



# Delivering the Advantage

**HII Investor Day**

March 20, 2024

# Cautionary Statement Regarding Forward-Looking Statements

Statements in this presentation and statements we may make as part of the Investor Day Meeting, as well as other statements we may make from time to time, other than statements of historical fact, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify forward-looking statements by words such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue," and similar words or phrases or the negative of these words or phrases. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements. Although we believe the expectations reflected in the forward-looking statements are reasonable when made, we cannot guarantee future results, levels of activity, performance, or achievements. There are a number of important factors that could cause our actual results to differ materially from the results anticipated by our forward-looking statements, which include, but are not limited to: changes in government and customer priorities and requirements (including government budgetary constraints, shifts in defense spending, and changes in customer short-range and long-range plans); our ability to estimate our future contract costs, including cost increases due to inflation, and perform our contracts effectively; changes in procurement processes and government regulations and our ability to comply with such requirements; our ability to deliver our products and services at an affordable life cycle cost and compete within our markets; natural and environmental disasters and political instability; our ability to execute our strategic plan, including with respect to share repurchases, dividends, capital expenditures, and strategic acquisitions; adverse economic conditions in the United States and globally; health epidemics, pandemics and similar outbreaks; our ability to attract, retain, and train a qualified workforce; disruptions impacting global supply, including those resulting from the ongoing conflict between Russia and Ukraine and in the Middle East; changes in key estimates and assumptions regarding our pension and retiree health care costs; security threats, including cyber security threats, and related disruptions; and other risk factors discussed herein and in our other filings with the SEC. There may be other risks and uncertainties that we are unable to predict at this time or that we currently do not expect to have a material adverse effect on our business, and we undertake no obligation to update or revise any forward-looking statements. You should not place undue reliance on any forward-looking statements that we may make.





# Agenda

**WELCOME, INTRODUCTION, AGENDA** | **Christie Thomas**, VP Investor Relations

**INTRODUCTION VIDEO**

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**COMPANY & STRATEGIC OVERVIEW: DELIVERING THE ADVANTAGE** | **Chris Kastner**, President & CEO

**THREE DIVISIONS: ONE MISSION**

**NEWPORT NEWS** | **Jennifer Boykin**, EVP & President Newport News Shipbuilding

**INGALLS** | **Kari Wilkinson**, EVP & President Ingalls Shipbuilding

**MISSION TECHNOLOGIES** | **Andy Green**, EVP & President Mission Technologies

**BREAK**

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**GROWTH CATALYSTS** | **Eric Chewning**, EVP Strategy & Development

**LEADING WITH TECHNOLOGY** | **Todd Borkey**, EVP & CTO

**FINANCIAL STRATEGY & OUTLOOK** | **Tom Stiehle**, EVP & CFO

**WRAP-UP** | **Chris Kastner**, President & CEO

**BREAK**

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**Q&A**

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# Company & Strategic Overview: Delivering the Advantage

Chris Kastner, President and CEO



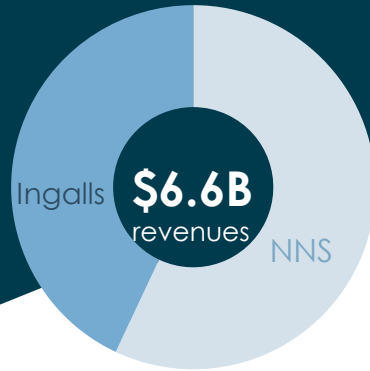
# Path to 2024: Commitments Made and Kept

2020-2024 Priorities	Results
<b>Driving Growth</b>	<ul style="list-style-type: none"> <li>✓ Consistent, predictable long-term shipbuilding growth</li> <li>✓ Disciplined pursuit of high-growth market opportunities</li> </ul> <p><b>6.6%</b> FY19-23 Revenue CAGR</p>
<b>Managing Risk</b>	<ul style="list-style-type: none"> <li>✓ Efficient execution of backlog</li> <li>✓ Backlog insulates business from DOD budget dynamics</li> <li>✓ Mature ship designs to reduce execution risk</li> </ul> <p><b>7.5%</b> FY 19-23 Segment Operating Income<sup>1</sup> CAGR  <b>\$48B</b> Backlog  <b>43 Ships</b> in Backlog</p>
<b>Generating Strong Returns</b>	<ul style="list-style-type: none"> <li>✓ Generate ~\$3 billion of free cash flow FY20-FY24</li> <li>✓ Strategic and disciplined M&amp;A</li> <li>✓ Return excess cash to shareholders</li> </ul> <p><b>~\$3.0B+</b> FY20-24  Accretive &amp; Synergistic  <b>\$500M+</b> FY24</p>



