

Q3 2021 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; health epidemics, pandemics and similar outbreaks, including the COVID-19 pandemic, and the impacts of vaccination mandates on our workforce; our ability to effectively integrate the operations of Alion Science and Technology into our business; 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.

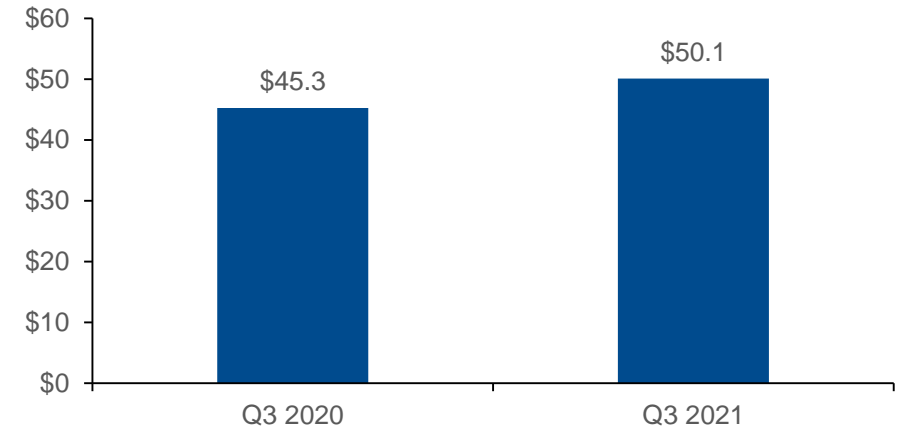


HII Q3 2021 Highlights

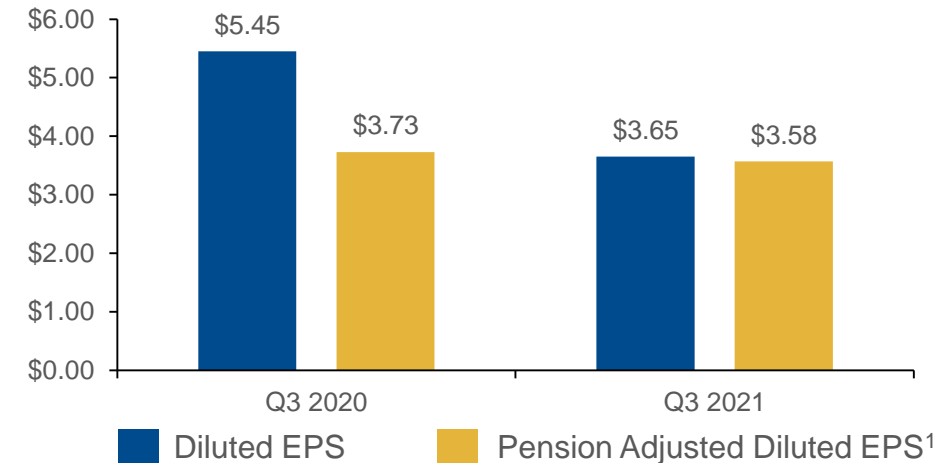
- Revenues were ~\$2.3 billion in the quarter
 - Diluted EPS was \$3.65 in the quarter; Pension adjusted diluted EPS¹ was \$3.58
 - The acquisition of Alion Science and Technology ("Alion") closed on Aug. 19, 2021; quarterly results included approximately \$15 million of pre-tax transaction related expenses
 - Total backlog at the end of the quarter was \$50.1 billion
- Ingalls Shipbuilding
 - Completed acceptance trials for guided missile destroyer *Frank E. Petersen Jr.* (DDG 121)
 - Christened amphibious transport dock *Fort Lauderdale* (LPD 28)
 - Authenticated the keel of National Security Cutter *Calhoun* (NSC 10)
- Newport News Shipbuilding
 - Commenced the first cut of steel for aircraft carrier *Doris Miller* (CVN 81)
 - Reached approximate 92% completion of RCOH of USS George Washington (CVN 73)
 - Reached approximate 84% completion of John F. Kennedy (CVN 79)
- Technical Solutions
 - Announced and closed the acquisition of Alion Science and Technology
 - Awarded a contract with a total potential value of \$346 million to support U.S. Africa Command's life-saving operations
 - Awarded a 5-year, \$273 million contract from the U.S. Navy to support aircraft carrier and surface ship maintenance

Backlog

(\$B)



