NORTHROP GRUMMAN
Third Quarter 2022 Conference Call

October 27, 2022

Kathy Warden
Chair, Chief Executive Officer
and President

Dave Keffer
Corporate Vice President
and Chief Financial Officer

Forward-Looking Statements

NORTHROP GRUMMAN

This presentation and the information we are incorporating by reference, and statements to be made on the earnings conference call, contain or may contain statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "will," "expect," "anticipate," "intend," "may," "could," "should," "plan," "project," "forecast," "believe," "estimate," "guidance," "outlook," "trends," "goals" and similar expressions generally identify these forward-looking statements.

Forward-looking statements include, among other things, statements relating to our future financial condition, results of operations and/or cash flows. Forward-looking statements are based upon assumptions, expectations, plans and projections that we believe to be reasonable when made, but which may change over time. These statements are not guarantees of future performance and inherently involve a wide range of risks and uncertainties that are difficult to predict. Specific risks that could cause actual results to differ materially from those expressed or implied in these forward-looking statements include, but are not limited to, those identified and discussed more fully in the section entitled "Risk Factors" in the Form 10-K for the year ended December 31, 2021 and from time to time in our other filings with the Securities and Exchange Commission (SEC). These risks and uncertainties are amplified by the global COVID-19 pandemic and the broader economic environment, which have caused and will continue to cause significant challenges, instability and uncertainty. They include:

Industry and Economic Risks

- our dependence on the U.S. government for a substantial portion of our business
- significant delays or reductions in appropriations for our programs, and U.S. government funding and program support more broadly, including related to hostilities and other global events
- the use of estimates when accounting for our contracts and the effect of contract cost growth and/or changes in estimated contract revenues and costs, including as a result of labor shortages and/or inflationary pressures
- increased competition within our markets and bid protests

Legal and Regulatory Risks

- investigations, claims, disputes, enforcement actions, litigation and/or other legal proceedings
- the improper conduct of employees, agents, subcontractors, suppliers, business partners or joint ventures in which we participate and the impact on our reputation and our ability to do business
- changes in procurement and other laws, SEC and other regulations, contract terms and practices applicable to our industry, findings by the U.S. government as to our compliance with such requirements, and changes in our customers' business practices globally
- environmental matters, including unforeseen environmental costs and government and third party claims
- unanticipated changes in our tax provisions or exposure to additional tax liabilities

Business and Operational Risks

- impacts of the COVID-19 pandemic (or future health epidemics, pandemics or similar outbreaks), including potential new variants, case surges or prolonged recovery periods, their effects on the broader environment, and varying related government requirements, on: our business, our ability to maintain a qualified and productive workforce, work slowdowns or stoppages, labor shortages, supply chain and logistics challenges, costs we cannot recover and liabilities for which we are not compensated, performance challenges (including cost and schedule), government funding, changes in government acquisition priorities and processes, government payment rules and practices, insurance challenges, and potential impacts on access to capital, the markets and the fair value of our assets
- cyber and other security threats or disruptions faced by us, our customers or our suppliers and other partners, and changes in related regulations
- our ability to attract and retain a qualified workforce with the required security clearances and requisite skills to meet our performance obligations
- the performance and viability of our subcontractors and suppliers and the availability and pricing of raw materials and components, particularly with inflationary pressures, increased costs, supply chain disruptions, and extended material lead times
- climate change, its impacts on our company, our operations and our stakeholders (employees, suppliers, customers, shareholders and regulators), and changes in laws, regulations and priorities related to greenhouse gas emissions and other climate change related concerns
- our exposure to additional risks as a result of our international business, including risks related to geopolitical and economic factors, suppliers, laws and regulations
- our ability to meet performance obligations under our contracts, including obligations that require innovative design capabilities, are technologically complex, require certain manufacturing expertise or are dependent on factors not wholly within our control
- natural disasters
- products and services we provide related to hazardous and high risk operations, including the production and use of such products, which subject us to various environmental, regulatory, financial, reputational and other risks
- our ability appropriately to exploit and/or protect intellectual property rights
- our ability to develop new products and technologies and maintain technologies, facilities, and equipment to win new competitions and meet the needs of our customers