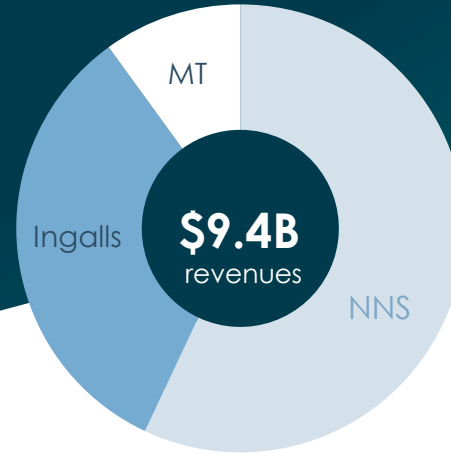
1. Non-GAAP measure. See appendix for definitions and reconciliations.

# Strong Portfolio Positioned for Growth



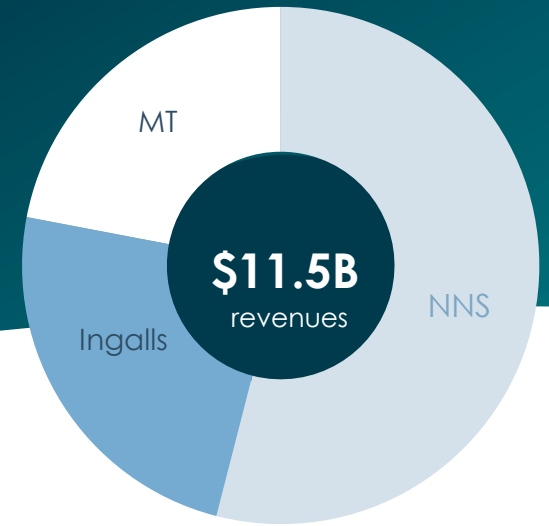
## 2011 Introduced HII

- ✓ Established public company
- ✓ Invested in shipyards
- ✓ Consolidated facilities
- ✓ Captured new business



## 2020 Grew & Shaped Portfolio

- ✓ Strengthened & grew shipbuilding
- ✓ Disciplined pursuit of opportunities in high growth markets
- ✓ Focused on backlog execution while managing risk
- ✓ Acquired strategic capabilities in nuclear, unmanned & defense solutions



## 2024+ Investing for Accelerated Growth & Margin Expansion

- ✓ Capture shipbuilding upside & margin improvement
- ✓ Continue growing Mission Technologies revenues and margins
- ✓ Grow nuclear presence
- ✓ Expand internationally through AUKUS
- ✓ Leverage mutually reinforcing capabilities to drive growth

# Unique, Diverse Experience Drives Strategy & Execution

## Executive Leadership



**Christopher D. Kastner**  
CEO & President



**Jennifer Boykin**  
EVP & President,  
NNS



**Kari Wilkinson**  
EVP & President,  
Ingalls Shipbuilding



**Andy Green**  
EVP & President,  
Mission Technologies



**Todd Borkey**  
EVP & Chief Technology  
Officer



**Chad Boudreaux**  
EVP & Chief Legal  
Officer



**Eric D. Chewning**  
EVP, Strategy &  
Development



**Paul C. Harris**  
EVP & Chief  
Sustainability  
& Compliance Officer



**Brooke Hart**  
EVP, Communications



**Stewart Holmes**  
EVP, Government &  
Customer Relations



**Edmond E. Hughes**  
EVP & Chief Human  
Resources Officer



**Chris Soong**  
EVP & Chief Information  
Officer



**Thomas E. Stiehle**  
EVP & Chief Financial  
Officer



**Nick Thomas**  
VP, Business  
Operations



# HII Mission & Values

## MISSION:

To deliver the world's most powerful ships and all-domain solutions in service of the nation, creating the advantage for our customers to protect peace and freedom around the world