Earnings Per Share



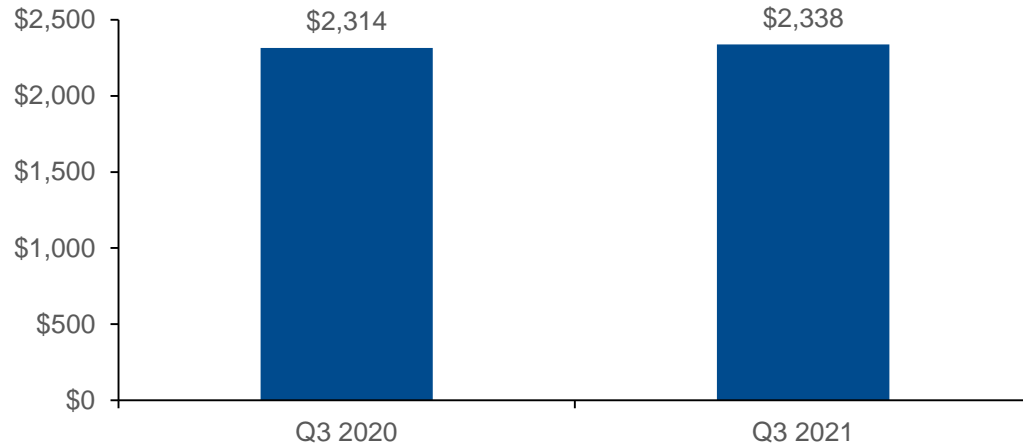
HARD STUFF DONE RIGHT

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

HII Q3 2021 Consolidated Results

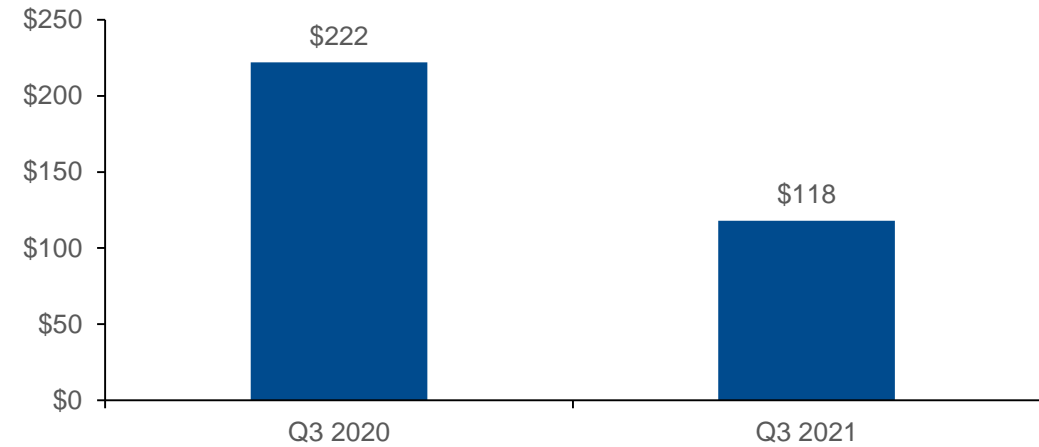
Consolidated Revenue

(\$M)

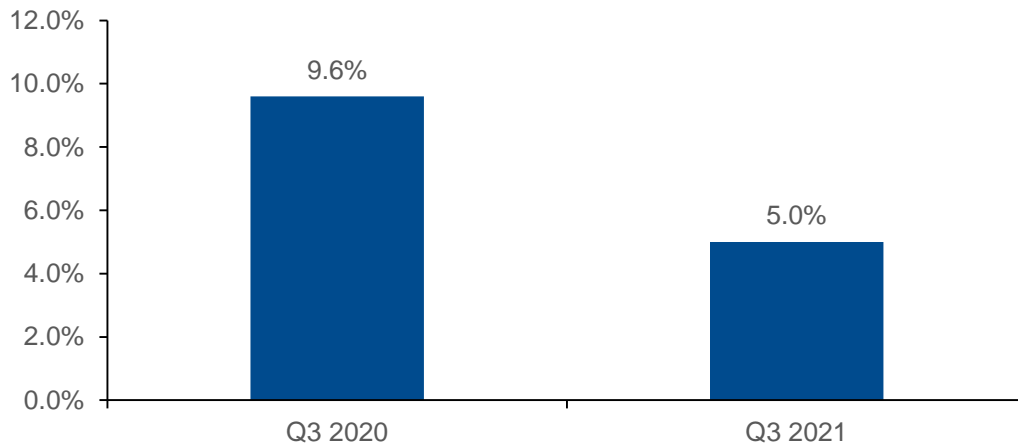


Operating Income

(\$M)



