

Fourth Quarter 2024 Conference Call

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January 30, 2025

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,” “strategy,” “project,” “forecast,” “achieve,” “believe,” “estimate,” “guidance,” “outlook,” “trends,” “goals,” “confident,” “on track” 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, including financial guidance, outlook, trends, expectations and other forward-looking statements for 2025 and beyond. 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, 2024, and from time to time in our other filings with the SEC. 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 the global security environment or 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
- increased competition within our markets and bid protests
- continued pressures from macroeconomic trends, including on costs, schedules, performance and ability to meet expectations

Legal and Regulatory Risks

- investigations, claims, disputes, enforcement actions, litigation (including criminal, civil and administrative) and/or other legal proceedings
- 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
- 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
- environmental matters, including climate change, 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

- cyber and other security threats or disruptions faced by us, our customers or our suppliers and other partners, and changes in related regulations
- the performance and viability of our subcontractors and suppliers and the availability and pricing of raw materials, chemicals, parts and components, particularly with inflationary pressures, increased costs, shortages in labor and financial resources, supply chain disruptions, and extended material lead times
- our ability to attract and retain a qualified and talented workforce with the necessary security clearances to meet our performance obligations
- 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
- natural disasters, epidemics, pandemics and similar outbreaks and other significant disruptions
- our ability to innovate, develop new products and technologies, progress and benefit from digital transformation and maintain technologies to meet the needs of our customers
- 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 protect and exploit intellectual property rights

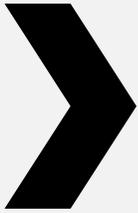
General and Other Risk Factors

- 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.

Enterprise Spotlight



- Demand remains strong; 2024 book-to-bill of 1.23, three-year average book-to-bill ratio of 1.15
- International book to bill of 1.4x
- B-21 program continues to meet key milestones, awarded Lot 2 of LRIP phase in Q4
- Continue active portfolio management; announced divestiture of our Training Services business

Financial Performance



- \$51 billion in 2024 net awards led to record backlog of \$91.5 billion
- 2024 sales increase 4.4% to \$41 billion
- Segment OM rate⁽¹⁾ expands to 11.1%
- Free cash flow⁽¹⁾ increases 25% to \$2.6 billion

Guidance & Outlook⁽²⁾

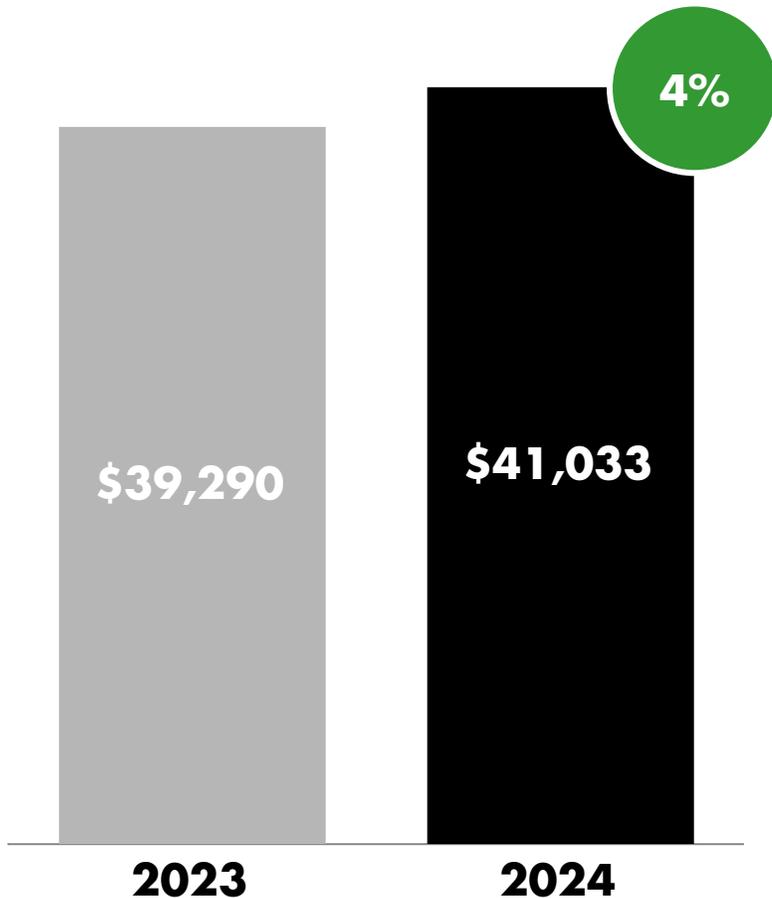


- Organic sales⁽¹⁾ growth of 3 to 4%
- Segment operating income⁽¹⁾ expansion driven by further cost efficiencies and performance
- Multi-year free cash flow⁽¹⁾ outlook reflects double digit CAGR
- Expect to return ~100% of free cash flow⁽¹⁾ to shareholders

