



# Northrop Grumman Overview

January 26, 2023

**Kathy Warden**

Chair, Chief Executive Officer  
and President

**Dave Keffer**

Corporate Vice President  
and Chief Financial Officer

# Forward-Looking Statements

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, 2022, 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 macroeconomic, health, security and political environments, including inflationary pressures, labor and supply chain challenges and the COVID-19 pandemic, 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 and/or for our programs, and U.S. government funding and program support more broadly, including as a result of a prolonged continuing resolution and/or government shutdown, and/or related to hostilities and other global events
- significant delays or reductions in payments as a result of or related to a breach of the debt ceiling
- the use of estimates when accounting for our contracts and the effect of contract cost growth and our efforts to recover or offset such costs and/or changes in estimated contract costs and revenues, including as a result of inflationary pressures, labor shortages, supply chain challenges and/or other macroeconomic factors, and risks related to management’s judgments and assumptions in estimating and/or projecting contract revenue and performance which may be inaccurate
- continued pressures from macroeconomic trends, including inflation, supply chain delays and disruptions, and labor challenges, including on costs, schedules, performance and ability to meet expectations
- increased competition within our markets and bid protests

## Legal and Regulatory Risks

- investigations, claims, disputes, enforcement actions, litigation (including criminal, civil and administrative) and/or other legal proceedings
- the improper conduct of employees, agents, subcontractors, suppliers, business partners or joint ventures in which we participate, including the impact on our reputation and our ability to do business
- changes in procurement and other laws, SEC, DoD and other rules and regulations, contract terms and practices applicable to our industry, findings by the U.S. government as to our compliance with such requirements, more aggressive enforcement of 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 related to health epidemics, pandemics, including the COVID-19 pandemic, such as labor, supply chain or financial, schedule or cost impacts (without corresponding recovery), among other impacts
- 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, talented and diverse workforce with the necessary security clearances 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, shortages in labor and financial resources, supply chain disruptions, and extended material lead times
- environmental, social and governance matters, including especially climate change, their impacts on our company, our operations and our stakeholders (employees, suppliers, customers, shareholders and regulators), and changes in laws, regulations and priorities related to these issues
- our exposure to additional risks as a result of our international business, including risks related to global security, geopolitical and economic factors, misconduct, 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, progress digital transformation, 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, and ability to obtain, 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, and other potential future liabilities

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.



# Motivated by our Mission, Vision and Values

## Mission

At Northrop Grumman, our purpose is to protect national security and advance our understanding of our universe and how we sustain it for the future. We are transforming technology at speed to give our customers the ability to connect and protect around the globe.

## Vision

We are exploring burgeoning research areas and creating revolutionary technology that will not only power the mission but also connect, advance and protect the U.S. and its allies. No matter what the future holds, the greater the problem, the more prepared we are to help solve it.

## Values



### We do the right thing

We earn trust, act with ethics, integrity and transparency, treat everyone with respect, value diversity and foster safe and inclusive environments.



### We do what we promise

We own the delivery of results, focused on quality outcomes.



### We commit to shared success

We work together to focus on the mission and take accountability for the sustainable success of our people, customers, shareholders, suppliers and communities.



### We Pioneer

With fierce curiosity, dedication, and innovation, we seek to solve the world's most challenging problems.

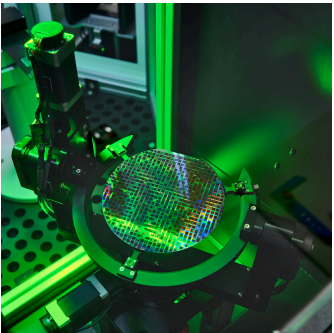
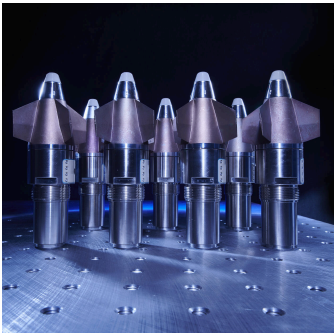


# Northrop Grumman Today

## About Us

At Northrop Grumman, we **pioneer technologies** and break new boundaries to protect and advance humanity as we know it. From **deep sea to outer space to cyber space**, we are defining possible at the edge of every frontier.

Our teams are exploring burgeoning research areas and **creating revolutionary technology** that will not only power the mission but also **connect, advance and protect** the U.S. and its allies. No matter what the future holds, the greater the problem, the more prepared we are to help solve it.



**\$79B**

2022 Backlog



**\$36.6B**

2022 Sales



**11.6%**

2022 Segment  
OM Rate\*



**\$2.9B**

2022 Operating  
Cash Flow



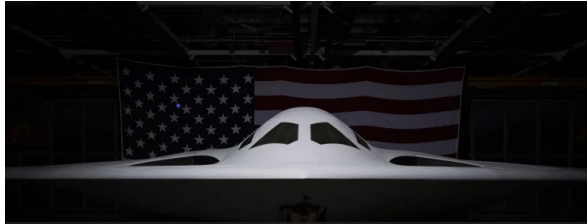
**~95K**

Employees

**Leading global aerospace and defense technology company**

\*Non-GAAP financial measure. See Appendix.

# What We Do



## Air

We build some of the world's most advanced aircraft. From the innovative B-21 Raider stealth bomber to the groundbreaking X-47B, in addition to powerful airborne sensors and systems.



## Cyber

We are a leading provider of full-spectrum cyber across land, air, sea and space. From preventing cyber attacks to securing military communications and giving our customers a decisive advantage, our capabilities are second to none.



## Land

We provide critical logistics, sustainment and modernization services for everything from America's emergency services infrastructure to combat vehicles on the battlefield.



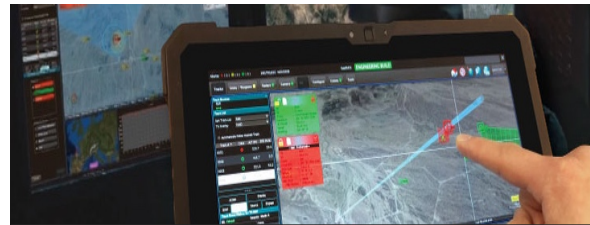
## Sea

We are a world leader in the design, development and production of naval systems. From sonar that can map the deepest depths of the ocean to anti-submarine systems and advanced electronic warfare, we're constantly evolving to counter increasingly sophisticated threats at sea.



## Space

We've been pioneering in space for over 60 years and we continue to push the boundaries of what's possible. From the Lunar Module to the latest space telescopes, from national security launch systems and payloads to advanced communications satellites, our space capabilities are unrivaled.



## Multi-Domain

In the future, more than ever before, mission advantage will go to military forces who can coordinate and act together across all domains. Observing, orienting, deciding and acting together, faster and with greater effect than their adversaries is the next-gen technological edge for Joint Forces.



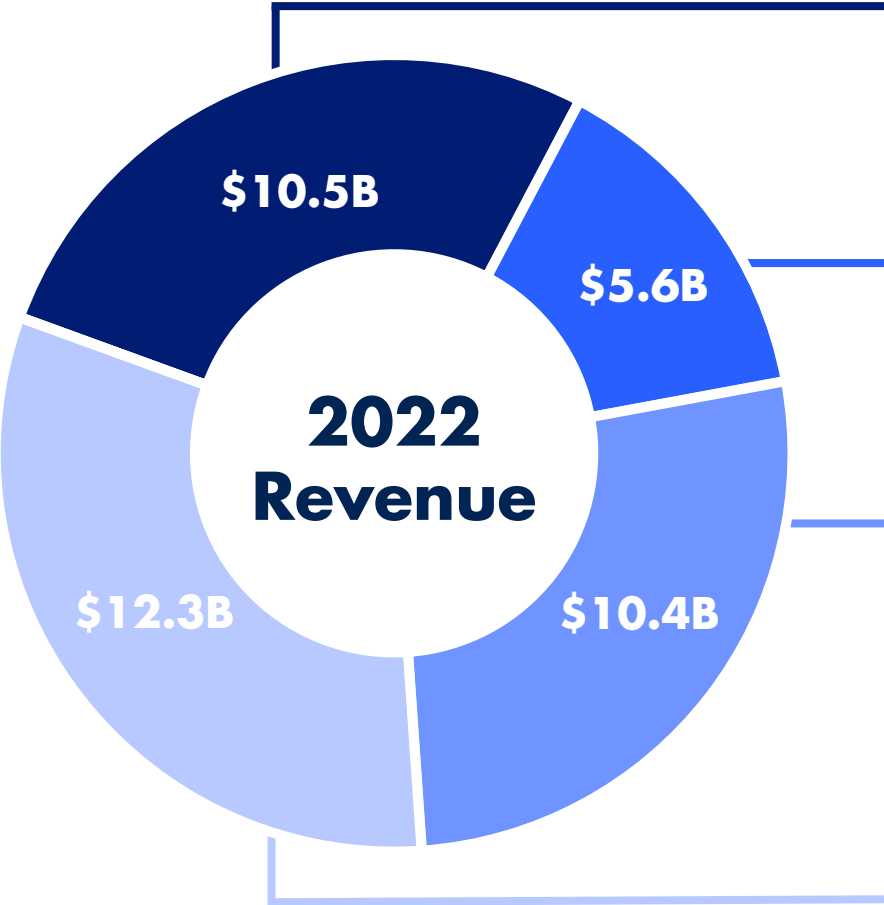
## Advanced Weapons

For decades, Northrop Grumman has protected U.S. forces and our allies by designing, developing and delivering weapons of increasing complexity and capabilities for expanded missions and domains.

**Our pioneering solutions  
equip our customers with  
the capabilities they need  
to connect and protect  
the world**



# Four Operating Sectors at-a-Glance



**Aeronautics Systems**

**Strike | Air Dominance | Battle Management and Control | Intelligence, Surveillance and Reconnaissance (ISR)**

Leader in the design, development, production, integration, sustainment and modernization of advanced aircraft systems for the U.S. Air Force, the U.S. Navy, other U.S. government agencies, and international customers.



