

Third Quarter 2024 Conference Call

Kathy Warden

Chair, Chief Executive Officer
and President

Ken Crews

Corporate Vice President
and Chief Financial Officer

Dave Keffer

Corporate Vice President of Finance

October 24, 2024

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, 2023, 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
- continued pressures from macroeconomic trends, 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 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
- 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
- impacts related to health epidemics and pandemics and similar outbreaks
- 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 innovate, develop new products and technologies, progress and benefit from digital transformation and maintain technologies to meet the needs of our customers
- 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

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



- New record backlog of \$85 billion
- Selected to produce Glide Phase Interceptor (GPI), the first of its kind defensive countermeasure against hypersonic missile threats
- Broad international pipeline converting to backlog, international book to bill ratio of >2x in Q3

Financial Performance



- Booked \$11.7 billion in net awards, book to bill ratio of 1.17x
- Q3 sales of \$10 billion; YTD sales up 6%
- Segment margins⁽¹⁾ increase to 11.5%
- Diluted EPS increase 13% to \$7.00 per share

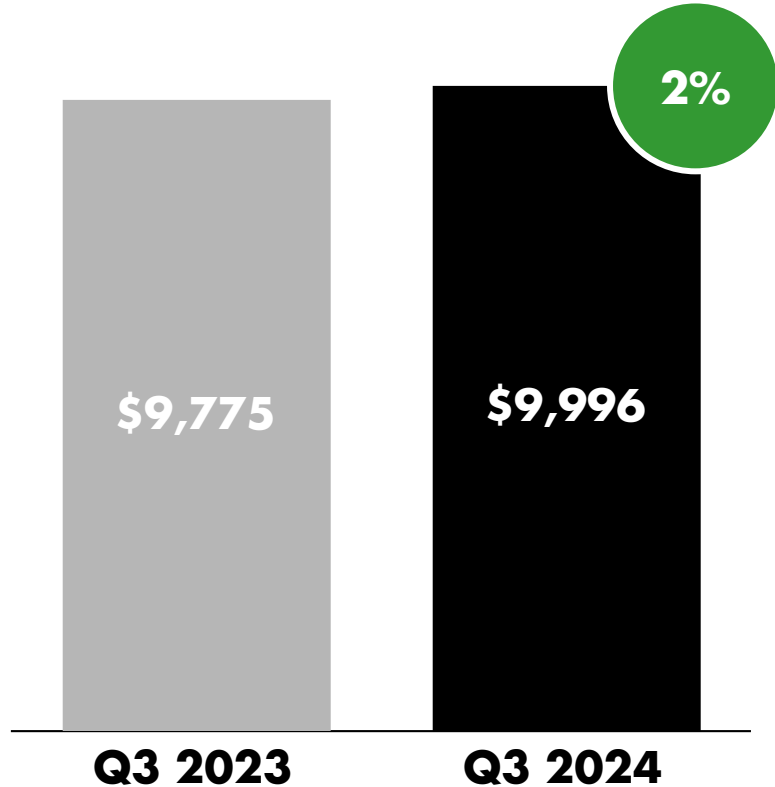
Guidance & Outlook⁽²⁾



- 2024 Sales guidance reflects ~5% annual growth
- Increased 2024 EPS guidance by 75 cents
- 2025 financial outlook reflects continued sales growth and margin expansion
- Re-affirm multi-year free cash flow⁽¹⁾ outlook