Strong 2024 financial results that met or exceeded company-level financial guidance

1. Non-GAAP financial measure. See Appendix.

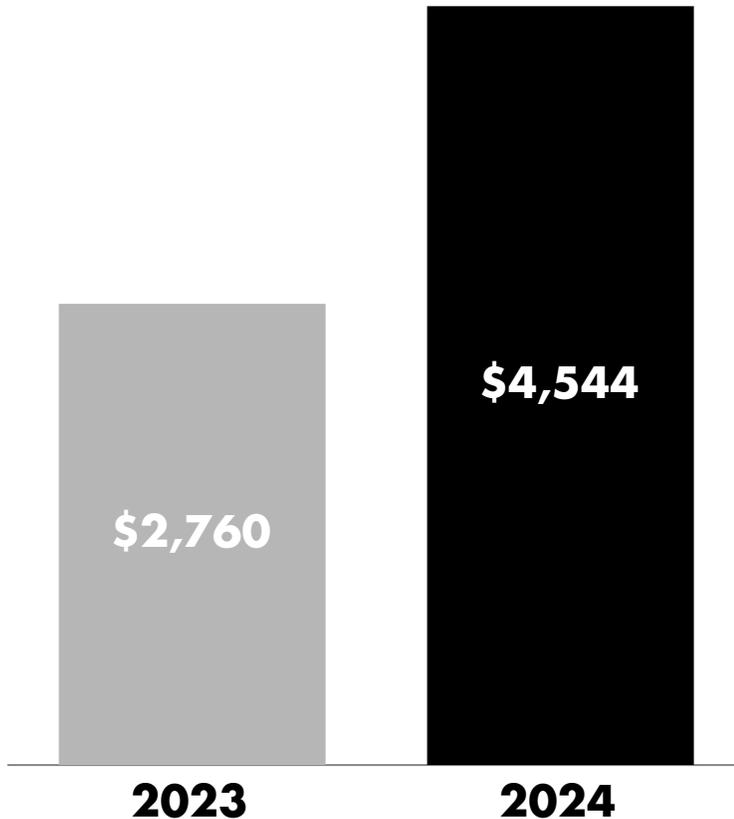
2. See the company's fourth quarter earnings release for a description of the underlying assumptions, judgments and factors that can affect the company's ability to achieve guidance or meet expectations.



(\$M)	Year Ended December 31		
	2023	2024	▲%
Aeronautics Systems	\$10,786	\$12,030	12%
Defense Systems	8,289	8,560	3%
Mission Systems	10,895	11,399	5%
Space Systems	11,873	11,731	(1)%
Intersegment Eliminations	(2,553)	(2,687)	
Total	\$39,290	\$41,033	4%

Sales growth driven by continued strong demand across our diverse portfolio

Segment Operating Income⁽¹⁾



(\$M)	Year Ended December 31		
	2023	2024	▲%
Aeronautics Systems	\$(473)	\$1,182	NM
Defense Systems	829	866	4%
Mission Systems	1,609	1,598	(1)%
Space Systems	1,130	1,254	11%
Intersegment Eliminations	(335)	(356)	
Total	\$2,760	\$4,544	65%

2024 Segment operating margin rate⁽¹⁾ improved to 11.1%

2024 MTM-adjusted EPS⁽¹⁾ Bridge

2023	\$15.61
B-21 Charge (2023)	7.68
Segment Performance ⁽²⁾	1.92
Net Pension ⁽³⁾	1.33
Sale of Minority Investment (2023)	(0.44)
Corporate Unallocated, Interest, and Other	(0.02)
2024	\$26.08

Earnings per share increase driven by strong segment performance

1. Non-GAAP financial measure. See Appendix.

2. Segment Performance excludes impacts from B-21 Charge.

3. 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%.