General and Other Risk Factors

- the adequacy and availability of our insurance coverage, customer indemnifications or other liability protections
- the future investment performance of plan assets, gains or losses associated with changes in valuation of marketable securities related to our non-qualified benefit plans, changes in actuarial assumptions associated with our pension and other postretirement benefit plans and legislative or other regulatory actions impacting our pension and postretirement benefit obligations
- changes in business conditions that could impact business investments and/or recorded goodwill or the value of other long-lived assets

You are urged to consider the limitations on, and risks associated with, forward-looking statements and not unduly rely on the accuracy of forward-looking statements. These forward-looking statements speak only as of the date this presentation is first issued or, in the case of any document incorporated by reference, the date of that document. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

This presentation also contains non-GAAP financial measures. A reconciliation to the nearest GAAP measure and a discussion of the company's use of these measures are included in this presentation.

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Q3 2022 Highlights

Enterprise Spotlight

- B-21 to be unveiled at our Palmdale facility on December 2nd, 2022
- Recognized as a recipient of the 2022 Deming Cup award for operational excellence and continuous improvement by Columbia Business School
- Booked $1.3 billion contract award for the Ground-based Midcourse Defense (GMD) Weapon System (GWS) that expands our position as a leading prime contractor of modern missile defense systems

Financial Results

- Awards of $8.7 billion, year to date book to bill of 1.14x
- Sales increased 3% to $9.0 billion
- Generated over $1.3 billion in operating cash flow

Capital Deployment

- Continue to prioritize investments in our business that are a cornerstone of our technology and manufacturing leadership strategy
- Committed to return at least 100% of 2022 transaction-adjusted free cash flow(1) to shareholders via dividends and share repurchases(2)

$80B in Backlog

$9.0B Q3 Sales

$5.89 Q3 Diluted EPS

$1.3B Q3 Operating Cash Flow

1 Non-GAAP financial measure. See Appendix.
2 See Page 12 – "Financial Guidance" regarding certain of the company's underlying assumptions, judgments and factors that can affect the company's ability to achieve guidance or meet expectations.

Q3 Sales

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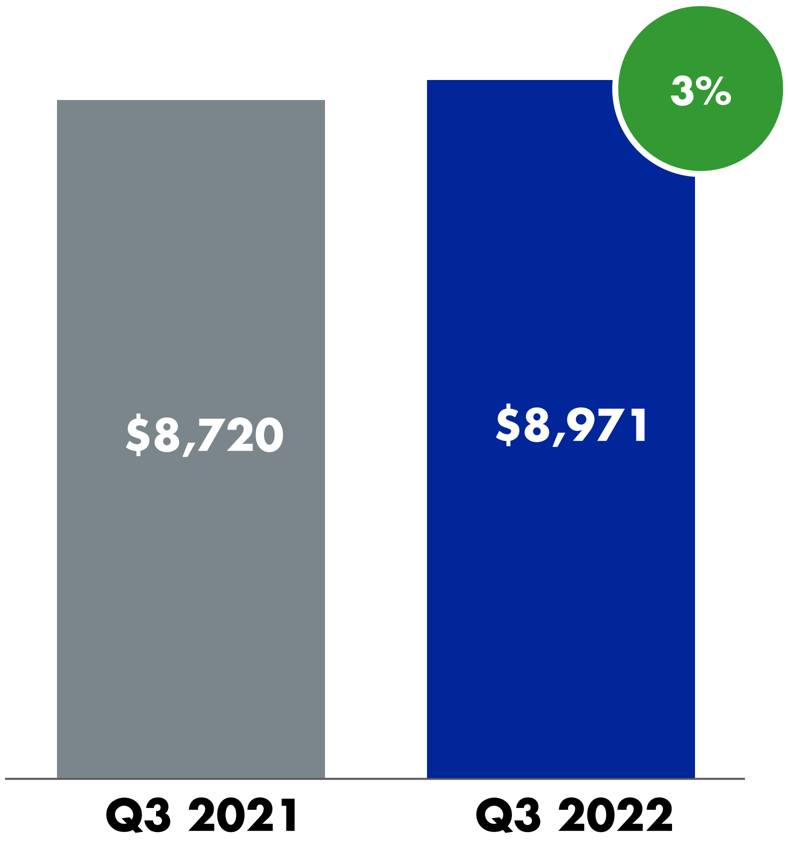
Sales