Operating Margin



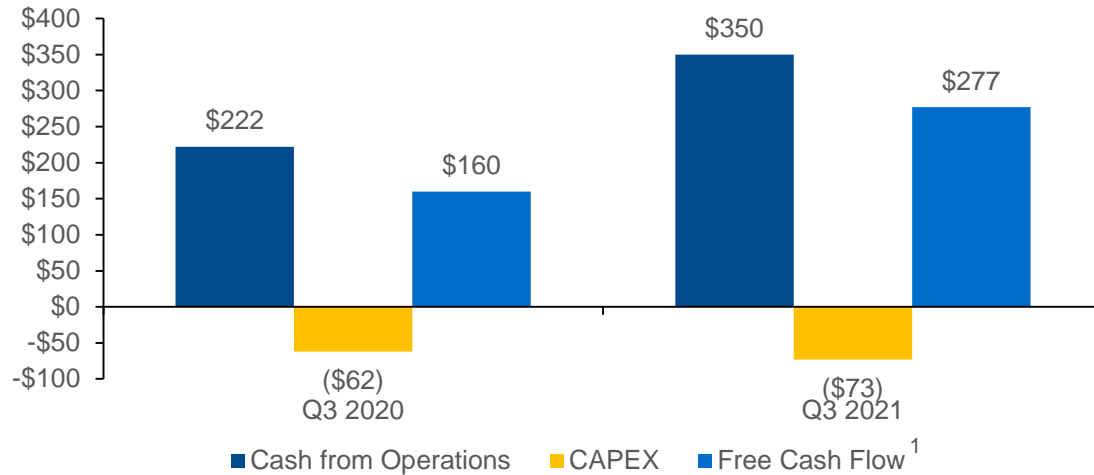
- Revenues improved YoY due primarily to revenues attributable to the acquisition of Alion in the quarter, partially offset by lower volume at Ingalls Shipbuilding, as well as the divestiture of UPI and the contribution of the San Diego Shipyard to a joint venture in the first quarter of 2021
- Operating income declined YoY due primarily to a less favorable operating FAS/CAS adjustment



Capital Deployment

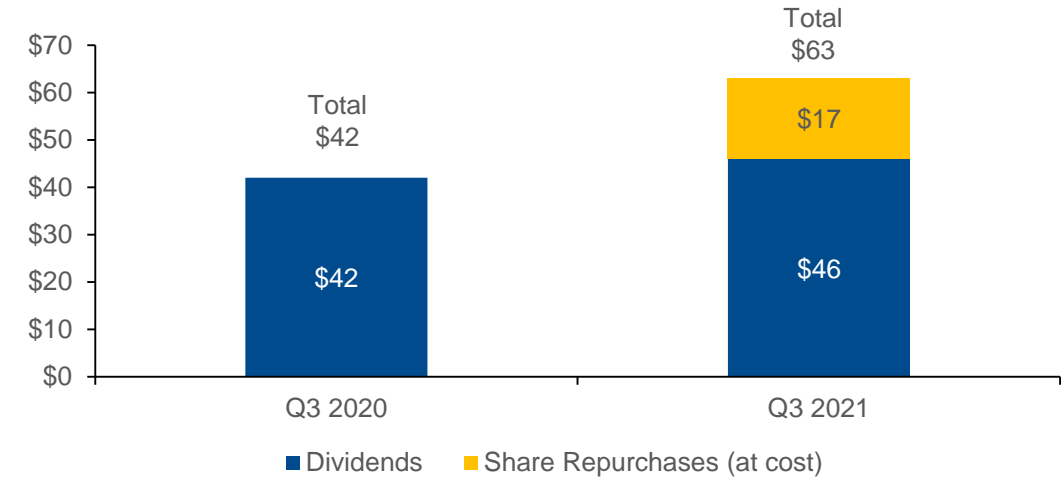
Cash Flow Generation

(\$M)



Shareholder Distributions

(\$M)



- Cash balance of \$555 million and liquidity of \$2.0 billion at quarter-end
- Net capital expenditures were 3.1% of revenues
- Cash contributions to pension and other postretirement benefit plans were \$10 million
 - No discretionary contributions to our qualified pension plans in Q3 2021
- Distributed \$63 million to shareholders in the quarter
 - Repurchased 83 thousand shares at aggregate cost of \$17 million
 - Paid dividends of \$46 million

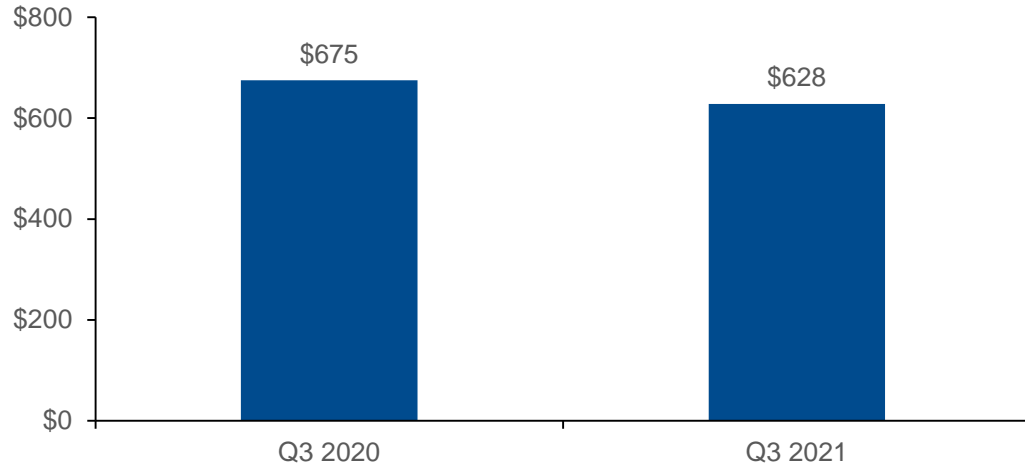
¹Non-GAAP measure. See appendix for definition and reconciliation.



