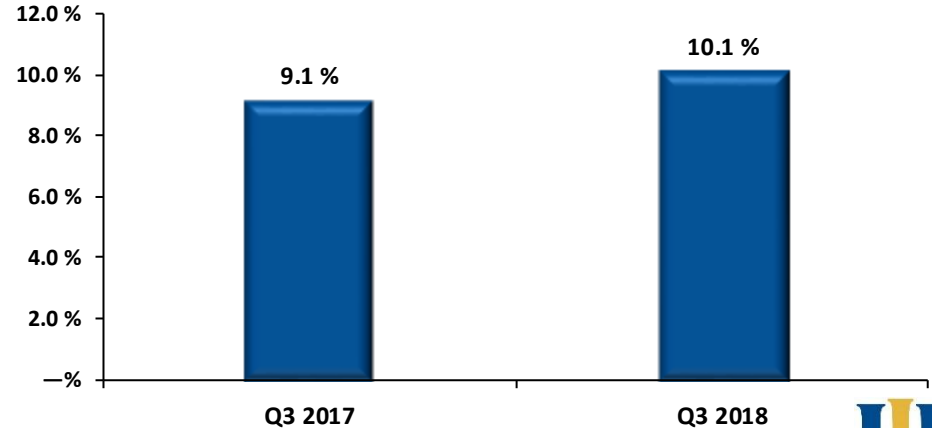


- Newport News revenues up 12% YOY due to higher volume in aircraft carriers and naval nuclear support services
- Newport News segment operating income and margin up YOY primarily due to favorable changes in workers' compensation expense, partially offset by the 2017 resolution of contract changes on CVN 65 and CVN 72