1. Non-GAAP financial measure. See Appendix.

2. See Page 13 – “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.

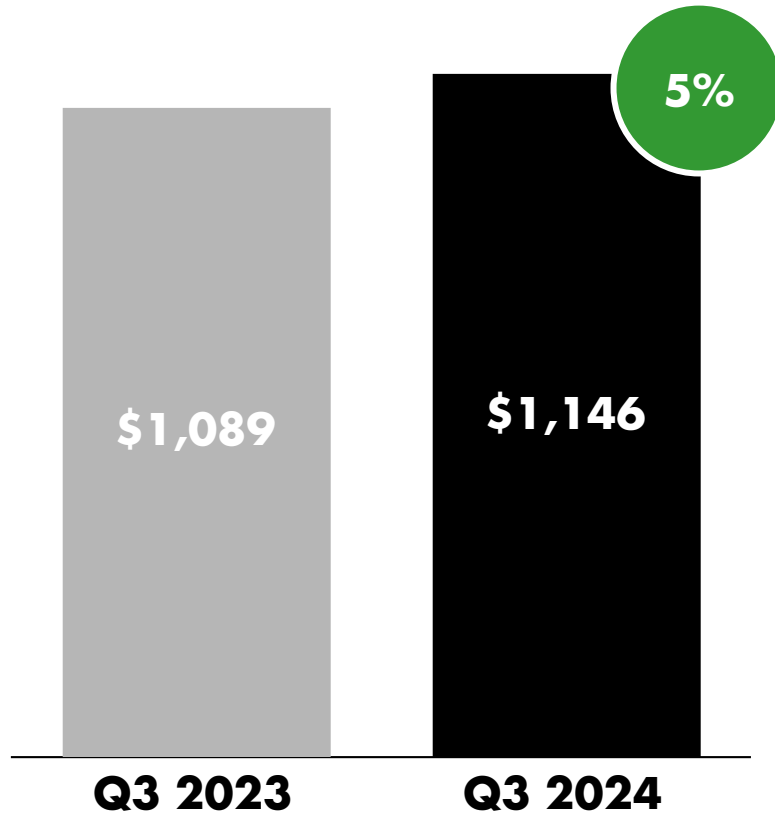


Three Months Ended September 30

| (\$M) | 2023 | 2024 | ▲% |
|----------------------------------|---------|----------------|-------------|
| Aeronautics Systems | \$2,766 | \$2,878 | 4% |
| Defense Systems | 2,050 | 2,084 | 2% |
| Mission Systems | 2,628 | 2,823 | 7% |
| Space Systems | 2,953 | 2,870 | (3)% |
| Intersegment Eliminations | (622) | (659) | |
| Total | \$9,775 | \$9,996 | 2% |

Solid third quarter results; certain sales shifting to Q4

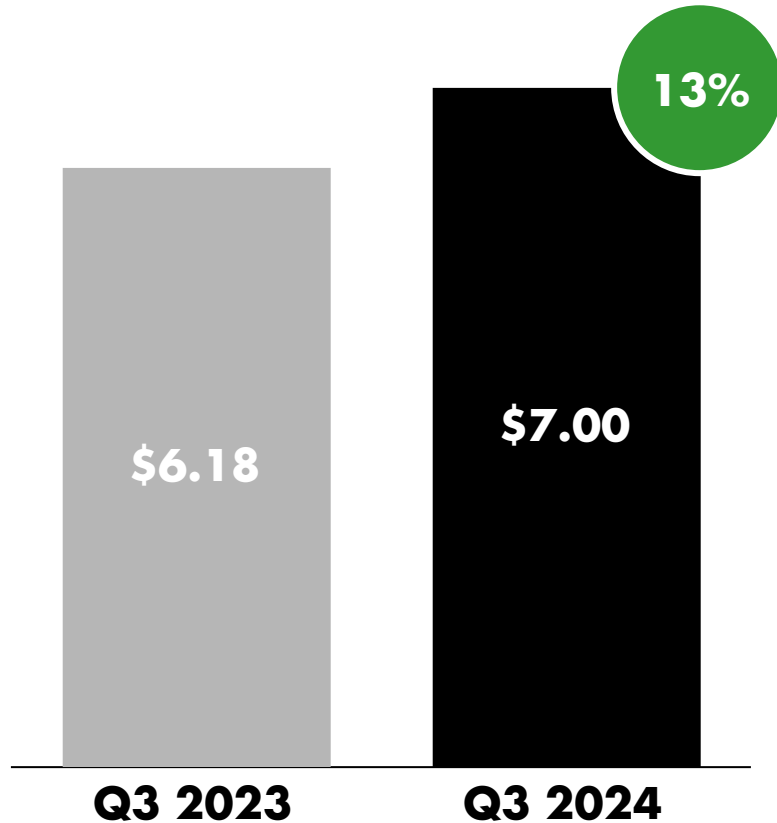
Q3 Segment Operating Income⁽¹⁾



| (\$M) | Three Months Ended September 30 | | |
|----------------------------------|---------------------------------|----------------|-------------|
| | 2023 | 2024 | ▲% |
| Aeronautics Systems | \$283 | \$298 | 5% |
| Defense Systems | 201 | 196 | (2)% |
| Mission Systems | 386 | 390 | 1% |
| Space Systems | 302 | 345 | 14% |
| Intersegment Eliminations | (83) | (83) | |
| Total | \$1,089 | \$1,146 | 5% |