**Defense Systems**

**Integrated Battle Management Systems | Weapons Systems | Aircraft and Mission Systems Sustainment and Modernization**

Leader in the design, development, production, integration, sustainment and modernization of weapon and mission systems for U.S. military and civilian agency customers, and a broad range of international customers.



**Mission Systems**

**Cyber | C4ISR Systems | Radar, Electro-optical/infrared (EO/IR) and Acoustic Sensors | Electronic Warfare Systems | Advanced Communications and Network Systems**

Leader in advanced mission solutions and multifunction systems, primarily for the U.S. defense and intelligence community, and international customers.



**Space Systems**

**Satellites and Payloads | Ground Systems | Missile Defense Systems and Interceptors | Launch Vehicles and Related Propulsion Systems | Strategic Missiles**

Leader in delivering end-to-end mission solutions through the design, development, integration, production and operation of space, missile defense, launch and strategic missile systems for national security, civil government, commercial and international customers.



# 2022 Highlights

## Enterprise Spotlight

- First images from James Webb Space Telescope released
- B-21 unveiled
- Integrated Battle Command System (IBCS) successfully completed Operational Test & Evaluation
- Developing next generation AESA radar for the F-35

## Financial Results

- Awards of \$39.3 billion, book to bill of 1.07x
- Organic Sales\* growth of ~3%, at high end of guidance range
- GAAP EPS of \$31.47, Transaction-adjusted EPS\* of \$25.54, above high end of guidance range
- Generated over \$2.9 billion in operating cash flow

## Capital Deployment

- Invested over \$2.6 billion in R&D and capital expenditures, over 7 percent of sales
- Increased our dividend by 10%, our 19th consecutive increase
- Returned over \$1.5 billion to investors via share repurchases



**\$79B**  
Backlog



**\$36.6B**  
Sales



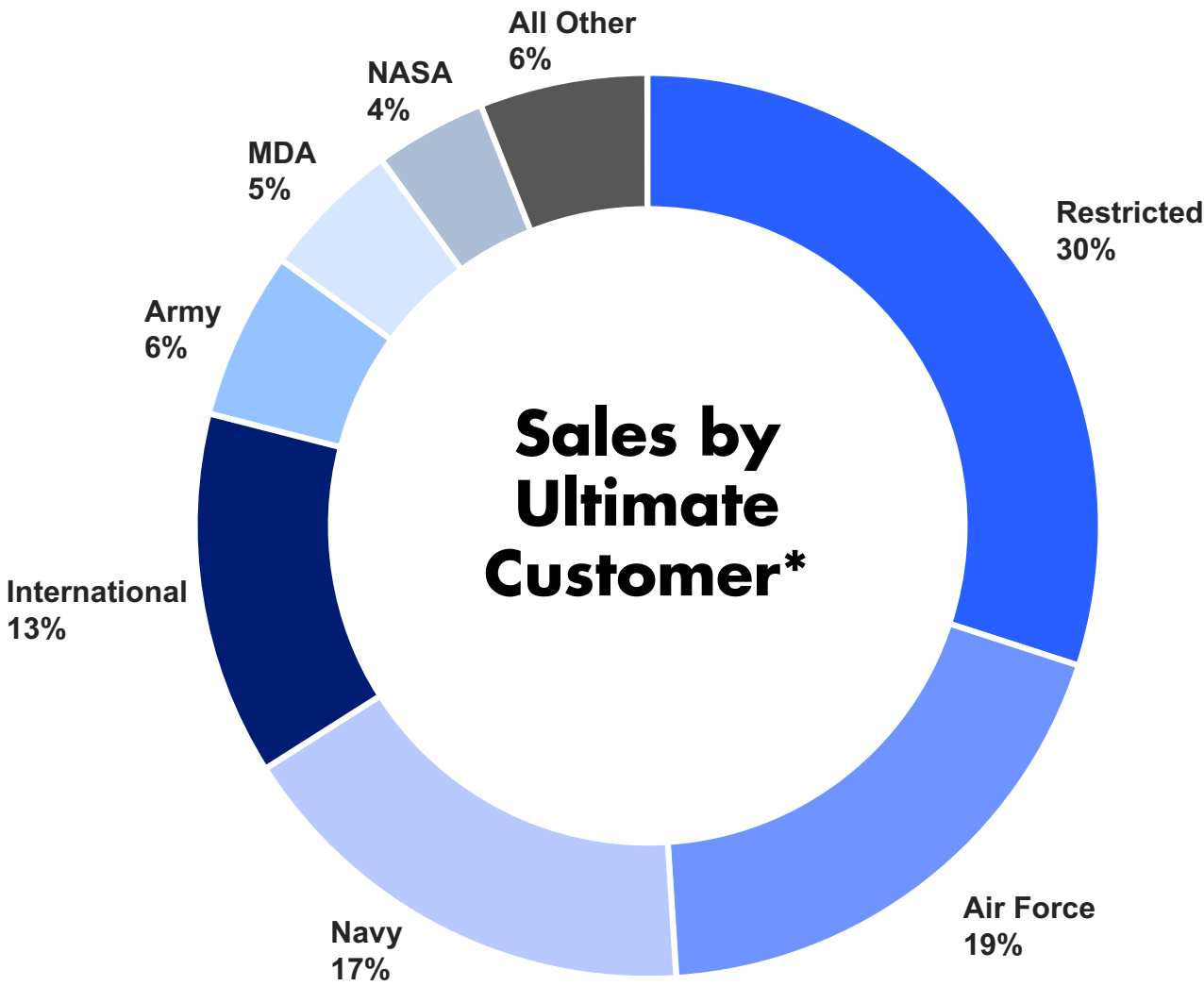
**\$25.54**  
Transaction-  
adjusted EPS<sup>(1)</sup>



**\$2.9B**  
Operating Cash  
Flow

\* Non-GAAP financial measure. See Appendix.

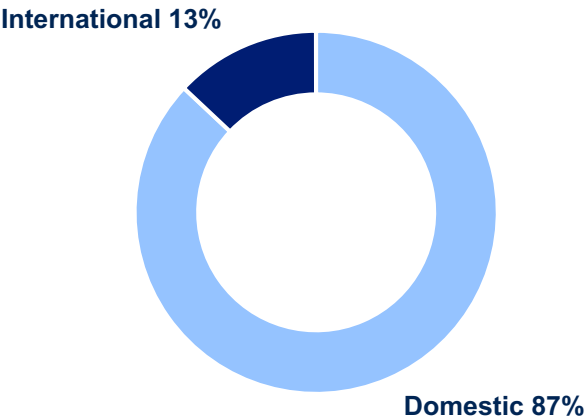
# 2022 Company Level Sales Mix



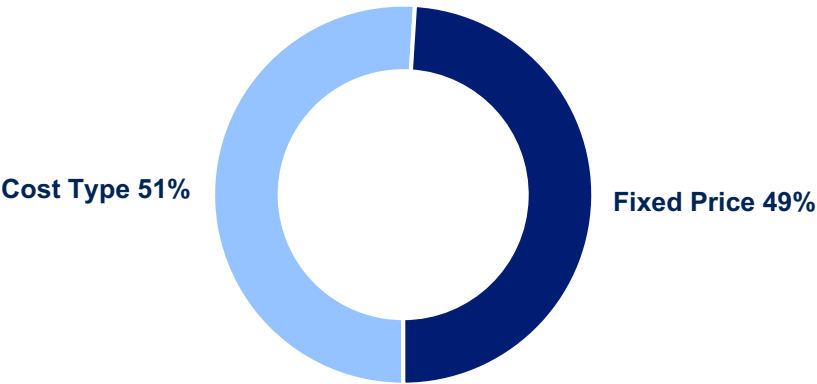
\*Represents ultimate end user customer where we are a subcontractor