Pension Estimates⁽¹⁾ as of 1/30/25

(\$M)	2024 Actual	2025E	2026E	2027E
Actual / Expected Return on Plan Assets	4.7%	←	7.5%	→
Discount Rate	5.73%	←	5.73%	→
Required Funding	94	←	~100	→
Mark-to-Market Pension & OPB Income	443			

(\$M)	2024 Actual	2025E	2026E	2027E
CAS Pension Expense	279	~470	~310	~220
FAS Pension Service Expense	(239)	~(215)	~(200)	~(185)
FAS / CAS Operating Adjustment	40	~255	~110	~35
Non-Operating FAS Pension Benefit	656	~545	~570	~595
Total Net FAS / CAS Pension Adjustment	696	~800	~680	~630

Q3 (Prior) Net FAS/CAS Pension Estimate	~860
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1. See the company's fourth quarter earnings release for a description of the underlying assumptions, judgments and factors that can affect the company's ability to achieve guidance or meet expectations.

2025 Segment Guidance⁽¹⁾

As of 1/30/2025

	Sales (\$B)	OM Rate %
Aeronautics Systems⁽²⁾	Low \$13	Mid to High 9%
Defense Systems^(2,3)	Low \$8	Mid to High 9%
Mission Systems	~\$12	Mid 14%
Space Systems	~\$11	High 10%
Intersegment Eliminations	~(\$2.1)	High 13%

Segment guidance⁽¹⁾ reflects the realignment of SSAS business from DS to AS and divestiture of Training Services business at DS

1. See the company's fourth quarter earnings release for a description of the underlying assumptions, judgments and factors that can affect the company's ability to achieve guidance or meet expectations.

2. See appendix for additional realignment bridges of historical performance.

3. Expect divestiture of Training Services business at DS to close midyear (annual revenue run rate of ~\$300M).

2025 Company Level Guidance⁽¹⁾

(\$M), except per share amounts	As of 1/30/2025
Sales	\$42,000 – \$42,500
Segment operating income⁽²⁾	\$4,650 – \$4,800
MTM-adjusted EPS⁽²⁾	\$27.85 – \$28.25
Free cash flow⁽²⁾	\$2,850 – \$3,250

2025 guidance⁽¹⁾ includes divestiture of Training Services business and expected after-tax gain from sale of ~\$150 million

1. See the company's fourth quarter earnings release for a description of the 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.