Ingalls Shipbuilding Q3 2021 Results

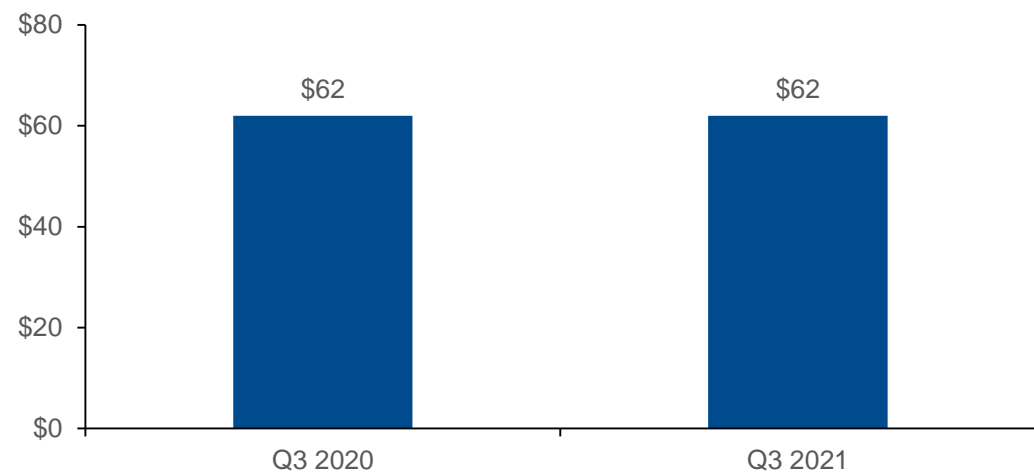
Revenues

(\$M)

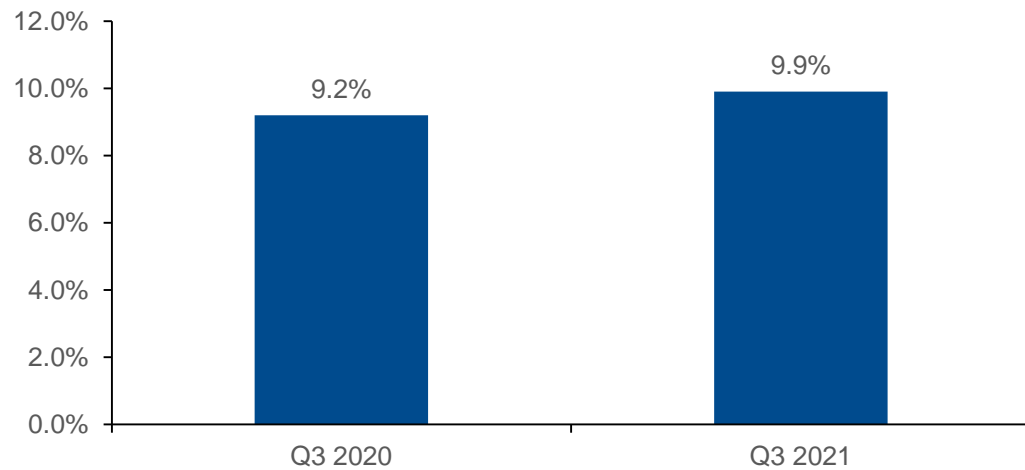


Segment Operating Income¹

(\$M)



Segment Operating Margin¹



- Revenues declined YoY due primarily to lower volumes on the NSC, DDG and LHA programs
- Segment operating income¹ was in line with results in the prior year period. Segment operating margin¹ improved YoY primarily due to an incentive on the DDG program and higher risk retirement on the LPD program, partially offset by lower NSC risk retirement

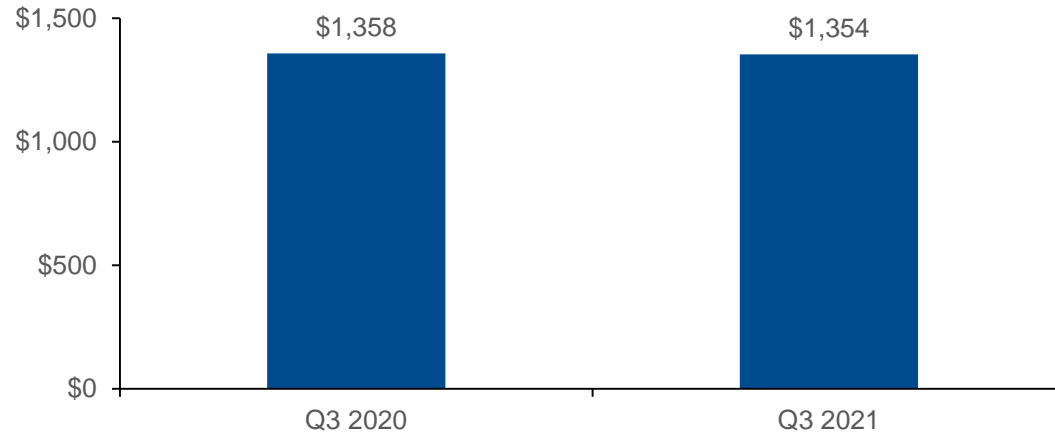
¹Non-GAAP measure. See appendix for definition and reconciliation.