**VALUES:** Integrity Safety Respect Engagement Responsibility Performance



# HII At-A-Glance

Headquartered in Newport News, VA



**138+**

Year History



**44,000+**

Employees



**~\$1B**

RDT&E



**7,100**

Engineers /  
Designers /  
Scientists



**4,000+**

Suppliers



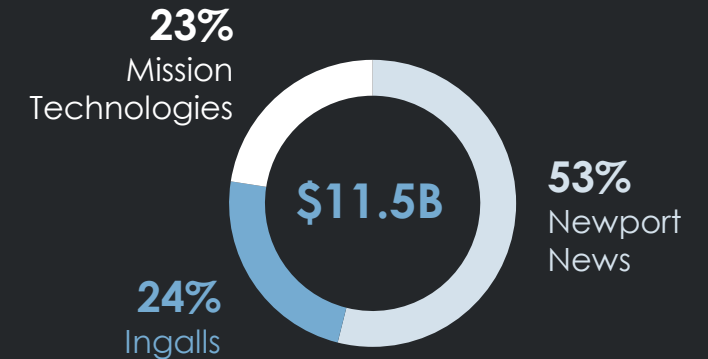
**40+**

Countries



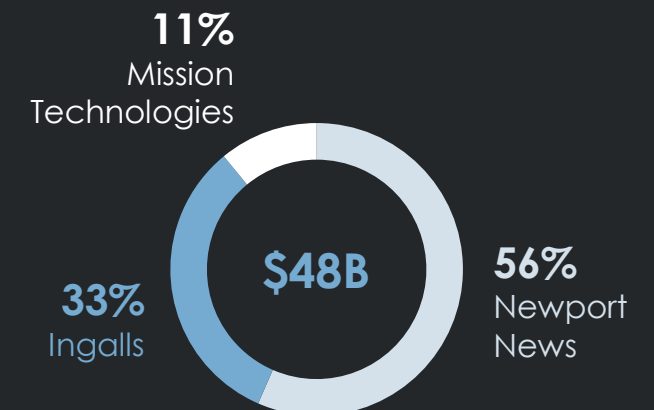
## REVENUES

Year Ended December 31, 2023



## BACKLOG

Year Ended December 31, 2023



# Three Divisions, One Mission



## Newport News Shipbuilding

Sole provider of U.S. Navy aircraft carriers and one of two nuclear submarine shipbuilders

**138+**  
Year History

**~26K**  
Employees

**\$6.1B**  
FY23 Revenue

**4.8%**  
FY23 Growth



## Ingalls Shipbuilding

Largest supplier of U.S. Navy surface combatants

**85+**  
Year History

**~11K**  
Employees

**\$2.8B**  
FY23 Revenue

**7.1%**  
FY23 Growth



## Mission Technologies

Leading provider of technology solutions to enable all-domain distributed operations