($M)	Three Months Ended September 30 2021	2022	▲%
Aeronautics Systems	$2,725	**$2,537**	**(7)%**
Defense Systems	1,409	**1,345**	**(5)%**
Mission Systems	2,436	**2,456**	**1%**
Space Systems	2,681	**3,163**	**18%**
Intersegment Eliminations	(531)	**(530)**	
Total Sales	$8,720	**$8,971**	**3%**

Strong demand and improved labor availability driving sales growth acceleration

Q3 Segment Operating Income* and Margin Rate*

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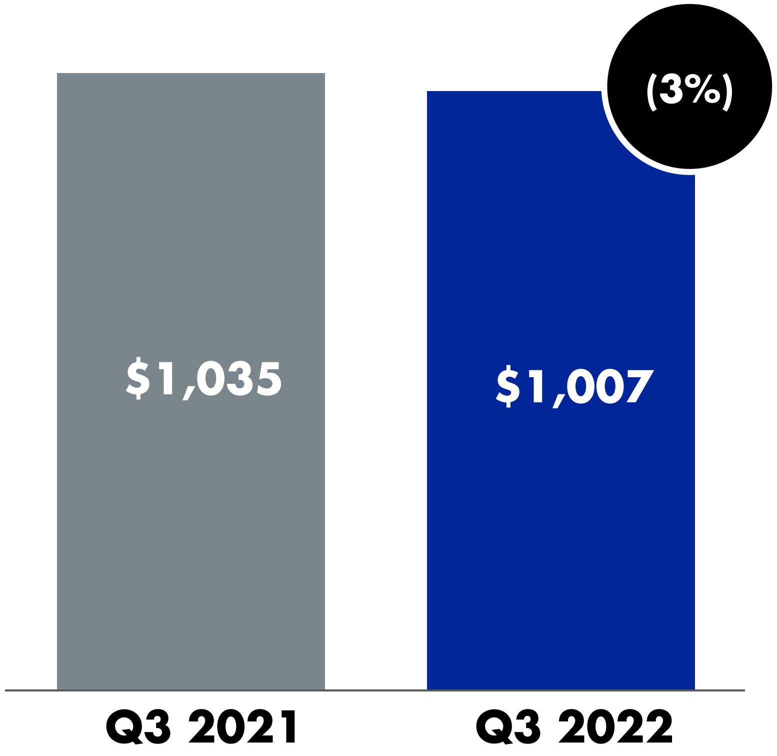
Segment Operating Income*