## Sales Distributions

Domestic vs. International

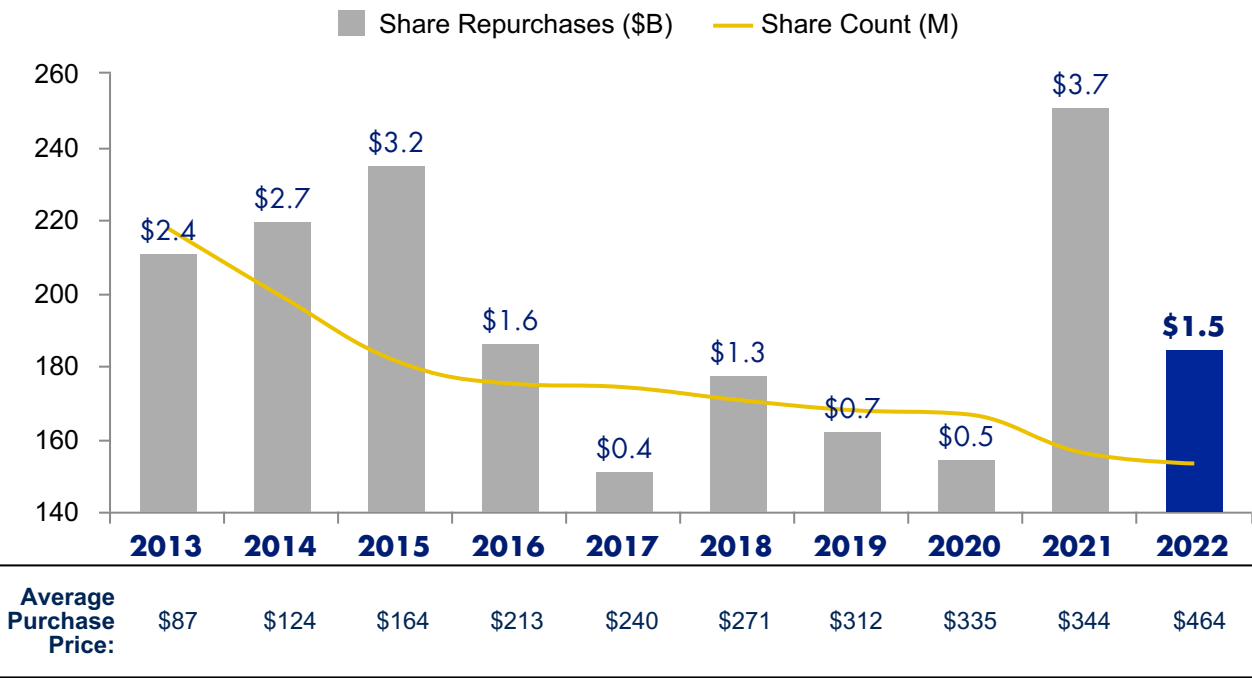


Contract Type



# Consistent Return of Cash to Shareholders

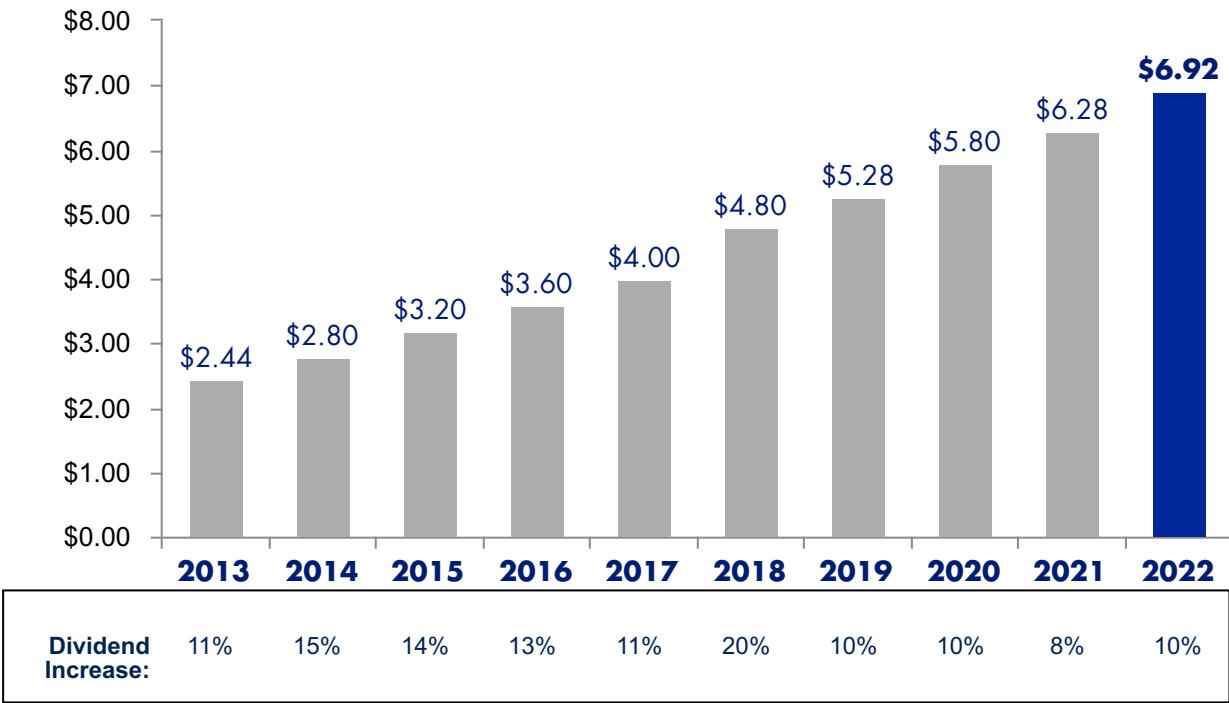
## Share Repurchases & Share Count



### Share Repurchases

- Between 2013 and 2022
  - Share count reduced by ~30%
  - Average purchase price of \$235
- Approximately \$1.5B in 2022 Share Repurchases

## Annualized Dividend




### Dividends


- Dividend Growth CAGR of ~12% from 2013-2022
- Dividend increased 10% in May 2022
- 19 consecutive annual dividend increases through 2022

# ESG Highlights


### Environmental




Committed to achieving  
**Net Zero GHG**  
emissions in our operations by 2035



Published our First  
**TCFD Report**



**Source 50%**  
of total electricity from renewable sources  
by 2030



**49%**  
solid waste diversion rate from landfill  
achieved in 2021

### Social

Recognized corporate culture and ethics program

Diverse employee population\* including



**25%**  
Female



**18%**  
Veteran



**37%**  
People of color



**8%**  
People with Disabilities




In 2021 generated  
**\$39M**  
In social value from Northrop Grumman, the Northrop Grumman Foundation and our employees


Have an active, executive-led human rights working group and a **comprehensive human rights policy**

### Governance


Board of Directors



**92%**  
Independent




**31%**  
Women on the board




**23%**  
People of color on the board

2021 Non-Financial Metrics part of Executive Compensation


**People**



Diversity




Employee Experience




Safety

**Environment**




Environmental Sustainability

**Customer**



Quality



Customer Satisfaction

\* U.S. Employee Population

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# ESG Recognition

## Investor Focused

Member of  
**Dow Jones  
Sustainability Indices**  
Powered by the S&P Global CSA

Member of DJSI North America Index  
for **7<sup>th</sup> consecutive year**



AA rating from MSCI



Participated in the CDP climate change  
questionnaire for the  
**11th consecutive year**, receiving a B score.

## Reputation



Recognized as one of "America's Most Just  
Companies" by JUST capital for  
**2nd consecutive year**



CPA-Zicklin Index for Corporate Political  
Contributions  
**Received a 100% Score**



Designated as a "High Performing Company"  
by Willis Tower Watson for high levels of  
employee engagement

## Diversity, Equity & Inclusion



DiversityInc's Top 50 Companies  
for Diversity



Disability Equality Index "Best Place to Work  
for Disability Inclusion"  
**Highest ranking for 8<sup>th</sup> year in a row**



Corporate Equality Index "Best Place to  
Work for LGBTQ+ Equality"  
**Received a 100% Rating**

**Leader in ESG**

# Aeronautics Systems





# Aeronautics Systems Sector Overview

## Strategy & Capabilities

Aeronautics Systems is a leader in the design, development, production, integration, sustainment and modernization of advanced aircraft systems for the U.S. Air Force, the U.S. Navy, other U.S. government agencies, and international customers.

These aircraft systems support four mission areas: strike; air dominance; battle management and control; and intelligence, surveillance and reconnaissance (ISR).