Segment operating margin rate⁽¹⁾ expands to 11.5% driven by strong performance and cost efficiencies

Q3 Diluted EPS Bridge



| Q3 2023 Diluted EPS | \$6.18 |
|--|---------------|
| Segment Performance | 0.51 |
| Net Pension ⁽¹⁾ | 0.41 |
| Federal Tax Rate | 0.22 |
| Sale of Minority Investment (prior year) | (0.44) |
| Marketable Securities, Interest, and Other | 0.12 |
| Q3 2024 Diluted EPS | \$7.00 |

Q3 Diluted EPS increase 13% to \$7.00 driven by strong segment performance

1. 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%.

2024 Segment Guidance⁽¹⁾

As of 10/24/2024

| | Sales (\$B) | OM Rate % |
|----------------------------------|----------------------------------|--|
| Aeronautics Systems | ~\$12 Prior: High \$11 | ~10% Prior: Mid to High 9% |
| Defense Systems | High \$8 Prior: ~\$9 | ~10% |
| Mission Systems | Mid \$11 | High 13% Prior: Low to Mid 14% |
| Space Systems | Mid to High \$11 | Mid to High 10% Prior: Low 10% |
| Intersegment Eliminations | ~(\$2.7) | Low 13% |

Updated segment guidance reflects both strong demand and solid performance

2024 Company Level Guidance⁽¹⁾

(\$M), except per share amounts

As of 10/24/2024

| | |
|---|--|
| Sales | \$41,000 – \$41,400 |
| Segment operating income⁽²⁾ | \$4,525 – \$4,575 Prior: \$4,500 – \$4,575 |
| MTM-adjusted EPS⁽²⁾ | \$25.65 – \$26.05 Prior: \$24.90 – \$25.30 |
| Free cash flow⁽²⁾ | \$2,250 – \$2,650 |

Increasing EPS guidance by 75 cents on strong year to date performance and latest full year expectations

1. See Page 13 – “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.

2025 Net Pension Income Sensitivities (\$M)

| | | ← Asset Returns → | | | | |
|---|-----------------------|-------------------|------|------------|------|-------|
| | | 4.5% | 6.0% | 7.5% | 9.0% | 10.5% |
| Discount Rate Change⁽⁵⁾ ↑ ↓ | FAS ⁽²⁾⁽³⁾ | 460 | 495 | 530 | 560 | 590 |
| | -50 bps | 430 | 465 | 500 | 530 | 565 |
| | -25 bps | 400 | 435 | 470 | 500 | 535 |
| | 0 bps | 375 | 410 | 440 | 475 | 505 |
| | 25 bps | 350 | 380 | 415 | 450 | 480 |
| | 50 bps | | | | | |
| | | ← Asset Returns → | | | | |
| | | 4.5% | 6.0% | 7.5% | 9.0% | 10.5% |
| CAS⁽⁴⁾ | | 440 | 415 | 390 | 370 | 350 |

Current estimates⁽¹⁾ as of 9/30/2024

Current pension estimates⁽¹⁾ for 2025 are unchanged from our initial estimates⁽¹⁾ as of 1/25/2024

1. See Page 13 – “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. FAS Estimates as of 9/30/2024 of \$470 million highlighted above include FAS pension service expense of \$220 million, and \$690 million of non-operating FAS pension benefit.
4. CAS costs not directly impacted in the short term by changes in the discount rate, assumes holding all other pension assumptions constant.
5. Change in discount rate compared to our original guidance provided on 1/25/2024 of 5.15%. Discount rate and cash balance credit rating assumptions are partially linked.