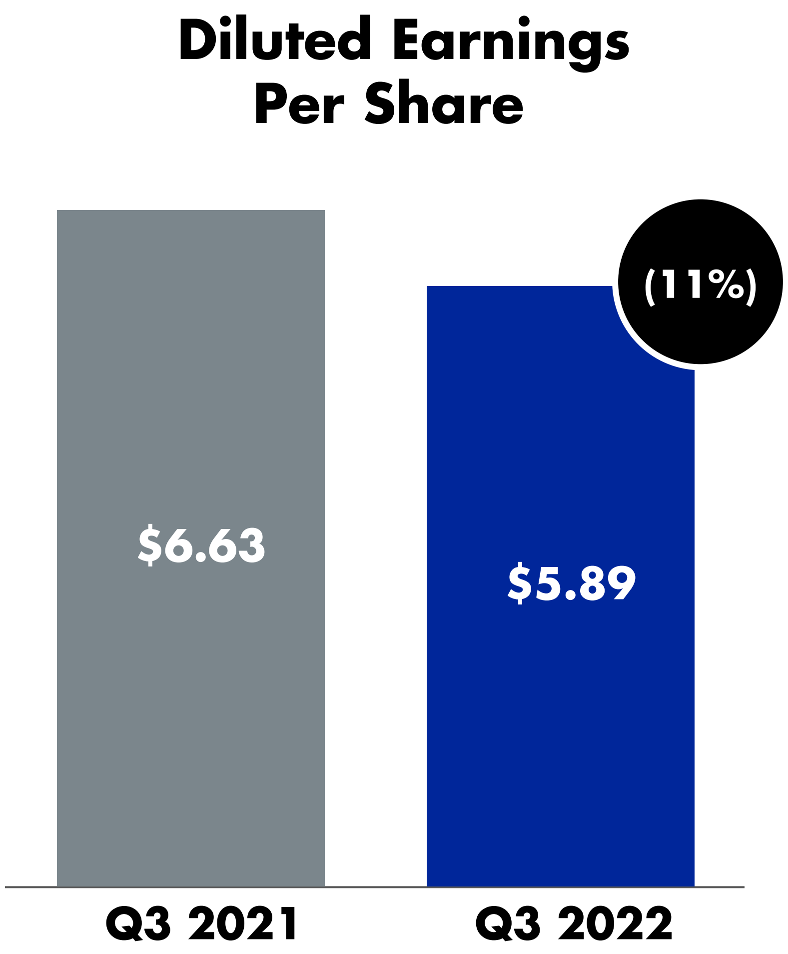


($M)	Three Months Ended September 30					
	Segment Operating Income*			Segment Margin Rate*		
	2021	2022	▲%	2021	2022	▲
Aeronautics Systems	$265	**$262**	**(1)%**	9.7%	**10.3%**	**60 bps**
Defense Systems	175	**158**	**(10)%**	12.4%	**11.7%**	**(70) bps**
Mission Systems	372	**368**	**(1)%**	15.3%	**15.0%**	**(30) bps**
Space Systems	288	**290**	**1%**	10.7%	**9.2%**	**(150) bps**
Intersegment Eliminations	(65)	**(71)**				
Total	$1,035	**$1,007**	**(3)%**	11.9%	**11.2%**	**(70) bps**

Q3 margins reflect continued strong execution offset partially by lower net EAC adjustments

* Non-GAAP financial measure. See Appendix.

Q3 EPS Bridge



Q3 2021	**$6.63**
Net Pension*	(0.45)
Corporate Unallocated	(0.29)
Marketable Securities	(0.11)
Tax, Interest, and Other	0.11
Q3 2022	**$5.89**

Non-operating items driver of year-over-year change in earnings per share

* Net Pension tax effected on a 21% federal statutory tax rate and a 5.25% blended state tax rate

Note - Year over year benefit from share reduction embedded in individual items, tax effected at 21%.

2022 Sector Guidance*

	2022 Guidance* as of 7/28/2022		2022 Guidance* as of 10/27/2022	
	Sales ($B)	OM Rate %	Sales ($B)	OM Rate %
Aeronautics Systems	Mid to High $10	Low 10%	**Mid $10**	**Mid 10%**
Defense Systems	Mid $5	~12%	Mid $5	~12%
Mission Systems	Mid $10	Mid 15%	Mid $10	Mid 15%
Space Systems	High $11	~10%	**~$12**	**High 9%**
Eliminations	Low ($2)	~13%	Low ($2)	**Mid 13%**

*See Page 12 – "Financial Guidance" regarding certain of the company's underlying assumptions, judgments and factors that can affect the company's ability to achieve guidance or meet expectations.

2022 Company-Level Guidance[1]

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$ in millions, except per share amounts	As of 7/28/2022	As of 10/27/2022
Sales	$36,200 — $36,600	**$36,200 — $36,600**
Segment operating margin %[2]	11.7% — 11.9%	**11.7% — 11.9%**
Total Net FAS/CAS pension adjustment[3]	~1,310	~1,310
Unallocated corporate expense:		
Intangible asset amortization and PP&E step-up depreciation	~240	~240
Other items	~210	~240
Operating margin %	9.8% — 10.0%	9.8% — 10.0%
Interest expense	~530	~500
Effective tax rate %	~17.0%	~15.5%
Weighted average diluted shares outstanding	~155	155 — 156
Transaction-adjusted EPS[2][4]	$24.50 — $25.10	**$24.50 — $25.10**
Transaction-adjusted free cash flow[2] based on current tax law	$1,500 — $1,800	**$1,500 — $1,800**

Sales and EPS are expected to be near the low end of guidance ranges

1 See Page 12 – "Financial Guidance" regarding certain of the company's underlying assumptions, judgments and factors that can affect the company's ability to achieve guidance or meet expectations.

2 Non-GAAP financial measure. See Appendix.

3 Total Net FAS/CAS pension adjustment is presented as a single amount consistent with our historical presentation, and includes $170 million of expected CAS pension expense and $370 million of FAS pension service expense, both of which are reflected in operating income. Non-operating FAS pension benefit of $1,510 million is reflected below operating income, and the total net FAS/CAS pension adjustment is $1,310 million.