## Business Areas

**Autonomous Systems**



**Manned Aircraft**



**\$19.4B**

**2022 Backlog**



**\$10.5B**

**2022 Sales**



**10.6%**

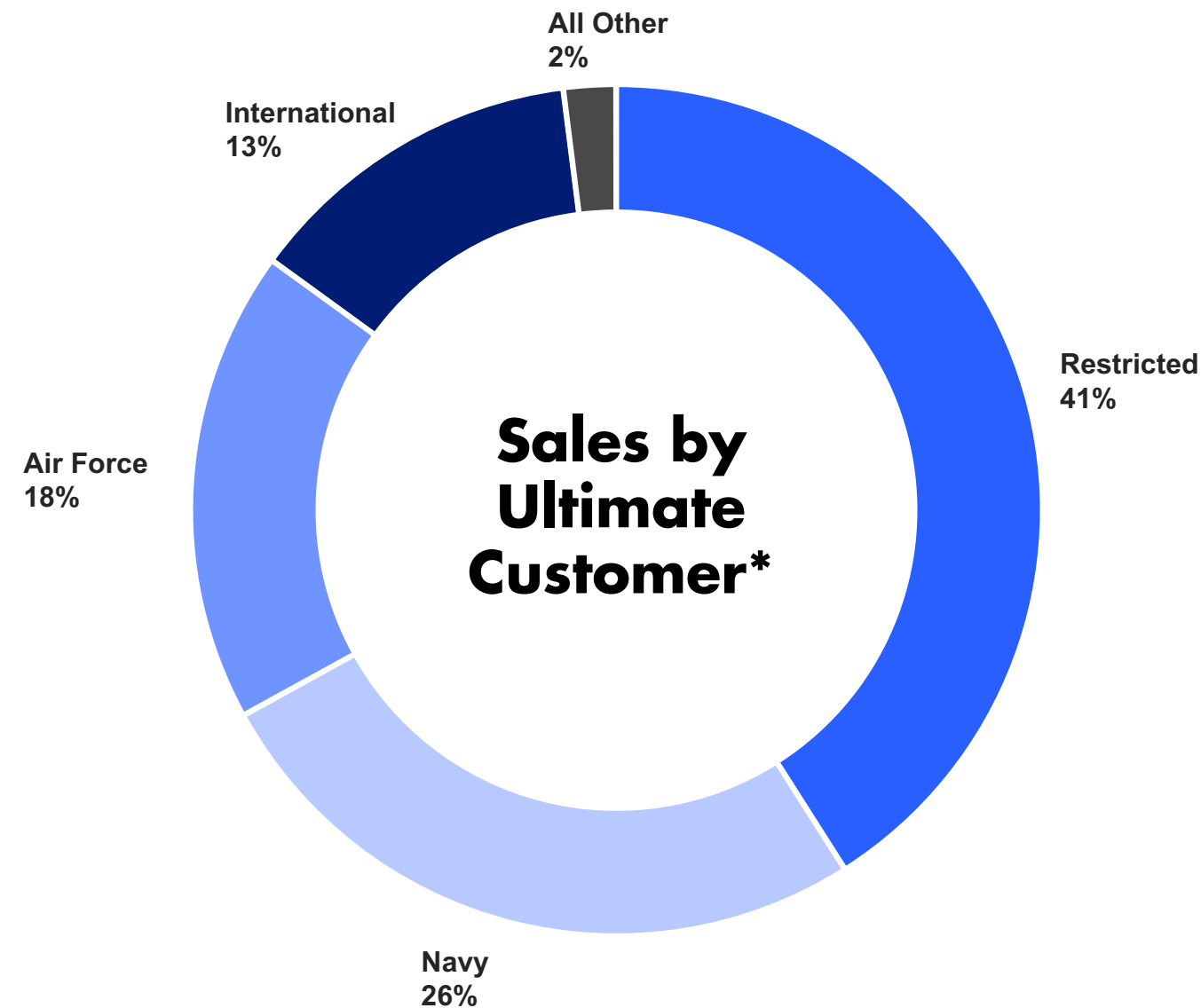
**2022 OM Rate**



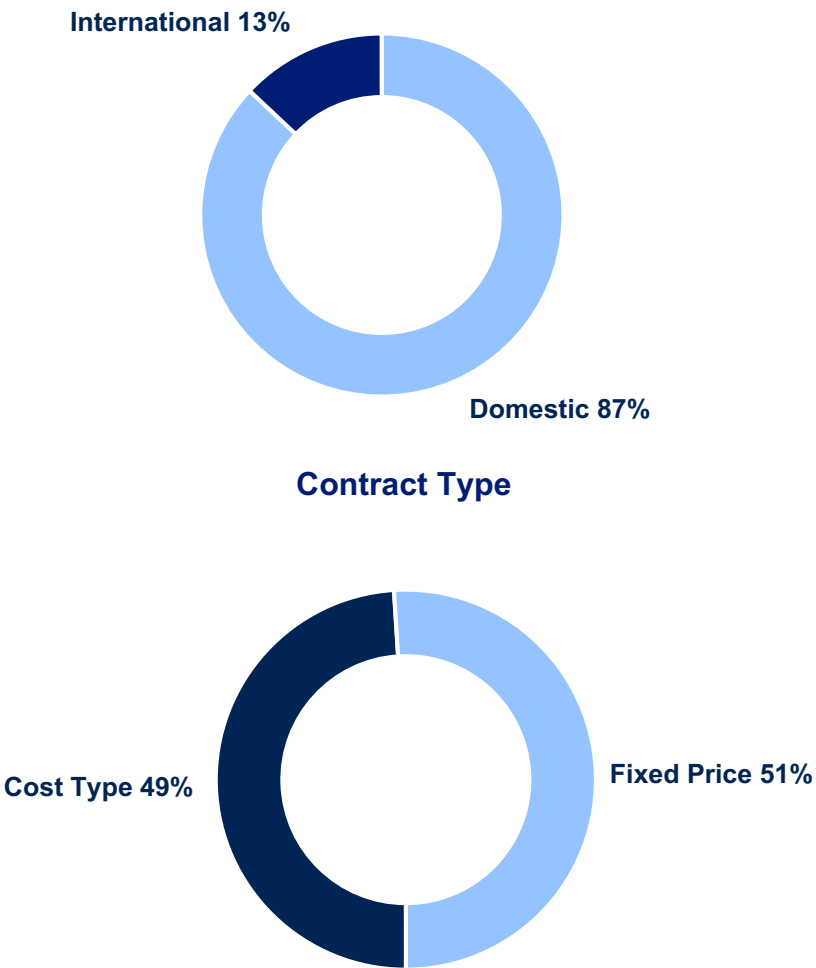
**~21K**

**Employees**

# 2022 Aeronautics Systems Sales Mix



**Sales Distributions**  
Domestic vs. International

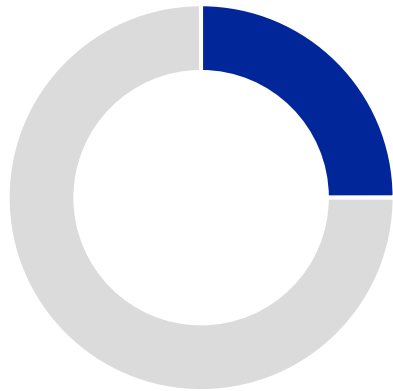


\*Represents ultimate end user customer where we are a subcontractor

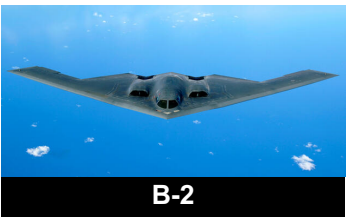


# Aeronautics Systems Key Programs

## Autonomous Systems



## Manned Aircraft



Pie chart distribution for illustrative purposes only

# Program Descriptions & Acronyms

## Aeronautics Systems

### Autonomous Systems

- MQ-4C Triton, which provides wide area strategic ISR over vast ocean and coastal regions for maritime domain awareness to the U.S. Navy and Australia;
- RQ-4 Global Hawk, which provides high resolution imagery of land masses for theater awareness and strategic ISR to the U.S. Air Force, Japan, and the Republic of Korea;
- North Atlantic Treaty Organization (NATO) Alliance Ground Surveillance (AGS), a Global Hawk variant, for strategic ISR missions conducted in multinational theater operations; and
- MQ-8B and MQ-8C Fire Scout, ship-based, VTOL tactical ISR systems that provide situational awareness and precision targeting for the U.S. Navy.

### Manned Aircraft

- Development and production of the U.S. Air Force B-21 Raider long-range strike bomber, as well as modernization and sustainment services for the B-2 Spirit bomber;
- Fuselage production for the F/A-18 Super Hornet and the F-35 Lighting II Joint Strike Fighter for use by U.S. and international forces;
- E-2D Advanced Hawkeye battle management aircraft production for the U.S. Navy, Japan, and France; and
- E-8C Joint Surveillance Target Attack Radar System (JSTARS) aircraft sustainment and modernization for the U.S. Air Force.

# Defense Systems



# Defense Systems Sector Overview

## Strategy & Capabilities

Defense Systems is a leader in the design, development, production, integration, sustainment and modernization of weapon and mission systems for U.S. military and civilian agency customers, and a broad range of international customers.

Major products and services include integrated battle management systems, weapons systems and aircraft and mission systems sustainment and modernization.