Expect sales growth between 3% and 4% driven by AS, DS, and MS

- Space sales expected to be down mid-single digits due to 2024 wind-down of restricted and NGI programs
- Continue to expect margin dollars to grow faster than sales driven by strong performance

Reaffirm free cash flow⁽²⁾ range of \$2.85 to \$3.25 billion

- Represents >20% growth from midpoint of 2024 guidance
- Continue to expect rapid free cash flow⁽²⁾ expansion over next several years

CapEx projected to decline in 2025 to ~\$1.5 billion

Execute profitable growth strategy with laser focus on expanding free cash flow⁽²⁾

1. See Page 13 – “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

2024 Supplemental Guidance⁽¹⁾

| (\$M) | As of 10/24/2024 |
|---|--|
| Total Net FAS/CAS pension adjustment⁽²⁾ | ~\$700 |
| Unallocated corporate expense: | |
| Intangible asset amortization and PP&E step-up depreciation | ~\$100 |
| Other items | ~\$110 Prior: ~\$150 |
| Operating income | \$4,345 – \$4,395 Prior: \$4,280 - \$4,355 |
| Interest expense | ~\$630 Prior: ~\$650 |
| Effective tax rate % | Mid 16% Prior: Mid 17% |
| Weighted average diluted shares outstanding | Mid 147 |
| Capital expenditures | ~\$1,800 |

1. See Page 13 – “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. Total Net FAS/CAS pension adjustment is presented as a single amount and includes \$270 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 \$670 million is reflected below operating income, and the total net FAS/CAS pension adjustment is \$700 million.

Financial guidance, as well as outlook, trends, expectations and other forward-looking statements provided by the company for 2024 and beyond, reflect the company's judgment based on the information available to the company at the time of this presentation. The company's financial guidance and outlook for 2024 and beyond reflect what the company currently anticipates will be the impacts on the company from, among other factors, the global macroeconomic, security, and political/budget environments, including the impacts from inflationary pressures and labor and supply chain challenges; changes in the threat environment; changes in government budget, appropriations and procurement priorities and processes; changes in the regulatory environment; and changes in support for our programs. We are not assuming, and the company's financial guidance and outlook for 2024 and beyond do not reflect impacts on the company from, any potential continuing resolution, government shutdown, or application of spending limits or other spending cuts. 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-Q.

Segment Realignment

Segment Sales

| (\$M) AS REPORTED ⁽¹⁾ | 2022 | | 2023 | | | | 2024 | |
|----------------------------------|-----------------|--------------------|----------------|----------------|-----------------|-----------------|--------------------|-----------------|
| | Total Year | Three Months Ended | | | | Total Year | Three Months Ended | |
| | | Mar 31 | Jun 30 | Sep 30 | Dec 31 | | Mar 31 | Jun 30 |
| Aeronautics Systems | \$10,531 | \$2,515 | \$2,595 | \$2,766 | \$2,910 | \$10,786 | \$2,969 | \$2,963 |
| Defense Systems | 5,579 | 1,376 | 1,420 | 1,421 | 1,645 | 5,862 | 1,412 | 1,513 |
| Mission Systems | 10,396 | 2,563 | 2,641 | 2,628 | 3,063 | 10,895 | 2,659 | 2,773 |
| Space Systems | 12,275 | 3,350 | 3,488 | 3,506 | 3,602 | 13,946 | 3,655 | 3,573 |
| Intersegment Eliminations | (2,179) | (503) | (568) | (546) | (582) | (2,199) | (562) | (604) |
| Total | \$36,602 | \$9,301 | \$9,576 | \$9,775 | \$10,638 | \$39,290 | \$10,133 | \$10,218 |

| REALIGNED ⁽²⁾ | | | | | | | | |
|----------------------------------|-----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|
| Aeronautics Systems | \$10,531 | \$2,515 | \$2,595 | \$2,766 | \$2,910 | \$10,786 | \$2,969 | \$2,963 |
| Defense Systems | 7,629 | 1,967 | 2,041 | 2,050 | 2,231 | 8,289 | 1,990 | 2,153 |
| Mission Systems | 10,396 | 2,563 | 2,641 | 2,628 | 3,063 | 10,895 | 2,659 | 2,773 |
| Space Systems | 10,570 | 2,851 | 2,971 | 2,953 | 3,098 | 11,873 | 3,149 | 3,002 |
| Intersegment Eliminations | (2,524) | (595) | (672) | (622) | (664) | (2,553) | (634) | (673) |
| Total | \$36,602 | \$9,301 | \$9,576 | \$9,775 | \$10,638 | \$39,290 | \$10,133 | \$10,218 |

1. "As reported" summary operating results for the periods presented reflect the composition of our reportable segments prior to July 1, 2024 as previously disclosed in the company's filings with the SEC.