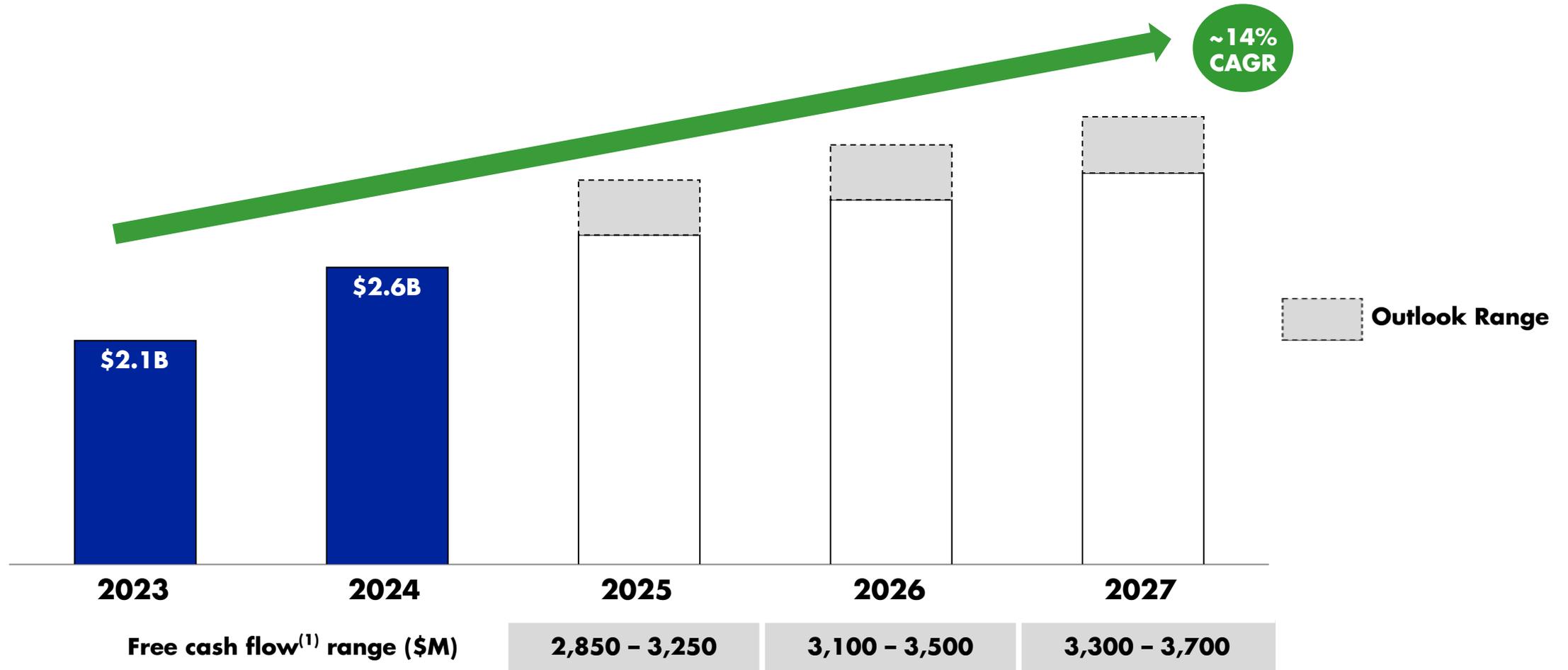
2025 Supplemental Guidance⁽¹⁾

(\$M)	As of 1/30/2025
Total Net FAS/CAS pension adjustment⁽²⁾	~\$800
Unallocated corporate expense:	
Intangible asset amortization and PP&E step-up depreciation	~\$(90)
Other items	~\$(280)
Training Services divestiture benefit	~\$205
Operating income	\$4,750 – \$4,900
Interest expense	~\$(625)
Effective tax rate %	Low to Mid 17%
Weighted average diluted shares outstanding	High 143
Capital expenditures	~\$1,500

1. See the company's fourth quarter earnings release for a description of the underlying assumptions, judgments and factors that can affect the company's ability to achieve guidance or meet expectations.

2. Total Net FAS/CAS pension adjustment is presented as a single amount and includes \$470 million of expected CAS pension expense and \$215 million of FAS pension service expense, both of which are reflected in operating income. Non-operating FAS pension benefit of \$545 million is reflected below operating income, and the total net FAS/CAS pension adjustment is \$800 million.

Free cash flow⁽¹⁾ Outlook⁽²⁾ as of 1/30/25



Continue to expect ~\$4 billion in 2028 free cash flow⁽¹⁾

1. Non-GAAP financial measure. See Appendix.

2. See the company's fourth quarter earnings release for a description of the underlying assumptions, judgments and factors that can affect the company's ability to achieve guidance or meet expectations.



Preeminent portfolio and record backlog position the company for future growth



Delivering advanced, cutting-edge technologies, while also growing our international business and pipeline of exportable products



Ongoing margin expansion driven by strong performance, mix and cost efficiencies



Rapid free cash flow⁽¹⁾ growth allows for continued investment in our business and strong shareholder returns



Appendix

Strike and Surveillance Aircraft Solutions (SSAS) Realignment

2024 Sales (\$M)	Reported⁽¹⁾	Customer + Intersegment = Total			Realigned⁽²⁾
Aeronautics Systems	\$12,030	\$477	(111)	\$366	\$12,396
Defense Systems	8,560	(477)	(684)	(1,161)	7,399
Mission Systems	11,399	—	—	—	11,399
Space Systems	11,731	—	—	—	11,731
Intersegment Eliminations	(2,687)	—	795	795	(1,892)
Total	\$41,033	—	—	—	\$41,033

2024 SSAS Intersegment sales were in support of various aircraft programs at AS

1. "Realigned, effective July 1, 2024" summary operating results for periods prior to July 1, 2024 were recast to reflect the realignment of the Strategic Deterrent Systems (SDS) division from Space Systems to Defense Systems effective July 1, 2024 as described in the company's Form 8-K filed with the SEC on May 16, 2024. Results for periods subsequent to July 1, 2024 represent "As reported" actuals disclosed in the company's filings with the SEC.
2. "Further realigned, effective January 1, 2025" summary operating results for the periods presented were recast to reflect the realignment of the Strike and Surveillance Aircraft Solutions (SSAS) business unit from Defense Systems to Aeronautics Systems effective January 1, 2025.