## Business Areas



**\$7.5B**

**2022 Backlog**



**\$5.6B**

**2022 Sales**



**11.9%**

**2022 OM Rate**

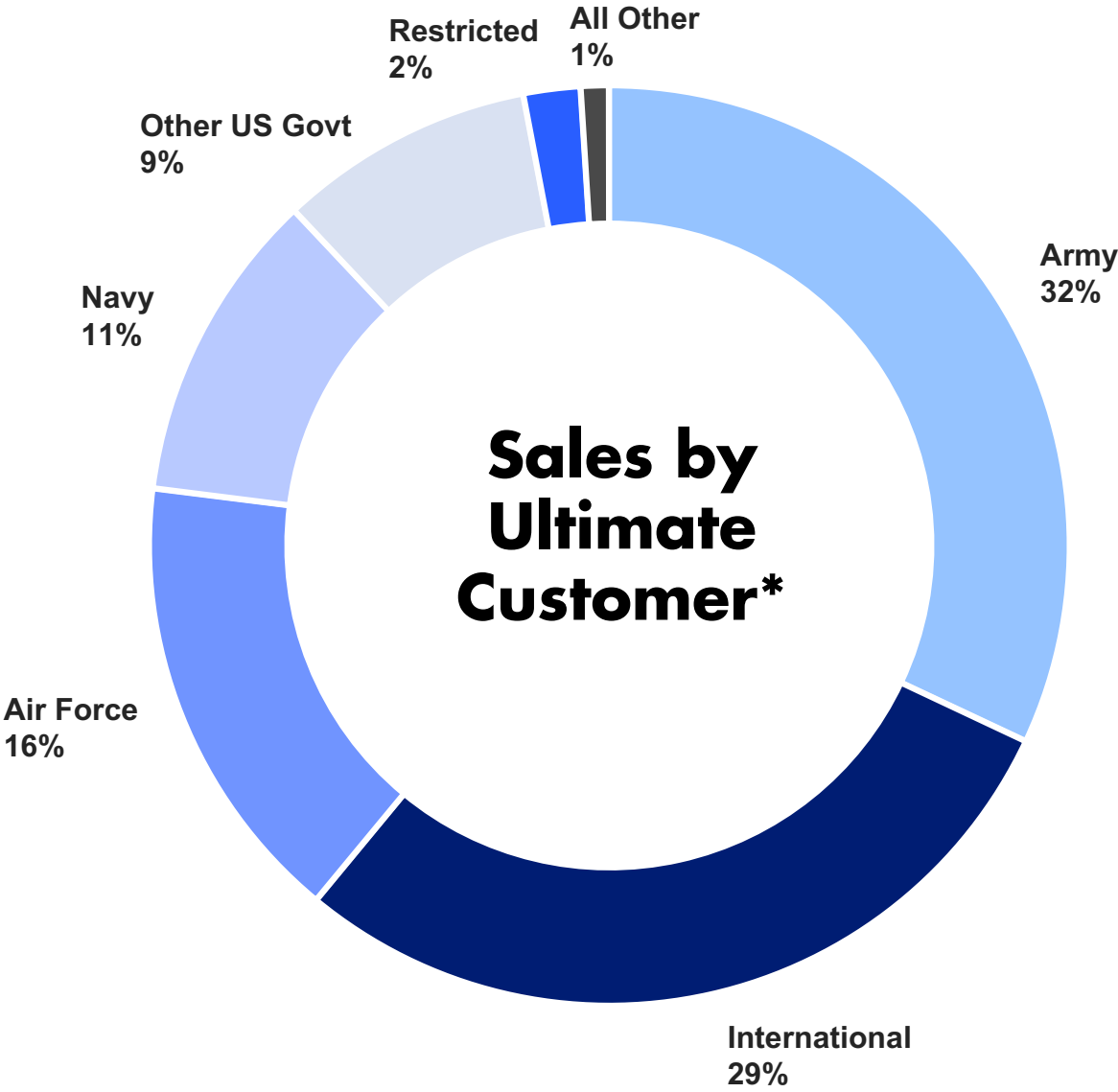


**~13K**

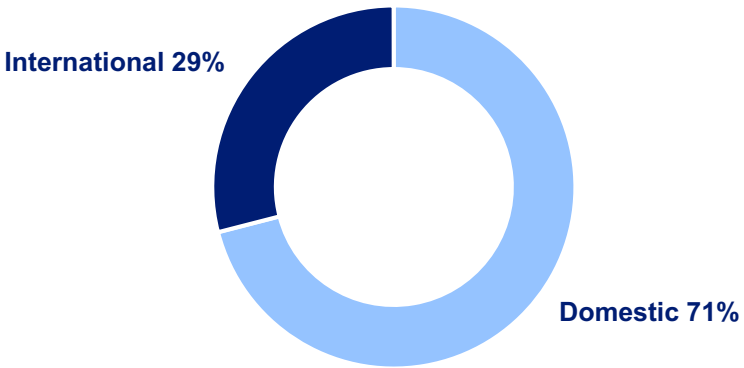
**Employees**



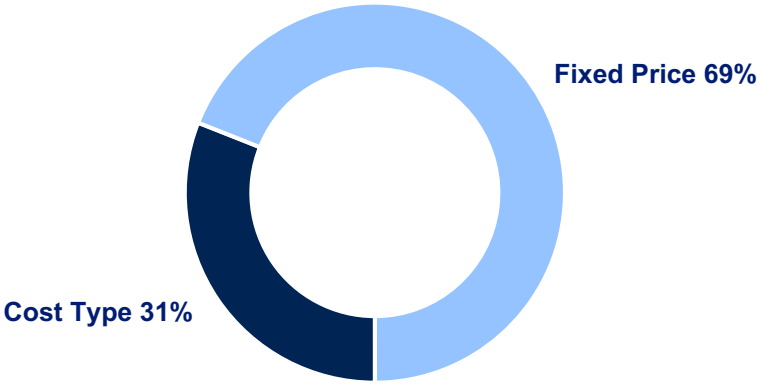
# 2022 Defense Systems Sales Mix



**Sales Distributions**  
Domestic vs. International



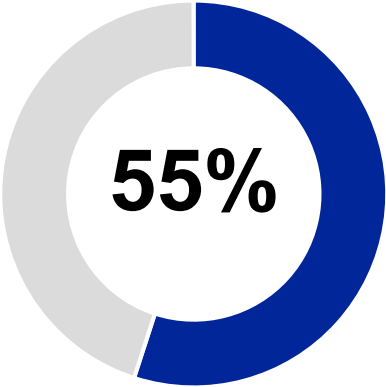
**Contract Type**



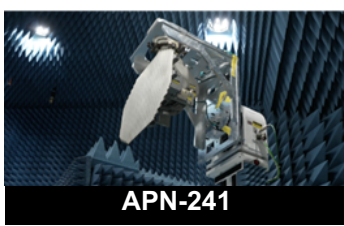
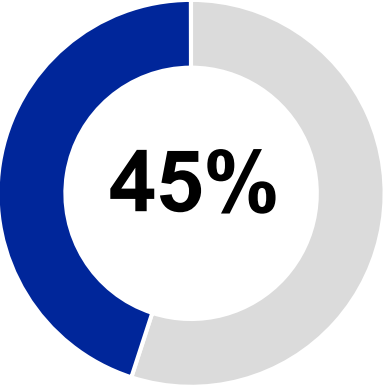
\*Represents ultimate end user customer where we are a subcontractor

# Defense Systems Key Programs

## Battle Management & Missile Systems



## Mission Readiness



NOTE: Percentage of 2022 Sales

# Program Descriptions & Acronyms

## Defense Systems

### Battle Management & Missile Systems

- Integrated Air and Missile Defense Battle Command System (IBCS) for the U.S. Army and Poland, which is a system that integrates sensors and effectors to deliver among the most advanced C2 systems for joint and coalition forces;
- U.S. Navy's Advanced Anti-Radiation Guided Missile (AARGM), a medium-range, air-to-surface missile, and its extended range variant, AARGM-ER;
- Guided Multiple Launch Rocket System (GMLRS) propulsion and warhead subsystems for a surface-to-surface system used to defeat targets using indirect precision fires up to 70-plus kilometers;
- Precision Guidance Kit (PGK), replaces conventional fuzes for artillery and mortar munitions and transforms them into Global Positioning System enabled precision guided weapons;
- Hypersonic Attack Cruise Missile (HACM) air-breathing, scramjet propulsion subsystem for the hypersonic air-launched cruise missile to travel at speeds of Mach 5 or greater; and
- Forward Area Air Defense Command and Control (FAAD C2), the Army's long-standing program of record for short range air defense and Counter Rocket, Artillery and Mortar (C-RAM), as well as the interim C2 for Counter Unmanned Aircraft Systems (C-UAS).

### Mission Readiness

- Global system sustainment and operations support for the F-35, B-2, P-3 Orion, E-6B Mercury, KC-30A multi-role tanker, C-27J transport, Global Hawk and Triton programs;
- Special Electronics Mission Aircraft (SEMA) intelligence, surveillance and reconnaissance support;
- AAQ-24 sensor sustainment and repair for U.S. military customers; and
- APN-241 radar sustainment, repair and production for U.S. military and foreign military sales (FMS) customers.



# Mission Systems



# Mission Systems Sector Overview

## Strategy & Capabilities

Mission Systems is a leader in advanced mission solutions and multifunction systems for the U.S. defense and intelligence community, and international customers.

Major products and services include command, control, communications and computers, intelligence, surveillance and reconnaissance (C4ISR) systems; radar, electro-optical/infrared (EO/IR) and acoustic sensors; electronic warfare systems; advanced communications and network systems; cyber solutions; intelligence processing systems; navigation; and maritime power, propulsion and payload launch systems.