4 As usual, financial guidance does not include any future gains or losses associated with changes in valuations of the company's marketable securities related to our non-qualified benefit plans and other non-operating assets

2023 Net Pension Income Sensitivities $(M)

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Asset Returns

Change in Discount Rate[4]

FAS[2][5]	(22.5)%	(17.5)%	(12.5)%	(7.5)%	(2.5)%	2.5%	7.5%
0 bps	425	560	690	825	955	1,090	**1,200**
+50 bps	335	470	600	735	865	1,000	1,110
+100 bps	260	395	525	660	790	925	1,035
+150 bps	195	330	460	595	725	860	970
+200 bps	135	270	400	535	665	800	910
+250 bps	85	**220**	350	485	615	750	860
+300 bps	45	180	310	445	575	710	820

CAS[3]	(22.5)%	(17.5)%	(12.5)%	(7.5)%	(2.5)%	2.5%	7.5%
	210	**170**	160	150	140	130	**125**

Estimates[1] as of 9/30/22

Pension Estimates[1] as of 1/27/22

Pension income decline impacts 2023 GAAP earnings but generates modest improvement to pension cash flow

1 See Page 12 – "Financial Guidance" regarding certain of the company's underlying assumptions, judgments and factors that can affect the company's ability to achieve guidance or meet expectations.
2 Net FAS Pension Income – Includes FAS Pension Service Expense (that is a component of operating earnings) and Non-Operating FAS Pension Benefit, assumes holding all other pension assumptions constant
3 CAS costs not directly impacted in the short term by changes in the discount rate, assumes holding all other pension assumptions constant
4 Change in Discount Rate compared to our Original Guidance provided on 1/27/22 of 2.98%. Discount rate and cash balance credit rating assumptions are partially linked
5 FAS Estimates as of 9/30/22 of $220 million highlighted above include FAS Pension Service Expense of $225 million, and $445 million of Non-Operating FAS Pension Benefit

2023 Outlook as of 10/27/22[1]

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Expect 2023 Sales growth between 4 and 5 percent, including:

- Space sales expected to grow by approximately $1 billion
- Mid-single digit growth at MS
- Flattish sales at AS and DS

Solid Segment Margins[2]

- Expected to be in the mid to high 11 percent range

Expect continued earnings growth excluding the effect of pension income

- Modest benefit to pension related cash flow; projected to increase in subsequent years

Still expect 2023 Adjusted Free Cash Flow[2] of $2.6 to $3.0 billion, subject to the impact of Section 174 tax law

Continue to execute on long-term value creation strategy

1 See Page 12 – "Financial Guidance" regarding certain of the company's underlying assumptions, judgments and factors that can affect the company's ability to achieve guidance or meet expectations.
2 Non-GAAP financial measure. See Appendix.

Appendix

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Financial Guidance

Financial guidance, as well as outlook, trends, expectations and other forward looking statements provided by the company for 2022 and beyond, reflect the company's judgment based on the information available to the company at the time of this release. The company's 2022 financial guidance and outlook beyond 2022 reflect what the company currently anticipates will be the impacts on the company from the global COVID-19 pandemic and the broader economic environment, based on what the company understands today and what the company has experienced to date. However, the company cannot predict how the pandemic or the macroeconomic environment will evolve or what impact they will continue to have, and there can be no assurance that the company's underlying assumptions are correct. As discussed more fully in the company's Form 10-K and in the recent Form 10-Q, and among other factors, disruptions to the company's operations or those of its customers, supply chain and logistics challenges, including extended material lead times, challenges to the labor market and our workforce, including labor shortages and evolving government requirements, disruptions in the financial markets, inflationary pressures and increased costs, impacts on programs or payments, and changes in our customers' priorities, resources and requirements, relating to the global COVID-19 pandemic and/or macroeconomic environment, today and as they may evolve, can be expected to affect the company's ability to achieve guidance or meet expectations. In addition, global events, such as the conflict in Ukraine, and the government budget, appropriations and procurement priorities and processes can impact our customers, programs and financial results. These events, priorities and processes, including the timing of appropriations and the occurrence of an extended continuing resolution and/or prolonged government shutdown, as well as a breach of the debt ceiling, extraordinary measures taken in connection with a breach, changes in support for our programs, or changes in federal corporate tax or securities laws and regulations, can impact the company's ability to achieve guidance or meet expectations.