2. "Realigned" summary operating results for the periods presented 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.

Segment Realignment

Segment Operating Income⁽³⁾

| (\$M) AS REPORTED ⁽¹⁾ | 2022 | | 2023 | | | | 2024 | |
|----------------------------------|----------------|--------------------|----------------|----------------|----------------|----------------|--------------------|----------------|
| | Total Year | Three Months Ended | | | | Total Year | Three Months Ended | |
| | | Mar 31 | Jun 30 | Sep 30 | Dec 31 | | Mar 31 | Jun 30 |
| Aeronautics Systems | \$1,116 | \$237 | \$278 | \$283 | \$(1,271) | \$(473) | \$297 | \$295 |
| Defense Systems | 664 | 160 | 166 | 182 | 202 | 710 | 177 | 204 |
| Mission Systems | 1,618 | 360 | 401 | 386 | 462 | 1,609 | 378 | 361 |
| Space Systems | 1,158 | 313 | 283 | 312 | 304 | 1,212 | 332 | 324 |
| Intersegment Eliminations | (303) | (68) | (76) | (74) | (80) | (298) | (80) | (83) |
| Total | \$4,253 | \$1,002 | \$1,052 | \$1,089 | \$(383) | \$2,760 | \$1,104 | \$1,101 |

| REALIGNED ⁽²⁾ | | | | | | | | |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Aeronautics Systems | \$1,116 | \$237 | \$278 | \$283 | \$(1,271) | \$(473) | \$297 | \$295 |
| Defense Systems | 781 | 197 | 207 | 201 | 224 | 829 | 187 | 231 |
| Mission Systems | 1,618 | 360 | 401 | 386 | 462 | 1,609 | 378 | 361 |
| Space Systems | 1,078 | 286 | 252 | 302 | 290 | 1,130 | 330 | 304 |
| Intersegment Eliminations | (340) | (78) | (86) | (83) | (88) | (335) | (88) | (90) |
| Total | \$4,253 | \$1,002 | \$1,052 | \$1,089 | \$(383) | \$2,760 | \$1,104 | \$1,101 |

1. "As reported" summary operating results for the periods presented reflect the composition of our reportable segments prior to July 1, 2024 as previously disclosed in the company's filings with the SEC.

2. "Realigned" summary operating results for the periods presented 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.

3. Non-GAAP financial measure. See Appendix.

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.

Non-GAAP Reconciliations

Segment Operating Income

| (\$M) | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|------------------------------------|----------------|-----------------------------------|-----------------|
| | 2023 | 2024 | 2023 | 2024 |
| Total sales | \$9,775 | \$9,996 | \$28,652 | \$30,347 |
| Operating income | \$1,016 | \$1,120 | \$2,930 | \$3,281 |
| Operating margin rate | 10.4% | 11.2% | 10.2% | 10.8% |
| <i>Reconciliation to segment operating income:</i> | | | | |
| FAS/CAS operating adjustment | \$20 | \$(20) | \$62 | \$(32) |
| Unallocated corporate expense: | | | | |
| Intangible asset amortization and PP&E step-up depreciation | 31 | 23 | 92 | 72 |
| Other unallocated corporate expense | 22 | 23 | 59 | 30 |
| Unallocated corporate expense | \$53 | \$46 | \$151 | \$102 |
| Segment operating income | \$1,089 | \$1,146 | \$3,143 | \$3,351 |
| Segment operating margin rate | 11.1% | 11.5% | 11.0% | 11.0% |

Non-GAAP Reconciliations

Free Cash Flow

| (\$M) | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|------------------------------------|----------------|-----------------------------------|----------------|
| | 2023 | 2024 | 2023 | 2024 |
| Net cash provided by operating activities | \$1,228 | \$1,091 | \$1,445 | \$1,810 |
| Capital expenditures | (359) | (361) | (972) | (951) |
| Free cash flow | \$869 | \$730 | \$473 | \$859 |

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" to the right, meeting at a right-angle corner.