## Business Areas



**\$13.9B**

**2022 Backlog**



**\$10.4B**

**2022 Sales**



**15.6%**

**2022 OM Rate**

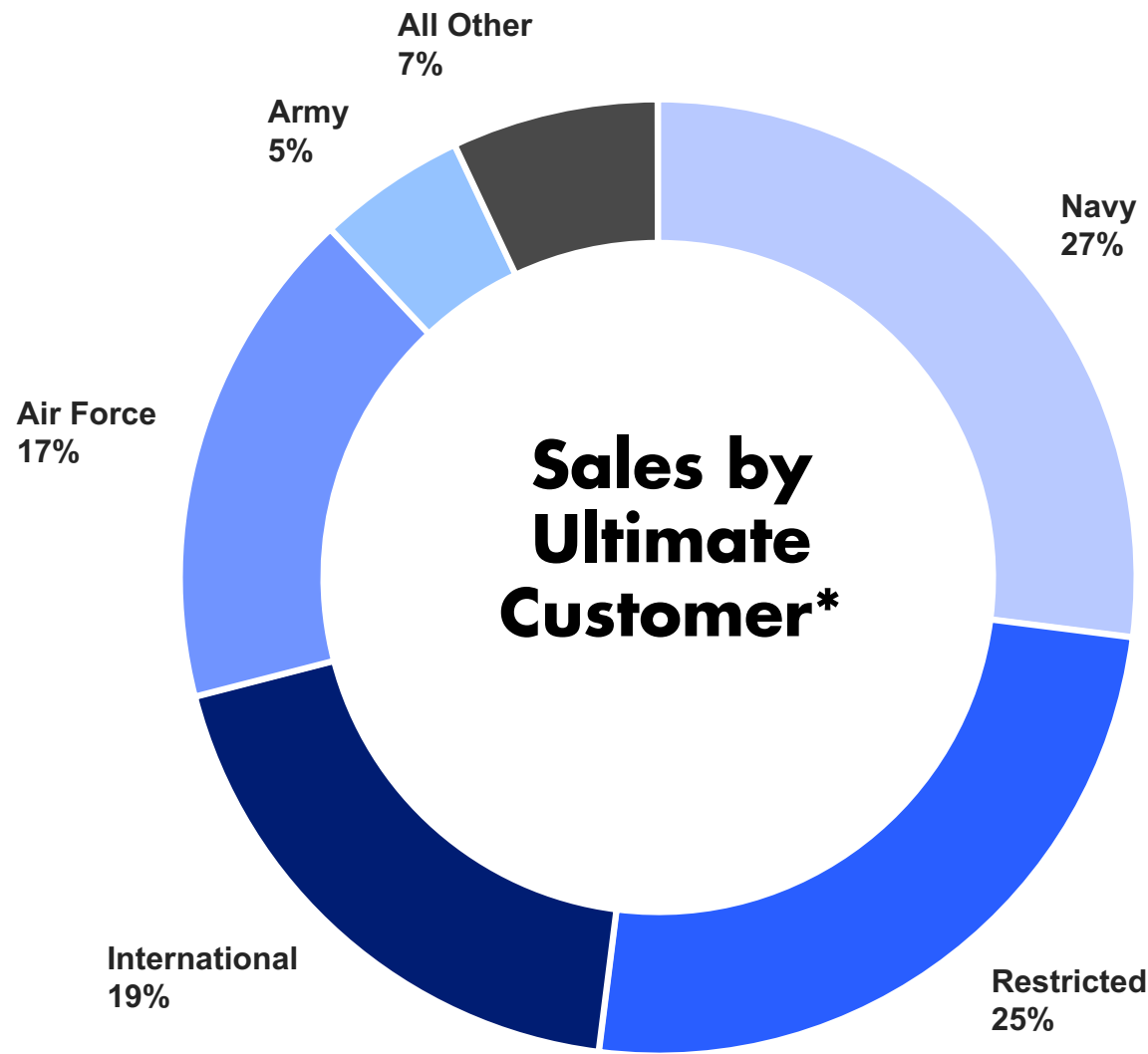


**~25K**

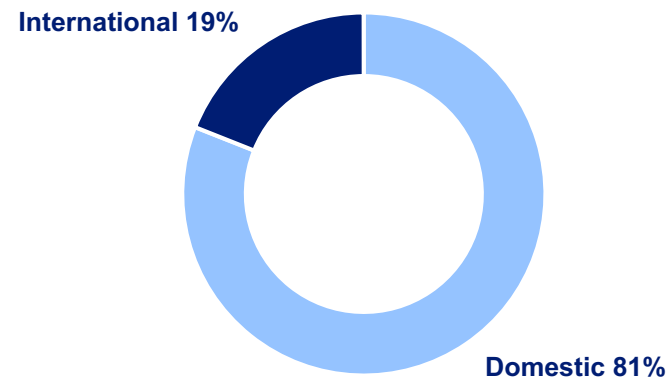
**Employees**



# 2022 Mission Systems Sales Mix



**Sales Distributions**  
Domestic vs. International



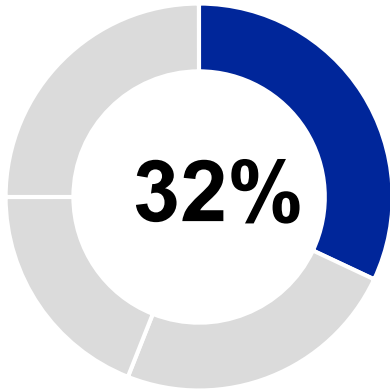
**Contract Type**



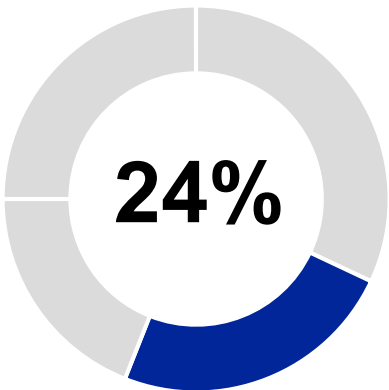
\*Represents ultimate end user customer where we are a subcontractor

# Mission Systems Key Programs

## Airborne Multifunction



## Maritime/ Land

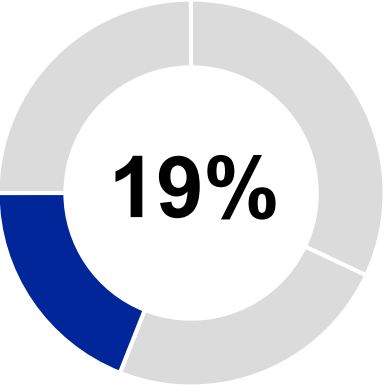


NOTE: Percentage of 2022 Sales

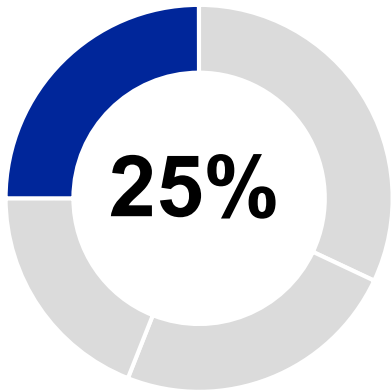


# Mission Systems Key Programs (cont'd)

## Navigation, Targeting & Survivability



## Networked Information Solutions



NOTE: Percentage of 2022 Sales

# Program Descriptions & Acronyms

## Mission Systems

### Airborne Multifunction Sensors

- Airborne Early Warning & Control (AEW&C). The center piece of the E-7 AEW&C aircraft is the Multi-role Electronically Scanned Array (MESA) radar which enables 360 degree long range advanced air moving target indicator (AMTI) capabilities for Battle Management, Command and Control, and Maritime Surveillance;
- F-35 Fire Control Radar (FCR) is the latest and most capable AESA in the world and acts as the cornerstone to the F-35 Lightning II's advanced sensor suite;
- LONGBOW Fire Control Radar (FCR), which provides fire control radar capabilities for the global AH-64 helicopter fleet; and
- Scalable Agile Beam Radar (SABR), an active electronically scanned array fire control radar system for F-16 aircraft.

### Maritime/Land Systems & Sensors

- Surface Electronic Warfare Improvement Program (SEWIP) Block III, which protects surface ships from anti-ship missiles, provides early detection, signal analysis and threat warning;
- Ground/Air Task Oriented Radar (G/ATOR), a mobile multi-mode active electronically scanned array;
- Littoral Combat Ship Mission Module Integration, which provides engineering design, support and production of mission modules for U.S. Navy littoral combat ships; and
- DDG Modernization, which is comprised of several subsystems to support modernization of Arleigh Burke-class guided missile destroyers including Integrated Bridge and Navigation Systems (IBNS) and ship control systems.

### Navigation, Targeting & Survivability

- LITENING Advanced Targeting Pod, an electro-optical infrared sensor system for targeting and surveillance that enables aircrews to detect, acquire, identify and track targets at long ranges;
- Large Aircraft and Common Infrared Countermeasures (LAIRCM, DoN LAIRCM, CIRCM) systems, which protect large aircraft as well as rotary wing and medium fixed wing aircraft from infrared missiles using advanced laser technology;
- APR-39 DV(2) and EV(2) Radar Warning Receiver programs, which produce a digital radar warning receiver for the U.S. Army, Navy and Marines;
- AC/MC 130J Radio Frequency Countermeasures system, which provides superior situational awareness and better enables aircraft survivability in operationally relevant environments;
- Embedded Global Positioning System (GPS) / Inertial Navigation Systems-Modernization (EGI-M) program, which provides state-of-the-art airborne navigation capabilities with an open architecture that enables rapid responses to future threats; and
- UH-60V Black Hawk integrated mission equipment package, which modernizes the U.S. Army's Black Hawk helicopters with a glass cockpit, including an integrated computational system, visual display system and control display units, extending the life and mission capabilities of the UH-60 platform.

### Networked Information Solutions

- F-35 Communications, Navigation and Identification (CNI) integrated avionics system, which provides secure communications and interoperability capabilities;
- Battlefield Airborne Communications Node (BACN), bridges the gap between disparate systems, platforms and sensors, enabling essential situational awareness ranging from small ground units in contact with enemy forces to the highest command levels to deliver the right information to the right user at the right time;
- Joint Counter Radio-Controlled Improvised Explosive Device Electronic Warfare (JCREW), a software-programmable jammer that provides protection from improvised explosive devices (IEDs);
- Exploitation and cyber programs, which provide cyber and intelligence domain support through unique intelligence and cyber capabilities; and
- Advanced Processing Solutions delivers strategic microelectronics focused on high-performance computing and security, which helps our customers with connectivity and processing solutions.

# Space Systems



# Space Systems Sector Overview

## Strategy & Capabilities

Space Systems is a leader in delivering end-to-end mission solutions through the design, development, integration, production and operation of space, missile defense, launch and strategic missile systems for national security, civil government, commercial and international customers.

Major products include satellites and payloads; ground systems; missile defense systems and interceptors; launch vehicles and related propulsion systems; and strategic missiles.