Segment Realignment

Segment Sales

(\$M)	2023	2024				Total Year
	Total Year	Three Months Ended				
REALIGNED, effective July 1, 2024⁽¹⁾		Mar 31	Jun 30	Sep 30	Dec 31	
Aeronautics Systems	\$10,786	\$2,969	\$2,963	\$2,878	\$3,220	\$12,030
Defense Systems	8,289	1,990	2,153	2,084	2,333	8,560
Mission Systems	10,895	2,659	2,773	2,823	3,144	11,399
Space Systems	11,873	3,149	3,002	2,870	2,710	11,731
Intersegment Eliminations	(2,553)	(634)	(673)	(659)	(721)	(2,687)
Total	\$39,290	\$10,133	\$10,218	\$9,996	\$10,686	\$41,033

FURTHER REALIGNED, effective January 1, 2025⁽²⁾						
Aeronautics Systems	\$11,164	\$3,044	\$3,060	\$2,961	\$3,331	\$12,396
Defense Systems	7,185	1,737	1,859	1,800	2,003	7,399
Mission Systems	10,895	2,659	2,773	2,823	3,144	11,399
Space Systems	11,873	3,149	3,002	2,870	2,710	11,731
Intersegment Eliminations	(1,827)	(456)	(476)	(458)	(502)	(1,892)
Total	\$39,290	\$10,133	\$10,218	\$9,996	\$10,686	\$41,033

1. "Realigned, effective July 1, 2024" summary operating results for periods prior to July 1, 2024 were recast to reflect the realignment of the Strategic Deterrent Systems (SDS) division from Space Systems to Defense Systems effective July 1, 2024 as described in the company's Form 8-K filed with the SEC on May 16, 2024. Results for periods subsequent to July 1, 2024 represent "As reported" actuals disclosed in the company's filings with the SEC.

2. "Further realigned, effective January 1, 2025" summary operating results for the periods presented were recast to reflect the realignment of the Strike and Surveillance Aircraft Solutions (SSAS) business unit from Defense Systems to Aeronautics Systems effective January 1, 2025.

Segment Realignment

Segment Operating Income⁽³⁾

(\$M)	2023	2024				Total Year
	Total Year	Three Months Ended				
REALIGNED, effective July 1, 2024⁽¹⁾		Mar 31	Jun 30	Sep 30	Dec 31	
Aeronautics Systems	\$(473)	\$297	\$295	\$298	\$292	\$1,182
Defense Systems	829	187	231	196	252	866
Mission Systems	1,609	378	361	390	469	1,598
Space Systems	1,130	330	304	345	275	1,254
Intersegment Eliminations	(335)	(88)	(90)	(83)	(95)	(356)
Total	\$2,760	\$1,104	\$1,101	\$1,146	\$1,193	\$4,544

FURTHER REALIGNED, effective January 1, 2025⁽²⁾						
Aeronautics Systems	\$(416)	\$306	\$312	\$309	\$309	\$1,236
Defense Systems	684	156	191	160	209	716
Mission Systems	1,609	378	361	390	469	1,598
Space Systems	1,130	330	304	345	275	1,254
Intersegment Eliminations	(247)	(66)	(67)	(58)	(69)	(260)
Total	\$2,760	\$1,104	\$1,101	\$1,146	\$1,193	\$4,544

1. "Realigned, effective July 1, 2024" summary operating results for periods prior to July 1, 2024 were recast to reflect the realignment of the Strategic Deterrent Systems (SDS) division from Space Systems to Defense Systems effective July 1, 2024 as described in the company's Form 8-K filed with the SEC on May 16, 2024. Results for periods subsequent to July 1, 2024 represent "As reported" actuals disclosed in the company's filings with the SEC.

2. "Further realigned, effective January 1, 2025" summary operating results for the periods presented were recast to reflect the realignment of the Strike and Surveillance Aircraft Solutions (SSAS) business unit from Defense Systems to Aeronautics Systems effective January 1, 2025.