**87+**  
Year History

**~7K**  
Employees

**\$2.7B**  
FY23 Revenue

**13.1%**  
FY23 Growth





# Our Strategy:

Accelerate Growth, Expand Margins  
and Reduce Enterprise Risk



Capture  
**Shipbuilding Growth  
and Margin  
Improvement**



Grow  
**Mission Technologies  
Revenues and  
Margins**



Scale  
**Internationally  
(AUKUS)**



Expand  
**Nuclear market  
presence**

# Poised for Significant Market Trends



## MILITARY SHIPBUILDING SUPER-CYCLE

\$32B+ annual U.S. Naval  
Shipbuilding budget



## DEFENSE TECH INTEGRATION

Militarization of advanced  
capabilities from dual-use  
technologies



## AUSTRALIAN & UK MARKET OPENING

\$250B Pillar 1 opportunity  
over 30 years in Australia

Additional upside from Pillar 2  
in both Australia and the UK



## NUCLEAR RESURGENCE

8% growth in NNSA budget to  
recapitalize strategic nuclear  
infrastructure



# Positioned to Grow



## SHORT TERM / MID TERM

**43 ships** in Process

**\$8B MT** awards over last 18 months

Debt paid down to **target metrics**

Positioned for **market tailwinds**



## MID TERM / LONG TERM

**22 Ships** negotiated in next 36 months

**\$75B opportunity pipeline** in MT

AUKUS and Shipbuilding **upside potential**

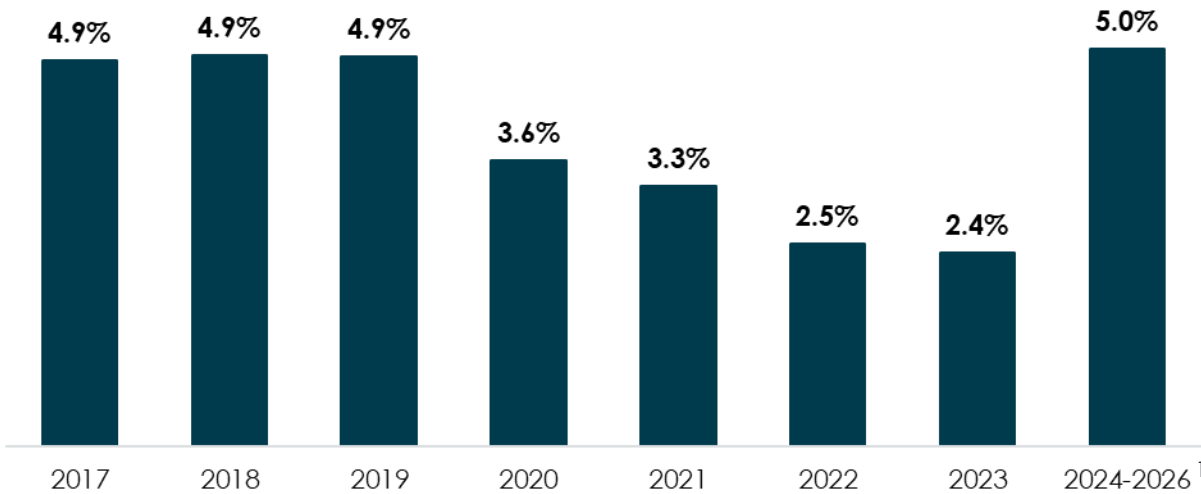
Applying new data technology to **serve customer priorities** and to **accelerate shipyard improvements**