## Business Areas



**\$38.0B**

**2022 Backlog**



**\$12.3B**

**2022 Sales**



**9.4%**

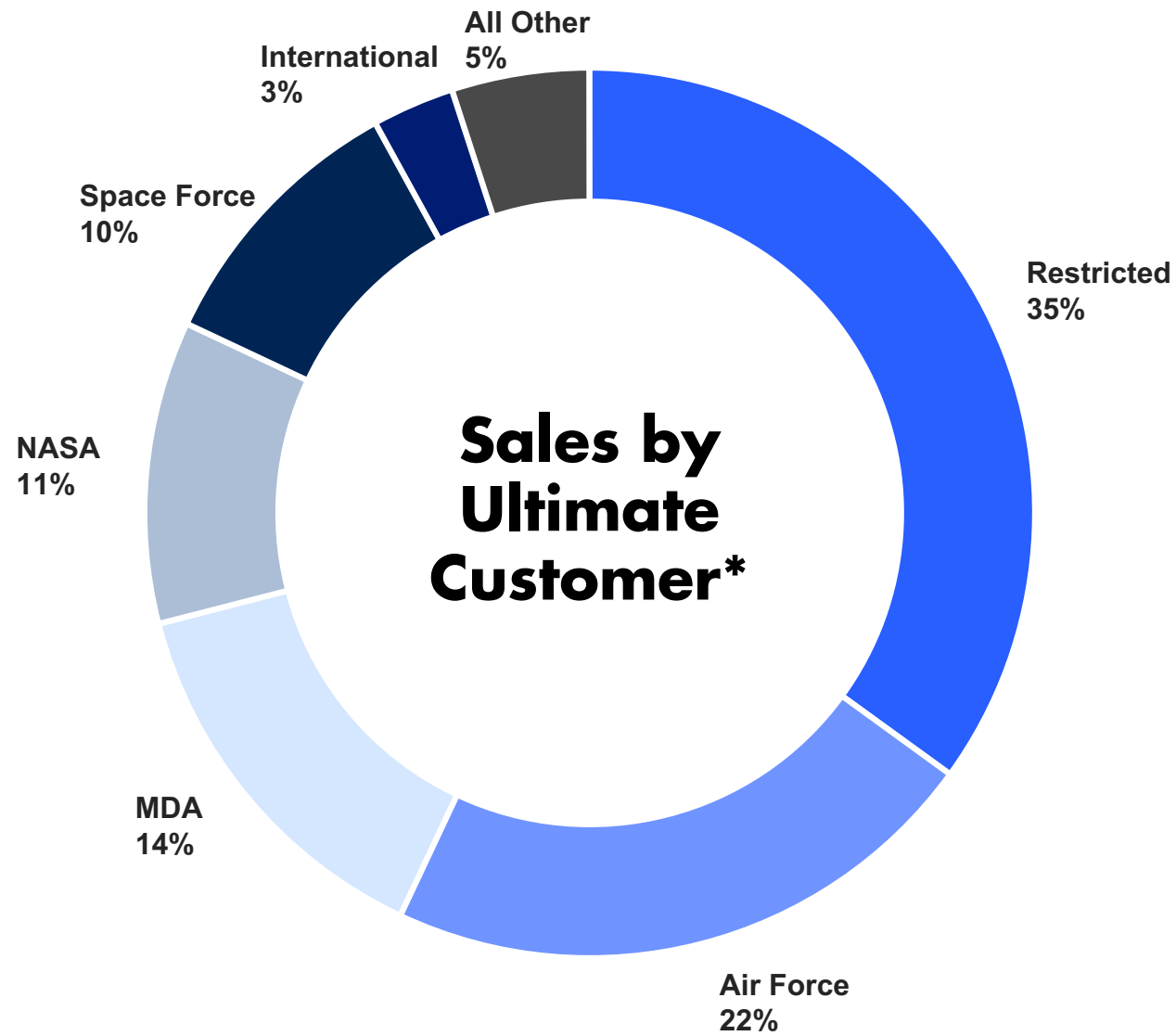
**2022 OM Rate**



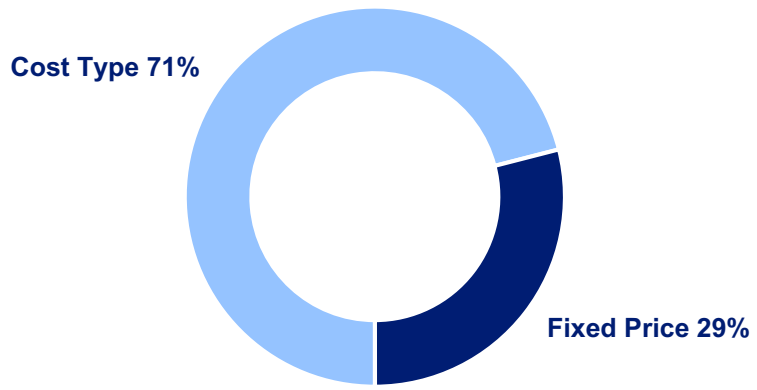
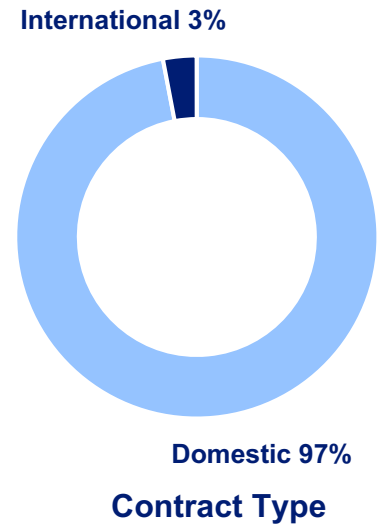
**~29K**

**Employees**

# 2022 Space Systems Sales Mix



## Sales Distributions Domestic vs. International

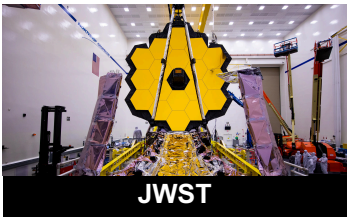
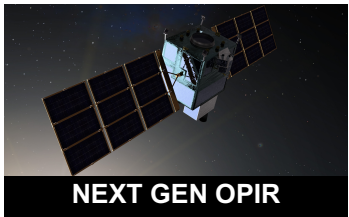
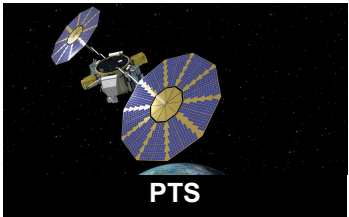
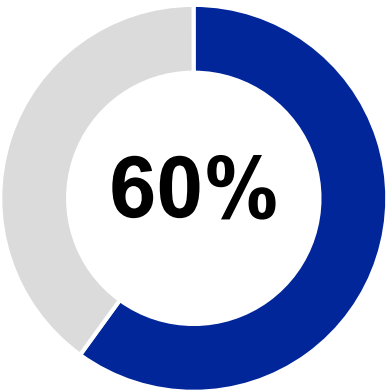


\*Represents ultimate end user customer where we are a subcontractor

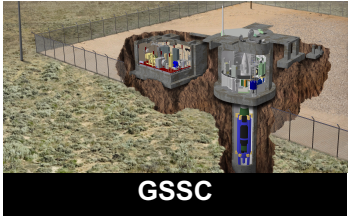
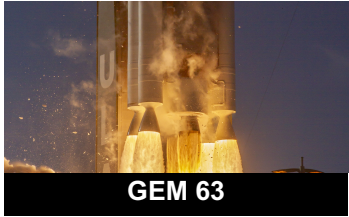
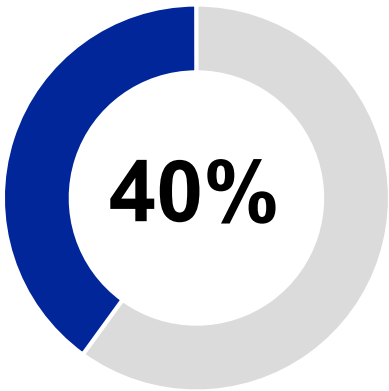


# Space Systems Key Programs

## Space



## Launch & Strategic Missiles



NOTE: Percentage of 2022 Sales

# Program Descriptions & Acronyms

## Space Systems

### Space

- Cygnus spacecraft, used in the execution of our CRS contracts with NASA;
- Habitation and Logistics Outpost (HALO) module in support of NASA's Gateway;
- Evolved Strategic SATCOM (ESS) and Protected Tactical SATCOM (PTS) satellites and payloads providing survivable, protected communications to U.S. forces;
- Next-Generation Overhead Persistent Infrared (Next Gen OPIR) program satellites and payloads providing data for missile defense;
- Space Development Agency Tracking and Transport layers providing missile warning/tracking and resilient, low-latency, high-volume data transport communication systems; and
- James Webb Space Telescope (JWST) operations and sustainment contract.

### Launch & Strategic Missiles

- Ground Based Strategic Deterrent (GBSD) Engineering & Manufacturing Development (EMD) program;
- Missile defense systems, interceptors, targets, mission processing and boosters for the Missile Defense Agency's (MDA) Next-Generation Interceptor (NGI), Ground-based Midcourse Defense Weapon Systems (GWS);
- Development and production of solid rocket motors for NASA's Space Launch System (SLS) heavy lift vehicle;
- Antares rocket, used in the execution of our Commercial Resupply Services (CRS) contracts with the National Aeronautics and Space Administration (NASA);
- 63-inch diameter Graphite Epoxy Motor (GEM 63) and the extended length variation (GEM 63XL) solid rocket boosters used to provide lift capability for the ATLAS V and Vulcan launch vehicles;
- Medium-class solid rocket motors for the U.S. Navy's Trident II Fleet Ballistic Missile program; and
- Intercontinental Ballistic Missile (ICBM) Ground Subsystem Support Contract (GSSC).



# NOC 2023 Guidance

January 26, 2023



# 2023 Company-Level Guidance<sup>(1)</sup>

<i>\$ in millions, except per share amounts</i>	<b>As of 1/26/2023</b>
<b>Sales</b>	<b>\$38,000 – \$38,400</b>
<b>Segment operating income<sup>(2)</sup></b>	<b>\$4,300 – \$4,400</b>
Total Net FAS/CAS pension adjustment <sup>(3)</sup>	~\$450
Unallocated corporate expense:	
Intangible asset amortization and PP&E step-up depreciation	~\$120
Other items	~\$150
Operating income	\$3,950 – \$4,050
Interest expense	~\$550
Effective tax rate %	High 16%
Weighted average diluted shares outstanding	~153
<b>MTM-adjusted EPS<sup>(2)(4)</sup></b>	<b>\$21.85 – \$22.45</b>
Capital Expenditures	\$1,650 – \$1,700
<b>Adjusted free cash flow<sup>(2)</sup> (based on current tax law)</b>	<b>\$1,850 – \$2,150</b>

## 2023 Sales guidance increased from prior outlook

1. See Page 37 – “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 \$160 million of expected CAS pension expense and \$240 million of FAS pension service expense, both of which are reflected in operating income. Non-operating FAS pension benefit of \$530 million is reflected below operating income, and the total net FAS/CAS pension adjustment is \$450 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 Sector Guidance\*

	2022 Actual		2023 Guidance* as of 1/26/2023	
	Sales (\$B)	OM Rate %	Sales (\$B)	OM Rate %
<b>Aeronautics Systems</b>	\$10.5	10.6%	<b>Mid \$10</b>	<b>~10%</b>
<b>Defense Systems</b>	\$5.6	11.9%	<b>Mid \$5</b>	<b>~12%</b>
<b>Mission Systems</b>	\$10.4	15.6%	<b>High \$10</b>	<b>Low 15%</b>
<b>Space Systems</b>	\$12.3	9.4%	<b>Mid \$13</b>	<b>Mid 9%</b>
<b>Eliminations</b>	\$(2.2)	13.9%	<b>Low (\$2)</b>	<b>Mid 13%</b>

\*See Page 37 – “Financial Guidance” regarding the company’s underlying assumptions, judgments and select factors that can affect the company’s ability to achieve guidance or meet expectations.

# Appendix

# Financial Guidance

Financial guidance, as well as outlook, trends, expectations and other forward looking statements provided by the company for 2023 and beyond, reflect the company's judgment based on the information available to the company at the time of this release. The company's financial guidance and outlook for 2023 and beyond reflect what the company currently anticipates will be the impacts on the company from, among other factors, the global macroeconomic, health, security, and political/budget environments, including the impacts from inflationary pressures and labor and supply chain challenges; the COVID-19 pandemic; changes in the threat environment; changes in government budget, appropriations and procurement priorities and processes; a potential extended continuing resolution and/or prolonged breach of the debt ceiling or government shutdown; changes in the regulatory environment; and changes in support for our programs. However, the company cannot predict how these factors will evolve or what impacts they will have, and there can be no assurance that the company's current expectations or underlying assumptions are correct. These factors can affect the company's ability to achieve guidance or meet expectations.

For additional factors that may impact the company's ability to achieve guidance or meet expectations, please see the "Forward-Looking Statements" section in our earnings release and Form 10-K.