Non-GAAP Definitions

Non-GAAP Financial Measures Disclosure: This presentation contains non-GAAP (accounting principles generally accepted in the United States of America) financial measures, as defined by SEC Regulation G and indicated by a footnote in this presentation. Definitions for the non-GAAP measures are provided below and reconciliations are provided in this presentation, except that reconciliations of forward-looking non-GAAP measures are not provided because the company is unable to provide such reconciliations without unreasonable effort due to the uncertainty and inherent difficulty of predicting the occurrence and financial impact of certain items, including, but not limited to, the impact of any mark-to-market pension adjustment. Other companies may define these measures differently or may utilize different non-GAAP measures.

Transaction-adjusted net earnings: Net earnings excluding impacts related to the company’s IT services divestiture, including the gain on sale of the business, associated federal and state income tax expenses, transaction costs, and the make-whole premium for early debt redemption, as well as MTM benefit (expense) and related tax impacts. This measure may be useful to investors and other users of our financial statements as a supplemental measure in evaluating the company’s underlying financial performance by presenting the company’s operating results before the non-operational impact of divestiture activity and pension and OPB actuarial gains and losses. This measure is also consistent with how management views the underlying performance of the business as the impact of the IT services divestiture and MTM accounting is not considered in management’s assessment of the company’s operating performance or in its determination of incentive compensation awards. Transaction-adjusted net earnings is reconciled in the “Non-GAAP Reconciliations – Transaction-adjusted net earnings and Transaction-adjusted EPS" table within this Appendix.

Transaction-adjusted EPS: Diluted earnings per share excluding the per share impacts related to the company’s IT services divestiture, including the gain on sale of the business, associated federal and state income tax expenses, transaction costs, and the make-whole premium for early debt redemption, as well as MTM benefit (expense) and related tax impacts. This measure may be useful to investors and other users of our financial statements as a supplemental measure in evaluating the company’s underlying financial performance per share by presenting the company’s diluted earnings per share results before the non-operational impact of the IT services divestiture and pension and OPB actuarial gains and losses. Transaction-adjusted EPS is reconciled in the “Non-GAAP Reconciliations – Transaction-adjusted net earnings and Transaction-adjusted EPS" table within this Appendix.

Organic sales: Total sales excluding sales attributable to the company's IT services divestiture. This measure may be useful to investors and other users of our financial statements as a supplemental measure in evaluating the company’s underlying sales growth as well as in providing an understanding of our ongoing business and future sales trends by presenting the company’s sales before the impact of divestiture activity. Organic sales is reconciled in the "Non-GAAP Reconciliations – Organic Sales" table within this Appendix.

Non-GAAP Definitions

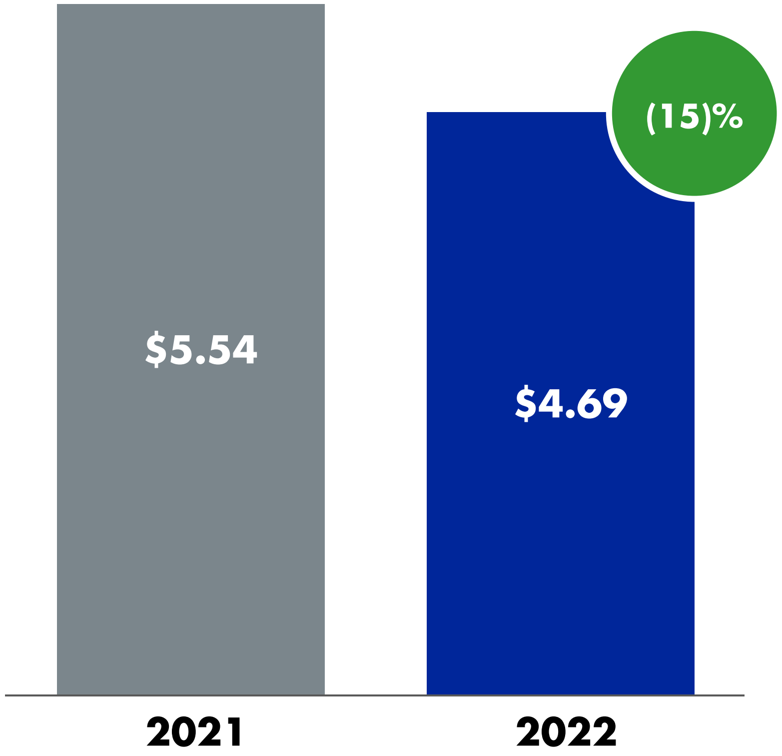
<u>Segment operating income and segment operating margin rate:</u> Segment operating income, as reconciled in the "Non-GAAP Reconciliations – Segment Operating Income" table within this Appendix and segment operating margin rate (segment operating income divided by sales) reflect the combined operating income of our four segments less the operating income associated with intersegment sales. Segment operating income includes pension expense allocated to our sectors under FAR and CAS and excludes FAS pension service expense and unallocated corporate items. These measures may be useful to investors and other users of our financial statements as supplemental measures in evaluating the financial performance and operational trends of our sectors. These measures should not be considered in isolation or as alternatives to operating results presented in accordance with GAAP.