Newport News Shipbuilding Q3 2021 Results

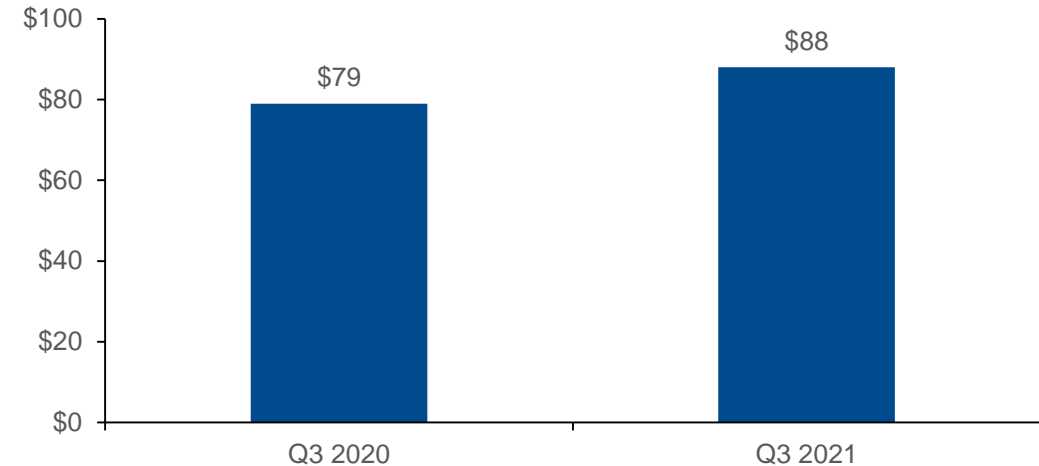
Revenues

(\$M)

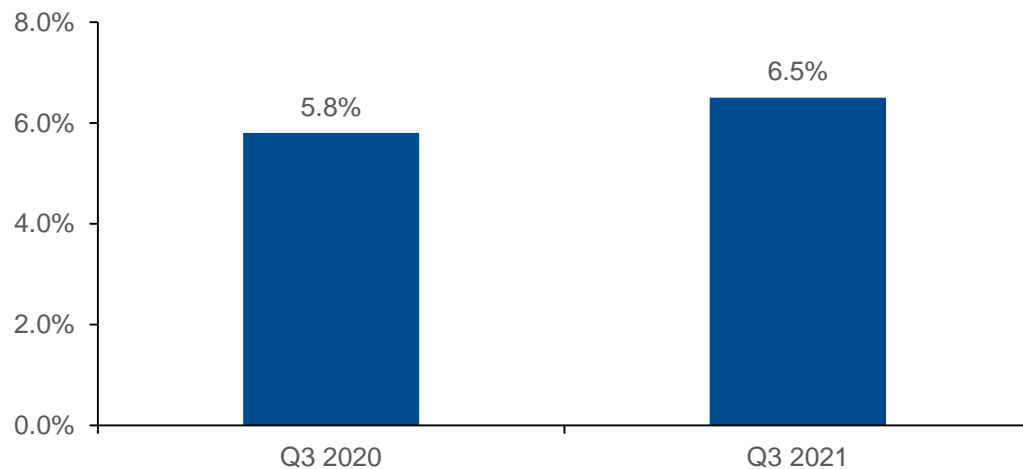


Segment Operating Income¹

(\$M)



Segment Operating Margin¹



- Revenues were in line with results in the prior year period with lower revenue YoY in nuclear support services, partially offset by higher revenue in submarines and aircraft carriers
- Segment operating income¹ and segment operating margin¹ improved YoY driven by higher risk retirement on the RCOH of USS *George Washington* and Block IV boats of the VCS program, partially offset by lower risk retirement on naval nuclear support services