# 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.

**MTM-adjusted net earnings:** Net earnings excluding MTM 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 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 MTM accounting is not considered in management's assessment of the company's operating performance or in its determination of incentive compensation awards. MTM-adjusted net earnings is reconciled in the "Transaction-adjusted Net Earnings and EPS" table within this Appendix.

**MTM-adjusted EPS:** Diluted earnings per share excluding the per share impact of 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 pension and OPB actuarial gains and losses. MTM-adjusted EPS is reconciled in the "Transaction-adjusted Net Earnings and EPS" table within this Appendix.

**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 "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 "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 "Organic Sales" table within this Appendix.

**Segment operating income and segment operating margin rate:** 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.

**Free cash flow:** Net cash provided by operating activities less capital expenditures. We use free cash flow as a key factor in our planning for, and consideration of, acquisitions, the payment of dividends and stock repurchases. This 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:** 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 "Transaction-adjusted Free Cash Flow" table within this Appendix.

**Transaction-adjusted free cash flow:** 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 "Transaction-adjusted Free Cash Flow" table within this Appendix.



# Non-GAAP Reconciliations

## Organic Sales

(\$M)	Year Ended December 31						
	2021			2022			
	Sales	IT Services Sales	Organic Sales	Sales	IT Services Sales	Organic Sales	Organic sales ▲%
<b>Aeronautics Systems</b>	\$11,259	\$—	\$11,259	<b>\$10,531</b>	\$—	<b>\$10,531</b>	<b>(6)%</b>
<b>Defense Systems</b>	5,776	(106)	5,670	<b>5,579</b>	—	<b>5,579</b>	<b>(2)%</b>
<b>Mission Systems</b>	10,134	(42)	10,092	<b>10,396</b>	—	<b>10,396</b>	<b>3%</b>
<b>Space Systems</b>	10,608	(16)	10,592	<b>12,275</b>	—	<b>12,275</b>	<b>16%</b>
<b>Intersegment Eliminations</b>	(2,110)	2	(2,108)	<b>(2,179)</b>	—	<b>(2,179)</b>	
<b>Total</b>	\$35,667	\$(162)	\$35,505	<b>\$36,602</b>	\$—	<b>\$36,602</b>	<b>3%</b>

# Non-GAAP Reconciliations

## Segment Operating Income

(\$M)	Three Months Ended December 31		Year Ended December 31	
	2021	2022	2021	2022
Total sales	\$8,639	<b>\$10,033</b>	\$35,667	<b>\$36,602</b>
Operating income	\$742	<b>\$906</b>	\$5,651	<b>\$3,601</b>
Operating margin rate	8.6%	<b>9.0%</b>	15.8%	<b>9.8%</b>
<b>Reconciliation to segment operating income:</b>				
<b>FAS/CAS operating adjustment</b>	\$(32)	<b>\$48</b>	\$(130)	<b>\$200</b>
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	63	61	254	242
MTM-related deferred state tax expense	124	65	124	65
Other unallocated corporate expense	73	56	106	145
<b>Unallocated corporate expense (income)</b>	<b>\$260</b>	<b>\$182</b>	<b>\$(1,304)</b>	<b>\$452</b>
<b>Segment operating income</b>	<b>\$970</b>	<b>\$1,136</b>	<b>\$4,217</b>	<b>\$4,253</b>
Segment operating margin rate	11.2%	<b>11.3%</b>	11.8%	<b>11.6%</b>

# Non-GAAP Reconciliations

## Transaction-adjusted net earnings and Transaction-adjusted EPS

\$ in millions, except per share amounts	Three Months Ended December 31		Year Ended December 31	
	2021	2022	2021	2022
<b>Transaction-adjusted net earnings</b>				
Net earnings	\$2,710	<b>\$2,080</b>	\$7,005	<b>\$4,896</b>
MTM (benefit)	(2,355)	<b>(1,232)</b>	(2,355)	<b>(1,232)</b>
MTM-related deferred state tax expense <sup>(1)</sup>	124	<b>65</b>	124	<b>65</b>
Federal tax expense of items above <sup>(2)</sup>	469	<b>245</b>	469	<b>245</b>
MTM adjustment, net of tax	(1,762)	<b>(922)</b>	(1,762)	<b>(922)</b>
<b>MTM-adjusted net earnings</b>	<b>\$948</b>	<b>\$1,158</b>	<b>\$5,243</b>	<b>\$3,974</b>
Gain on sale of business	—	—	(1,980)	—
State tax impact <sup>(3)</sup>	—	—	160	—
Transaction costs	—	—	32	—
Make-whole premium	—	—	54	—
Federal tax impact of items above <sup>(4)</sup>	—	—	614	—
Transaction adjustment, net of tax	\$—	<b>\$—</b>	\$(1,120)	<b>\$—</b>
<b>Transaction-adjusted net earnings</b>	<b>\$948</b>	<b>\$1,158</b>	<b>\$4,123</b>	<b>\$3,974</b>
<b>Transaction-adjusted per share data</b>				
Diluted EPS	\$17.14	<b>\$13.46</b>	\$43.54	<b>\$31.47</b>
MTM (benefit) per share	(14.90)	<b>(7.97)</b>	(14.64)	<b>(7.92)</b>
MTM-related deferred state tax expense per share <sup>(1)</sup>	0.78	<b>0.42</b>	0.77	<b>0.42</b>
Federal tax expense of items above per share <sup>(2)</sup>	2.98	<b>1.59</b>	2.92	<b>1.57</b>
MTM adjustment per share, net of tax	(11.14)	<b>(5.96)</b>	(10.95)	<b>(5.93)</b>
<b>MTM-adjusted EPS</b>	<b>\$6.00</b>	<b>\$7.50</b>	<b>\$32.59</b>	<b>\$25.54</b>
Gain on sale of business per share	—	—	(12.31)	—
State tax impact per share <sup>(3)</sup>	—	—	0.99	—
Transaction costs per share	—	—	0.20	—
Make-whole premium per share	—	—	0.34	—
Federal tax impact of line items above per share <sup>(4)</sup>	—	—	3.82	—
Transaction adjustment per share, net of tax	\$—	<b>\$—</b>	\$(6.96)	<b>\$—</b>
<b>Transaction-adjusted EPS</b>	<b>\$6.00</b>	<b>\$7.50</b>	<b>\$25.63</b>	<b>\$25.54</b>

1 The deferred state tax impact in each period was calculated using the company's blended state tax rate of 5.25 percent.

2 The federal tax impact in each period was calculated by subtracting the deferred state tax impact from MTM benefit and applying the 21 percent federal statutory rate.

3 The state tax impact includes \$62 million of incremental tax expense related to \$1.2 billion of nondeductible goodwill in the divested business.

4 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

	Three Months Ended December 31			Year Ended December 31		
(\$M)	2021	2022	▲%	2021	2022	▲%
Net cash provided by operating activities	\$1,442	<b>\$2,251</b>	<b>56%</b>	\$3,567	<b>\$2,901</b>	<b>(19)%</b>
Capital expenditures	(733)	<b>(632)</b>	<b>(14)%</b>	(1,415)	<b>(1,435)</b>	<b>1%</b>
Proceeds from sale of equipment to a customer	—	<b>55</b>	<b>NM</b>	84	<b>155</b>	<b>85%</b>
<b>Adjusted free cash flow</b>	\$709	<b>\$1,674</b>	<b>136%</b>	\$2,236	<b>\$1,621</b>	<b>(28)%</b>
IT services divestiture transaction costs	—	—	<b>NM</b>	39	—	<b>NM</b>
IT services divestiture federal and state taxes	197	—	<b>NM</b>	785	—	<b>NM</b>
<b>Transaction-adjusted free cash flow</b>	\$906	<b>\$1,674</b>	<b>85%</b>	\$3,060	<b>\$1,621</b>	<b>(47)%</b>



# Pension Estimates<sup>(1)</sup> as of 1/26/2023

(\$M)	2022 Actual	2023E	2024E	2025E
Actual / Expected Return on Plan Assets	(15.4)%	← 7.5% →		
Discount Rate	5.54%	← 5.54% →		
Required Funding	~100	← ~100 →		
Mark-to-Market Pension & OPB Benefit	1,232			

(\$M)	2022 Actual	2023E	2024E	2025E
CAS Pension Expense	167	~160	~260	~460
FAS Pension Service Expense	(367)	~(240)	~(230)	~(210)
<b>FAS / CAS Operating Adjustment</b>	<b>(200)</b>	<b>~(80)</b>	<b>~30</b>	<b>~250</b>
Non-Operating FAS Pension Benefit	1,505	~530	~550	~570
<b>Total Net FAS / CAS Pension Adjustment</b>	<b>1,305</b>	<b>~450</b>	<b>~580</b>	<b>~820</b>

1. See Page 37 – “Financial Guidance” regarding the company’s underlying assumptions, judgments and select factors that can affect the company’s ability to achieve guidance or meet expectations.

# Pension Sensitivities as of 1/26/2023

Mark to Market / Net Pension Liability <sup>(1)</sup>		Inc/(Dec) to Expense (\$M)
<b>Discount rate<sup>(2)</sup></b>	+25 bps	~(660)
	— 25 bps	~690
<b>Plan asset returns</b>	+100 bps	~(280)
	— 100 bps	~280

FAS Pension Service Expense		Inc/(Dec) to Expense (\$M)
<b>Discount rate<sup>(2)</sup></b>	+25 bps	~(5)
	— 25 bps	~5
<b>Plan asset returns</b>	+100 bps	N/A
	— 100 bps	N/A

Non-Operating FAS Pension Benefit		Inc/(Dec) to Expense (\$M)
<b>Discount rate<sup>(2)</sup></b>	+25 bps	~35
	— 25 bps	~(35)
<b>Plan asset returns</b>	+100 bps	~(20)
	— 100 bps	~20

1. From 2023 discount rate of 5.54% and assumed net pension returns of 7.5%.

2. Discount rate and cash balance credit rating assumptions are linked.

Note: CAS costs not directly impacted in the short term by changes in discount rate.