3. Non-GAAP financial measure. See Appendix.

Pension Sensitivities as of 1/30/25

Mark to Market / Net Pension Liability⁽¹⁾		Inc/(Dec) to Expense (\$M)
Discount Rate⁽²⁾	+25 bps	~(625)
	-25 bps	~660
Plan asset returns	+100 bps	~(290)
	-100 bps	~290

FAS Pension Service Expense		Inc/(Dec) to Expense (\$M)
Discount Rate⁽²⁾	+25 bps	~(10)
	-25 bps	~10
Plan asset returns	+100 bps	N/A
	-100 bps	N/A

Non-Operating FAS Pension Benefit		Inc/(Dec) to Expense (\$M)
Discount Rate⁽²⁾	+25 bps	~35
	-25 bps	~(35)
Plan asset returns	+100 bps	~(22)
	-100 bps	~22

1. From 2024 discount rate of 5.73% and assumed net pension returns of 7.5%.

2. Assumes discount rate and cash balance crediting rate are linked.

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

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 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 by presenting the company's diluted earnings per share results before the non-operational impact of pension and OPB actuarial gains and losses.

Segment operating income and segment operating margin rate: Segment operating income 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 or used in 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.

Organic sales: Total sales excluding sales attributable to the company's Training Services business. 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.

Non-GAAP Reconciliations

Segment Operating Income

(\$M)	Three Months Ended December 31		Year Ended December 31	
	2023	2024	2023	2024
Total sales	\$10,638	\$10,686	\$39,290	\$41,033
Operating (loss) income	\$(393)	\$1,089	\$2,537	\$4,370
Operating margin rate	(3.7)%	10.2%	6.5%	10.6%
<i>Reconciliation to segment operating income:</i>				
FAS/CAS operating adjustment	\$20	\$(8)	\$82	\$(40)
Unallocated corporate (income) expense:				
Intangible asset amortization and PP&E step-up depreciation	30	25	122	97
Other unallocated corporate expense	64	64	123	94
Unallocated (income) expense	\$(10)	\$112	\$141	\$214
Segment operating (loss) income	\$(383)	\$1,193	\$2,760	\$4,544
Segment operating margin rate	(3.6)%	11.2%	7.0%	11.1%

Non-GAAP Reconciliations

MTM-adjusted Net Earnings and EPS

	Three Months Ended December 31		Year Ended December 31	
	2023	2024	2023	2024
<i>(\$M), except per share amounts</i>				
Net (Loss) Earnings	\$ (535)	\$1,264	\$2,056	\$4,174
MTM expense (benefit)	422	(443)	422	(443)
MTM-related deferred state tax (benefit) expense ⁽¹⁾	(22)	23	(22)	23
Federal tax (benefit) expense of items above ⁽²⁾	(84)	88	(84)	88
MTM adjustment, net of tax	316	(332)	316	(332)
MTM-adjusted net (loss) earnings	\$ (219)	\$932	\$2,372	\$3,842
Diluted EPS	\$ (3.54)	\$8.66	\$13.53	\$28.34
MTM expense (benefit) per share	2.80	(3.03)	2.78	(3.02)
MTM-related deferred state tax (benefit) expense ⁽¹⁾ per share	(0.15)	0.16	(0.14)	0.16
Federal tax (benefit) expense of items above per share ⁽²⁾	(0.56)	0.60	(0.56)	0.60
MTM adjustment per share, net of tax	2.09	(2.27)	2.08	(2.26)
MTM-adjusted diluted earnings per share	\$ (1.45)	\$6.39	\$15.61	\$26.08

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

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

Non-GAAP Reconciliations

Free Cash Flow

(\$M)	Three Months Ended December 31		Year Ended December 31	
	2023	2024	2023	2024
Net cash provided by operating activities	\$2,430	\$2,578	\$3,875	\$4,388
Capital expenditures	(803)	(816)	(1,775)	(1,767)
Free cash flow	\$1,627	\$1,762	\$2,100	\$2,621

NORTHROP
GRUMMAN

The logo graphic consists of a thick black horizontal line extending from the end of the word "NORTHROP" to the right, and a thick black vertical line extending downwards from the end of the word "GRUMMAN". These two lines meet at a right angle, forming an L-shape that frames the top-right corner of the text.