Free cash flow and balance sheet **strength**



# Investments in Capacity and Growth to Meet Customer Demand

**CAPITAL EXPENDITURES**  
(% of Revenue)

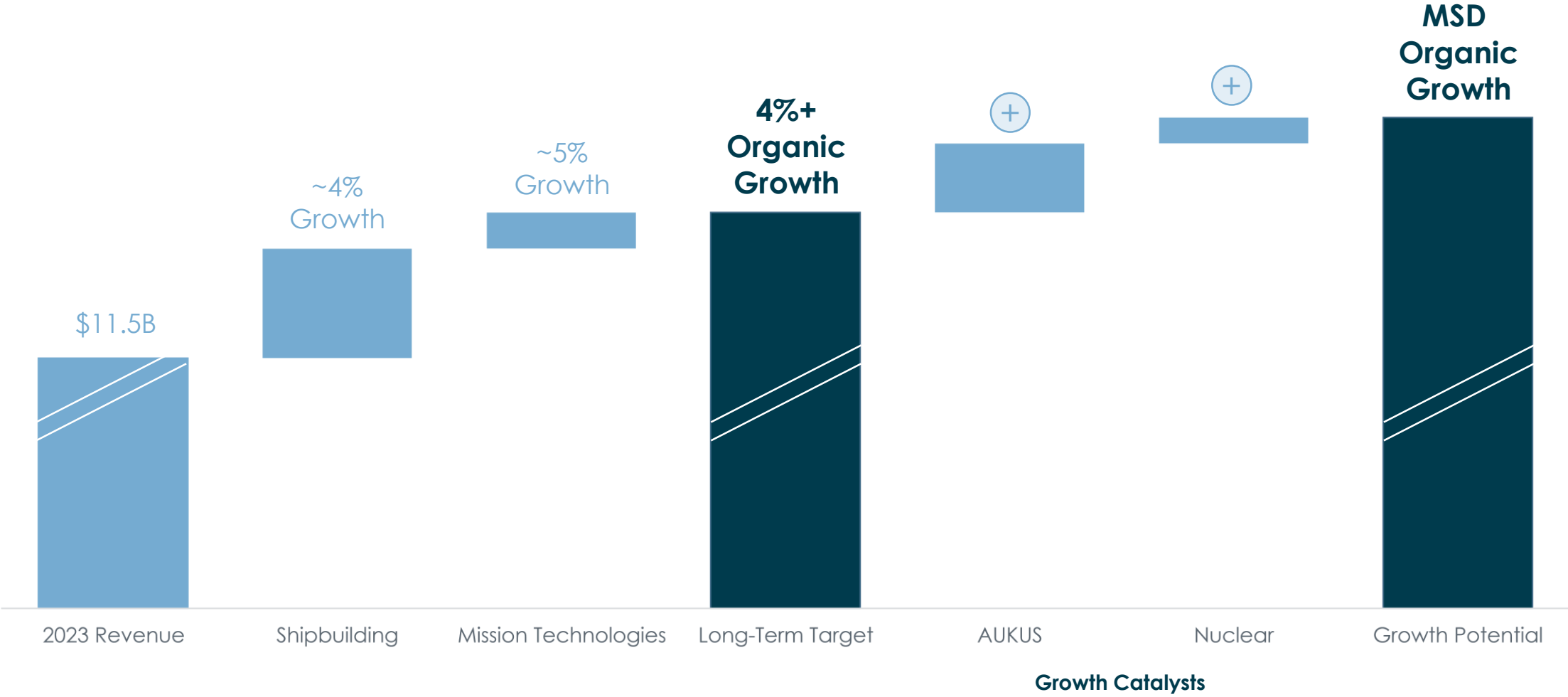


10 Year Investment of **\$4.1 Billion** in Facilities and Technology



1. Per year value

# Strong, Highly Visible Growth Outlook



# Margin Expansion

SHIPBUILDING  
(MARGIN)<sup>1</sup>

9-10%  
Future state

~ +100 - 200 Bps

8.3%<sup>1</sup>  
2023

MISSION TECHNOLOGIES  
(EBITDA)<sup>1</sup>

9-10%  
Future state

~ +100 - 200 Bps

8.6%<sup>1</sup>  
2023

## Key Drivers

### Shipbuilding

Build-out **workforce**

Effective **Supply Chain** management

**Secure contracts** reflective of  
current **business environment**

Performance improvements through  
**investments, operating system & technology**

**Portfolio rotation / Production efficiency**

### Mission Technologies

Portfolio **contract mix**

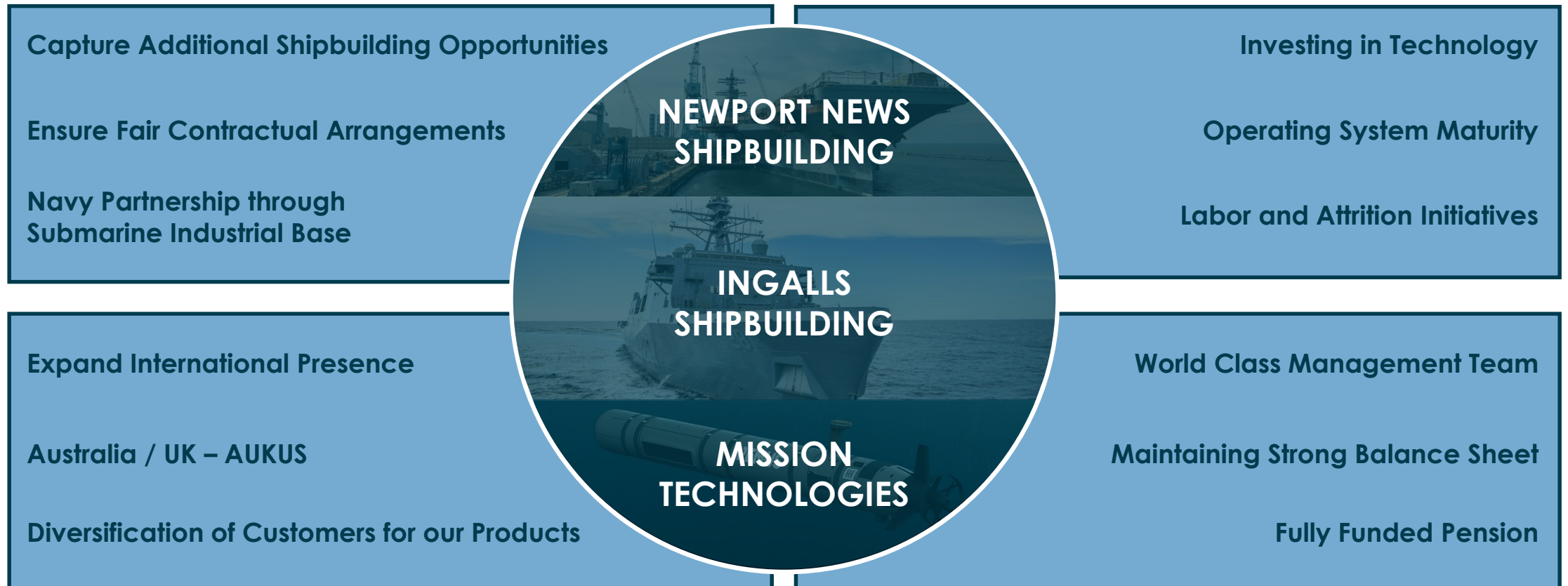
**Technology** insertion

Higher **volumes / overhead leverage**





# Enterprise Risk Reduction



# HII Capital Allocation Strategy



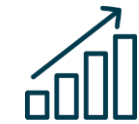
## BALANCED CAPITAL ALLOCATION PRIORITIES SUPPORT ALL STAKEHOLDERS



Committed to Investment  
Grade Rating



Maintain and Grow  
Capacity in Our Shipyards



Continue Annual  
Dividend Growth



Continue  
Evaluating M&A

Excess Cash to  
Share Repurchases

# Compelling Investment Thesis

Largest U.S. military seapower provider with leading all-domain, integrated defense technologies