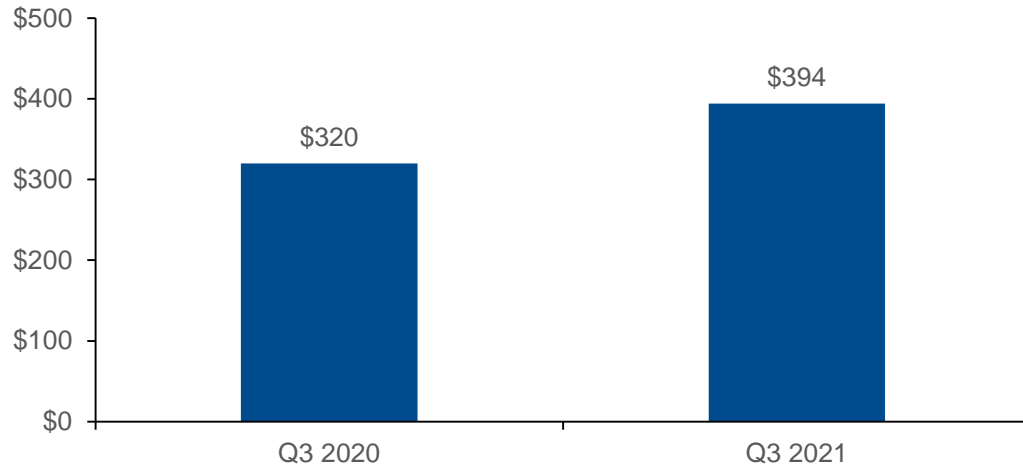
¹Non-GAAP measure. See appendix for definition and reconciliation.



Technical Solutions Q3 2021 Results

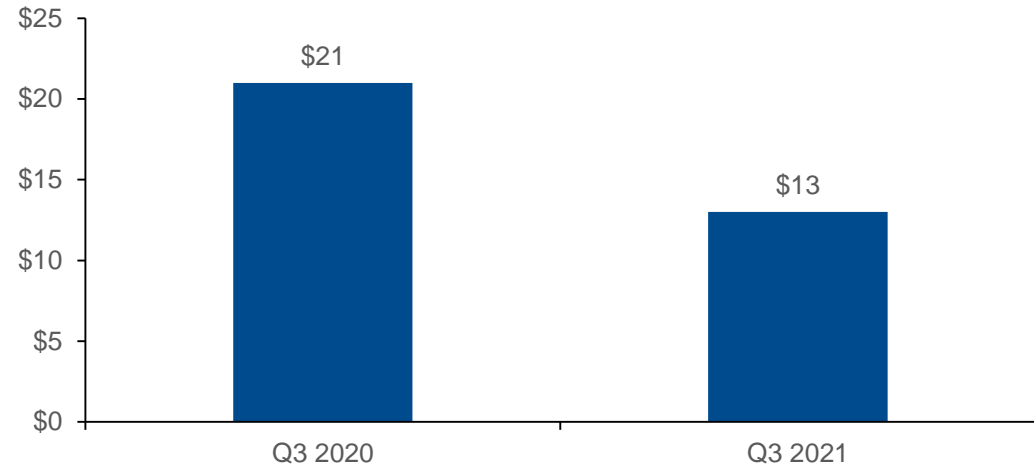
Revenues

(\$M)

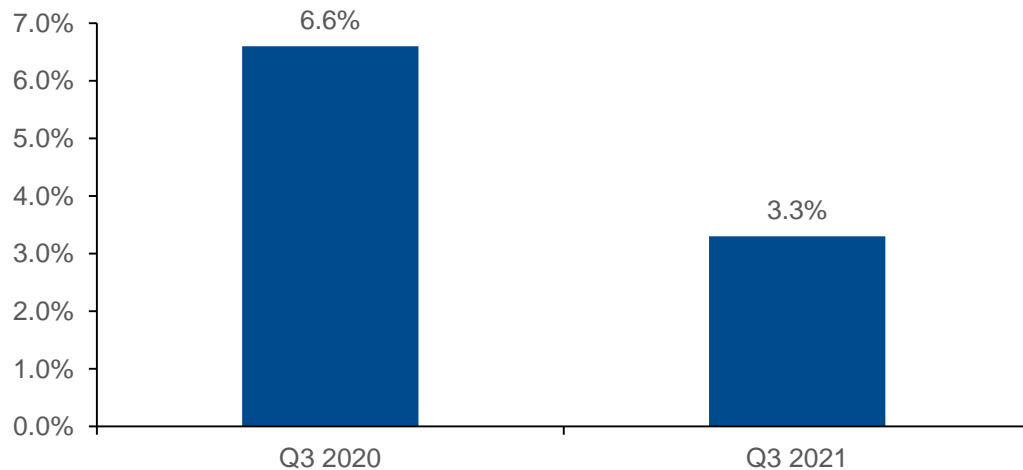


Segment Operating Income¹

(\$M)



Segment Operating Margin¹



- Revenues improved YoY due primarily to revenue attributable to the acquisition of Alion in the quarter, partially offset by the divestiture of our oil and gas business and the contribution of the San Diego Shipyard to a joint venture in the first quarter of 2021
- Segment operating income¹ and segment operating margin¹ declined YoY driven by approximately \$8 million of purchase intangible amortization related to Alion, as well as lower performance in Defense and Federal Solutions, the divestiture of our oil and gas business and the contribution of the San Diego Shipyard to a joint venture in the first quarter of 2021. Third quarter 2021 results include approximately \$4 million of segment operating income¹ attributable to Alion, net of the aforementioned purchase intangible amortization.