<u>Adjusted free cash flow:</u> Net cash provided by or used in operating activities, less capital expenditures, plus proceeds from the sale of equipment to a customer (not otherwise included in net cash provided by or used in operating activities) and the after-tax impact of discretionary pension contributions. Adjusted free cash flow includes proceeds from the sale of equipment to a customer as such proceeds were generated in a customer sales transaction. It also includes the after-tax impact of discretionary pension contributions for consistency and comparability of financial performance. This measure may not be defined and calculated by other companies in the same manner. We use adjusted free cash flow as a key factor in our planning for, and consideration of, acquisitions, the payment of dividends and stock repurchases. This non-GAAP measure may be useful to investors and other users of our financial statements as a supplemental measure of our cash performance, but should not be considered in isolation, as a measure of residual cash flow available for discretionary purposes, or as an alternative to operating cash flows presented in accordance with GAAP. Adjusted free cash flow is reconciled in the "Non-GAAP Reconciliations – Transaction-adjusted Free Cash Flow" table within this Appendix.

<u>Transaction-adjusted free cash flow:</u> Net cash provided by or used in operating activities less capital expenditures, plus proceeds from the sale of equipment to a customer (not otherwise included in net cash provided by or used in operating activities), the after-tax impact of discretionary pension contributions and cash paid for federal and state taxes and transaction costs associated with the IT services divestiture. Transaction-adjusted free cash flow includes proceeds from the sale of equipment to a customer as such proceeds were generated in a customer sales transaction. It also includes the after-tax impact of discretionary pension contributions and cash paid for federal and state taxes and transaction costs associated with the IT services divestiture for consistency and comparability of financial performance. This measure may not be defined and calculated by other companies in the same manner. We use transaction-adjusted free cash flow as a key factor in our planning for, and consideration of, acquisitions, the payment of dividends and stock repurchases. This non-GAAP measure may be useful to investors and other users of our financial statements as a supplemental measure of our cash performance, but should not be considered in isolation, as a measure of residual cash flow available for discretionary purposes, or as an alternative to operating cash flows presented in accordance with GAAP. Transaction-adjusted free cash flow is reconciled in the "Non-GAAP Reconciliations – Transaction-adjusted Free Cash Flow" table within this Appendix.

FAS/CAS Pension Adjustment Impact per Share

YTD FAS/CAS Impact per Share



$ in millions, except per share amounts	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2022	2021	2022
FAS/CAS operating adjustment	$61	**$(55)**	$98	**$(152)**
Non-operating FAS pension benefit	367	**376**	1,101	**1,129**
Total net FAS/CAS pension adjustment	428	**321**	1,199	**977**
Tax effect*	(108)	**(81)**	(302)	**(246)**
After-tax impact	$320	**$240**	$897	**$731**
Weighted-average diluted shares outstanding, in millions	160.4	**155.3**	161.8	**155.9**
Per share impact	$2.00	**$1.55**	$5.54	**$4.69**

FAS/CAS pension adjustment continues to have decreasing benefit on GAAP EPS

* Based on a 21% federal statutory tax rate and a 5.25% blended state tax rate

Non-GAAP Reconciliations
Organic Sales

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	Nine Months Ended September 30						
	2021			2022			
($M)	Sales	IT Services Sales	Organic Sales	Sales	IT Services Sales	Organic Sales	Organic sales ▲%
Aeronautics Systems	$8,628	$—	$8,628	**$7,774**	**$—**	**$7,774**	**(10)%**
Defense Systems	4,398	(106)	4,292	**3,922**	**—**	**3,922**	**(9)%**
Mission Systems	7,613	(42)	7,571	**7,469**	**—**	**7,469**	**(1)%**
Space Systems	7,950	(16)	7,934	**8,997**	**—**	**8,997**	**13%**
Intersegment Eliminations	(1,561)	2	(1,559)	**(1,593)**	**—**	**(1,593)**	
Total	$27,028	$(162)	$26,866	**$26,569**	**$—**	**$26,569**	**(1)%**