Segment Operating Income*



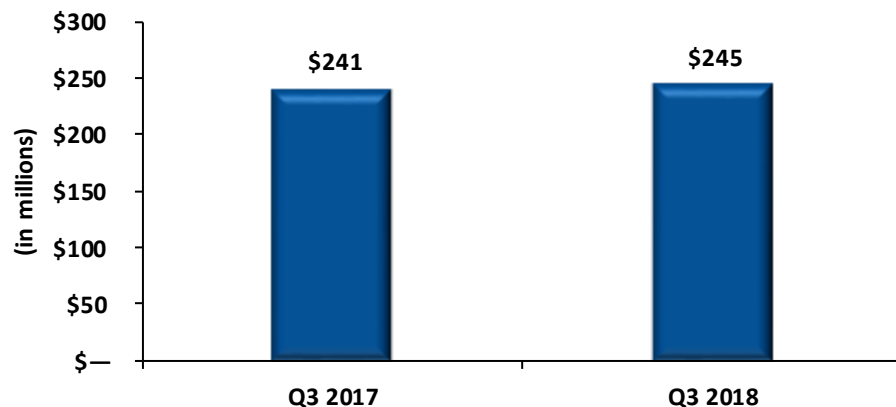
Segment Operating Margin*



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

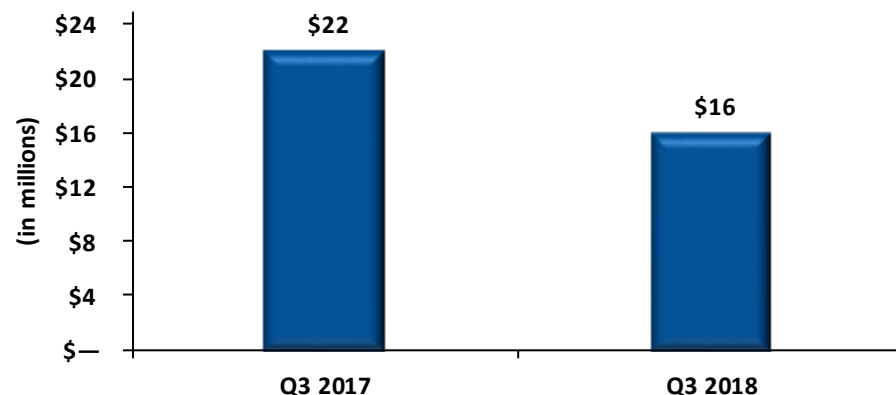


Revenues

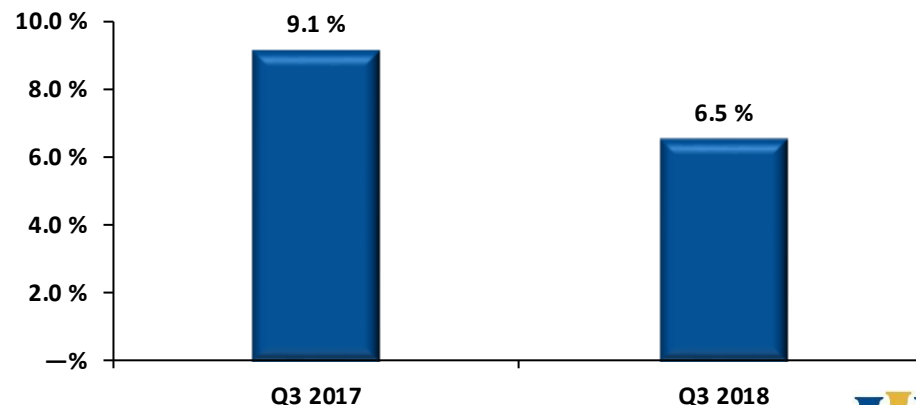


- Technical Solutions revenues up 1.7% YOY due to higher oil and gas and mission driven innovative solutions revenues, partially offset by lower fleet support and nuclear and environmental revenues
- Technical Solutions segment operating income and margin down YOY primarily due to the release in 2017 of a portion of an accounts receivable allowance, partially offset by improved oil and gas performance

Segment Operating Income*



Segment Operating Margin*



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



2018-2019 Pension Outlook

(\$ in millions)	2017 (Actual)	2018 ³	2019 ^{3,4}
Pension Discount Rate	4.47%	3.82%	4.36%
Expected Long-Term Return on Assets	7.25%	7.25%	7.25%
CAS Recoveries over/(under) Cash Contributions ^{1,2}	\$26	(\$89)	\$247
FAS Expense ¹	(\$172)	(\$91)	(\$73)
CAS ¹	\$361	\$460	\$307
FAS/CAS Adjustment ¹	\$189	\$369	\$234
Operating FAS/CAS Adjustment ¹	\$205	\$294	\$156
Non-Operating Retirement (Expense)/Income ¹	(\$16)	\$75	\$78
Pension and Post-retirement Benefits Cash Contribution ²	\$335	\$549	\$60

¹ Includes pension & other postretirement benefits

² 2018 projected cash contributions of \$549 million include \$514 million of discretionary pension contributions (\$508 million qualified; \$6 million non-qualified) and \$35 million of post retirement benefits contributions. 2019 projected cash contributions of \$60 million include \$26 million of discretionary pension contributions (\$19 million qualified; \$7 million non-qualified) and \$34 million of post retirement benefits contributions.

³ Projected and subject to change during 2018 and 2019

⁴ 2019 outlook assumes 0% actual return on assets in 2018



Appendix



Non-GAAP Measures Definitions

We make reference to “segment operating income (loss),” “segment operating margin,” 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.

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 Operating 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.

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

FAS/CAS Adjustment is defined as the difference between expenses for pension and other postretirement benefits determined in accordance with GAAP (FAS) and the expenses for these items included in segment operating income in accordance with U.S. Cost Accounting Standards (CAS).

Operating FAS/CAS Adjustment is defined as the FAS/CAS Adjustment less the following components of net periodic benefit costs: interest cost, expected return on plan assets, amortization of prior service cost (credit) and actuarial loss (gain), and settlement and curtailment effects.

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 Operating 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		Nine Months Ended	
	September 30		September 30	
	2018	2017	2018	2017
Ingalls revenues	\$ 694	\$ 593	\$ 1,908	\$ 1,782
Newport News revenues	1,179	1,053	3,444	3,025
Technical Solutions revenues	245	241	721	710
Intersegment eliminations	(35)	(24)	(96)	(72)
Sales and Service Revenues	2,083	1,863	5,977	5,445
Operating Income (Loss)	290	241	738	650
Operating FAS/CAS Adjustment	(73)	(50)	(218)	(156)
Non-current state income taxes	—	1	(5)	5
Segment Operating Income (Loss)	217	192	515	499
<i>As a percentage of sales and service revenues</i>	<i>10.4 %</i>	<i>10.3 %</i>	<i>8.6 %</i>	<i>9.2 %</i>
Ingalls operating income (loss)	82	74	229	238
<i>As a percentage of Ingalls revenues</i>	<i>11.8 %</i>	<i>12.5 %</i>	<i>12.0 %</i>	<i>13.4 %</i>
Newport News operating income (loss)	119	96	261	248
<i>As a percentage of Newport News revenues</i>	<i>10.1 %</i>	<i>9.1 %</i>	<i>7.6 %</i>	<i>8.2 %</i>
Technical Solutions operating income (loss)	16	22	25	13
<i>As a percentage of Technical Solutions revenues</i>	<i>6.5 %</i>	<i>9.1 %</i>	<i>3.5 %</i>	<i>1.8 %</i>



Non-GAAP Reconciliation – Free Cash Flow

<i>(\$ in millions)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Net cash provided by (used in) operating activities	(93)	96	266	380
Less capital expenditures:				
Capital expenditure additions	(116)	(91)	(293)	(228)
Grant proceeds for capital expenditures	14	—	33	—
Free cash flow	<u>(195)</u>	<u>5</u>	<u>6</u>	<u>152</u>





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