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

Pension Outlook

(\$ in millions)	2020 (Actual)	2021 ³		2022 ³	
Pension Discount Rate	3.39%	2.80%	N/A	2.89%	9bps
		Change from prior est.		Change from prior est.	
Expected Long-Term Return on Assets	7.25%	7.25%	N/A	7.25%	N/A
CAS Recoveries Over/(Under) Cash Contributions ^{1,2}	\$191	(\$54)	\$1	\$3	\$1
FAS Benefit/(Expense) ¹	(\$70)	(\$28)	N/A	\$3	\$15
CAS Expense ¹	\$437	\$52	\$6	\$49	\$3
FAS/CAS Adjustment ¹	\$367	\$24	\$6	\$52	\$18
Operating FAS/CAS Adjustment ¹	\$248	(\$157)	\$6	(\$148)	\$14
Non-Operating Retirement (Expense)/Income ¹	\$119	\$181	N/A	\$200	\$4
Pension and Post-retirement Benefits Cash Contributions ²	\$246	\$106	\$5	\$46	\$2

¹ Includes pension & other postretirement benefits.

² 2021 projected cash contributions of \$106 million include \$68 million of discretionary pension contributions (\$60 million qualified; \$8 million non-qualified) and \$38 million of post retirement benefits contributions.
2022 projected cash contributions of \$46 million include \$12 million of discretionary pension contributions (\$2 million qualified; \$10 million non-qualified) and \$34 million of post retirement benefits contributions.

³ Projected and subject to change during 2021 and 2022.



FY21 Outlook

- Timing of material delivery impacting near-term Shipbuilding revenue²
- Shipbuilding operating margin² in line with prior expectations
- Outlook updated for Alion acquisition
 - ~\$400 million revenue increase
 - Purchase intangible amortization impacts segment operating margin¹ outlook
- Delayed repayment of accelerated progress payments improves 2021 free cash flow² outlook

2021 Outlook¹

	Prior Outlook ³	Current Outlook ⁴
Shipbuilding Revenue ²	\$8.2B - \$8.4B	~\$8.2B
Shipbuilding Operating Margin ²	7.5% - 8.0%	7.5% - 8.0%
Technical Solutions Revenue	~\$1.0B	~\$1.4B
Technical Solutions Segment Operating Margin ²	3.0% - 5.0%	~2.5%
Technical Solutions EBITDA Margin ²	7.0% - 9.0%	~8.0%
Operating FAS/CAS Adjustment	(\$163M)	(\$157M)
Non-current State Income Tax Expense	~(\$5M)	~(\$15M)
Interest Expense	(\$72M)	(\$87M)
Non-operating Retirement Benefit	\$181M	\$181M
Effective Tax Rate	~22%	~13%
Depreciation & Amortization	~\$260M	~\$302M
Capital Expenditures	~3.5% of Sales	~3.5% of Sales
Free Cash Flow ²	\$150M - \$250M	\$300M - \$350M

¹ The financial outlook, expectations and other forward looking statements provided by the company for 2021 and beyond reflect the company's judgment based on the information available at the time of this presentation.

² Non-GAAP measure. See appendix for definition. Reconciliations of forward-looking GAAP and non-GAAP measures are not provided because we are unable to provide such reconciliations without unreasonable effort due to the uncertainty and inherent difficulty of predicting the future occurrence and financial impact of certain elements of GAAP and non-GAAP measures.

³ Technical Solutions outlook includes results for the month of January 2021 for Universal Pegasus International and the San Diego Shipyard; excludes Alion Science and Technology.

⁴ Technical Solutions outlook includes results for the month of January 2021 for Universal Pegasus International and the San Diego Shipyard, and includes results for Alion Science and Technology as of the close of the acquisition on August 19, 2021, inclusive of incremental purchase intangible amortization.



Appendix

Non-GAAP Measures Definitions

We make reference to “segment operating income,” “segment operating margin,” “pension adjusted diluted earnings per share,” “shipbuilding revenue,” “shipbuilding operating margin,” “Technical Solutions EBITDA margin” and “free cash flow.”

We internally manage our operations by reference to segment operating income and segment operating margin, which are not recognized measures under GAAP. When analyzing our operating performance, investors should use segment operating income 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 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 and segment operating margin may not be comparable to similarly titled measures of other companies.

Shipbuilding revenue, shipbuilding operating margin, Technical Solutions EBITDA margin and pension adjusted diluted earnings per share are not measures recognized under GAAP. They are measures that we use to evaluate our core operating performance. We believe that shipbuilding revenue, shipbuilding operating margin, Technical Solutions EBITDA margin and pension adjusted diluted earnings per share reflect additional ways 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.