Non-GAAP Reconciliations

Segment Operating Income

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($M)	Three Months Ended September 30 2021	Three Months Ended September 30 2022	Nine Months Ended September 30 2021	Nine Months Ended September 30 2022
Total sales	$8,720	**$8,971**	$27,028	**$26,569**
Operating income	$1,043	**$844**	$4,909	**$2,695**
Operating margin rate	12.0%	**9.4%**	18.2%	**10.1%**
Reconciliation to segment operating income:				
FAS/CAS operating adjustment	$(61)	**$55**	$(98)	**$152**
Unallocated corporate expense (income):				
Gain on sale of business	—	—	(1,980)	—
IT services divestiture – unallowable state taxes and transaction costs	—	—	192	—
Intangible asset amortization and PP&E step-up depreciation	62	60	191	181
Other unallocated corporate expense (income)	(9)	48	33	89
Unallocated corporate expense (income)	$53	**$108**	$(1,564)	**$270**
Segment operating income	$1,035	**$1,007**	$3,247	**$3,117**
Segment operating margin rate	11.9%	**11.2%**	12.0%	**11.7%**

Non-GAAP Reconciliations

Transaction-adjusted Net Earnings and Transaction-adjusted EPS

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$ in millions, except per share amounts	Three Months Ended September 30 2021	Three Months Ended September 30 2022	Nine Months Ended September 30 2021	Nine Months Ended September 30 2022
Transaction-adjusted net earnings				
Net earnings	$1,063	**$915**	$4,295	**$2,816**
Gain on sale of business	—	**—**	(1,980)	**—**
State tax impact[1]	—	**—**	160	**—**
Transaction costs	—	**—**	32	**—**
Make-whole premium	—	**—**	54	**—**
Federal tax impact of items above[2]	—	**—**	614	**—**
Transaction adjustment, net of tax	$—	**$—**	$(1,120)	**$—**
Transaction-adjusted net earnings	$1,063	**$915**	$3,175	**$2,816**
Transaction-adjusted per share data				
Diluted EPS	$6.63	**$5.89**	$26.55	**$18.06**
Gain on sale of business per share	—	**—**	(12.24)	**—**
State tax impact per share[1]	—	**—**	0.99	**—**
Transaction costs per share	—	**—**	0.20	**—**
Make-whole premium per share	—	**—**	0.33	**—**
Federal tax impact of line items above per share[2]	—	**—**	3.79	**—**
Transaction adjustment per share, net of tax	$—	**$—**	$(6.93)	**$—**
Transaction-adjusted EPS	$6.63	**$5.89**	$19.62	**$18.06**

1. The state tax impact includes $62 million of incremental tax expense related to $1.2 billion of nondeductible goodwill in the divested business.
2. The federal tax impact was calculated by applying the 21 percent federal statutory rate to the adjustment items and also includes $250 million of incremental tax expense related to $1.2 billion of nondeductible goodwill in the divested business.

Non-GAAP Reconciliations
Transaction-adjusted Free Cash Flow

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	Three Months Ended September 30			Nine Months Ended September 30		
($M)	**2021**	**2022**	**▲%**	**2021**	**2022**	**▲%**
Net cash provided by operating activities	$1,163	**$1,335**	**15%**	$2,125	**$650**	**(69)%**
Capital expenditures	(247)	**(296)**	**20%**	(682)	**(803)**	**18%**
Proceeds from sale of equipment to a customer	28	**100**	**257%**	84	**100**	**19%**
Adjusted free cash flow	$944	**$1,139**	**21%**	$1,527	**$(53)**	**(103)%**
IT services divestiture transaction costs	—	**—**	**NM**	39	**—**	**NM**
IT services divestiture federal and state taxes	198	**—**	**NM**	588	**—**	**NM**
Transaction-adjusted free cash flow	$1,142	**$1,139**	**—%**	$2,154	**$(53)**	**(102)%**

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