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.

Reconciliations of forward-looking GAAP and non-GAAP measures are not provided because we are unable to provide such reconciliations without unreasonable effort due to the uncertainty and inherent difficulty of predicting the future occurrence and financial impact of certain elements of GAAP and non-GAAP measures.



Non-GAAP Measures Definitions Cont'd

Segment operating income is defined as operating income 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 as a percentage of sales and service revenues.

Shipbuilding revenue is defined as the combined sales and service revenues from our Newport News Shipbuilding segment and Ingalls Shipbuilding segment.

Shipbuilding operating margin is defined as the combined segment operating income of our Newport News Shipbuilding segment and Ingalls Shipbuilding segment as a percentage of shipbuilding revenue.

Technical Solutions EBITDA margin is defined as Technical Solutions segment operating income before interest expense, income taxes, depreciation, and amortization as a percentage of Technical Solutions revenues.

Pension adjusted diluted earnings per share is defined as diluted earnings per share excluding the after-tax impact of the FAS/CAS adjustment.

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 determined in accordance with U.S. Cost Accounting Standards (CAS).

Operating FAS/CAS Adjustment is defined as the difference between the service cost component of our pension and other postretirement expense determined in accordance with GAAP (FAS) and our pension and other postretirement expense under U.S. Cost Accounting Standards (CAS).

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.



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

(\$ in millions)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
Ingalls revenues	628	675	1,947	1,926
Newport News revenues	1,354	1,358	4,124	3,821
Technical Solutions revenues	394	320	890	957
Intersegment eliminations	(38)	(39)	(114)	(100)
Sales and Service Revenues	2,338	2,314	6,847	6,604
Operating Income	118	222	393	494
Operating FAS/CAS Adjustment	41	(60)	118	(186)
Non-current state income taxes	4	-	12	5
Segment Operating Income	163	162	523	313
<i>As a percentage of sales and service revenues</i>	<i>7.0 %</i>	<i>7.0 %</i>	<i>7.6 %</i>	<i>4.7 %</i>
Ingalls segment operating income	62	62	233	185
<i>As a percentage of Ingalls revenues</i>	<i>9.9 %</i>	<i>9.2 %</i>	<i>12.0 %</i>	<i>9.6 %</i>
Newport News segment operating income	88	79	257	105
<i>As a percentage of Newport News revenues</i>	<i>6.5 %</i>	<i>5.8 %</i>	<i>6.2 %</i>	<i>2.7 %</i>
Technical Solutions segment operating income	13	21	33	23
<i>As a percentage of Technical Solutions revenues</i>	<i>3.3 %</i>	<i>6.6 %</i>	<i>3.7 %</i>	<i>2.4 %</i>

Non-GAAP Reconciliations – Shipbuilding Revenues & Operating Margin

(\$ in millions)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
Sales and service revenues	2,338	2,314	6,847	6,604
Technical Solutions	(394)	(320)	(890)	(957)
Intersegment eliminations	38	39	114	100
Shipbuilding Revenues	1,982	2,033	6,071	5,747
Operating Income	118	222	393	494
Operating FAS/CAS Adjustment	41	(60)	118	(186)
Non-current state income taxes	4	-	12	5
Segment Operating Income	163	162	523	313
Technical Solutions	(13)	(21)	(33)	(23)
Shipbuilding Operating Income	150	141	490	290
As a percentage of Shipbuilding revenues	7.6 %	6.9 %	8.1 %	5.0 %



Non-GAAP Reconciliations – Adjusted Diluted Earnings per Share

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
<i>(in millions, except per share amounts)</i>	2021	2020	2021	2020
Net earnings	147	222	424	447
After-tax FAS/CAS Adjustment ⁽¹⁾	(3)	(70)	(13)	(217)
Pension Adjusted Net Earnings	144	152	411	230
Diluted earnings per share	\$ 3.65	\$ 5.45	\$ 10.52	\$ 10.98
After-tax FAS/CAS Adjustment ⁽¹⁾	\$ (0.07)	\$ (1.72)	\$ (0.32)	\$ (5.33)
Pension Adjusted Diluted EPS**	\$ 3.58	\$ 3.73	\$ 10.20	\$ 5.65
(1) FAS/CAS Adjustment	(4)	(89)	(17)	(275)
Tax effect*	(1)	(19)	(4)	(58)
After-tax impact	(3)	(70)	(13)	(217)
Weighted-Average Diluted Shares Outstanding	40.3	40.7	40.3	40.7
Per share after-tax impact**	\$ (0.07)	\$ (1.72)	\$ (0.32)	\$ (5.33)

*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 September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Net cash provided by operating activities	350	222	489	491
Less capital expenditures:				
Capital expenditure additions	(82)	(70)	(216)	(220)
Grant proceeds for capital expenditures	9	8	11	17
Free cash flow	277	160	284	288