Historic and significant market tailwinds providing highly visible growth

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Margin expansion opportunity driven by operational execution and delivering on commitments

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Free cash flow growth enabling disciplined capital allocation and increasing total shareholder value





# Newport News Shipbuilding

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Jennifer Boykin, Executive Vice President  
and President, Newport News Shipbuilding



# Newport News Shipbuilding At-A-Glance

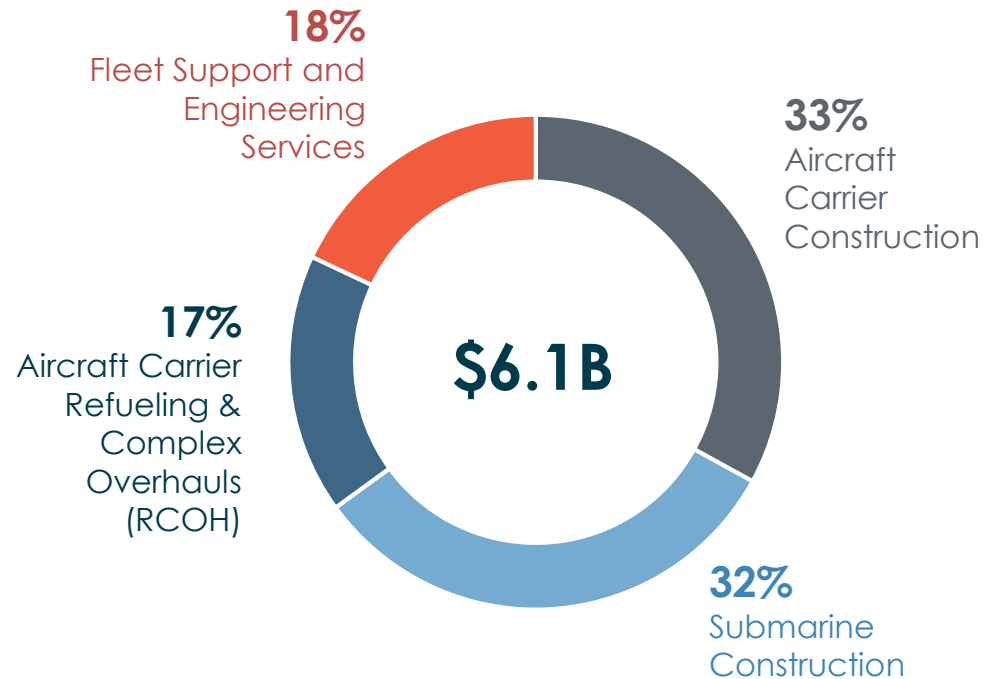
Newport News, Virginia  
HEADQUARTERS

**138+**  
YEAR HISTORY

**\$27B**  
BACKLOG

**5.4%**  
Five-Year  
Revenue CAGR

## 2023 REVENUES



**Largest shipyard** in U.S. with more than 500 acres and 2-1/2 miles of waterfront

**Sole designer, builder and refueler** of Navy nuclear-powered aircraft carriers

**Nuclear-powered submarines** builder, one of only two capable of designing and building

**Talented workforce** of ~26K employees, many 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> generation



# Our People

**~26K**

Employees

**12,200** Craft

**5,500** Engineers

**Many**

3<sup>rd</sup>, 4<sup>th</sup>, & 5<sup>th</sup>  
generation shipbuilders

**>1K**

Master  
Shipbuilders

**>\$100M**

Invested annually in  
workforce training

**\$100K**

Granted in  
STEM awards



## The Apprentice School – Founded in 1919

- 4 year fully paid program
- Accredited Associate Degree
- ABET Accredited Engineering Degree
- 6 Division III Athletic Teams



# Nation's Only Designer, Builder, Refueler and Defueler of Nuclear-Powered Aircraft Carriers



## Gerald R. Ford-Class Construction

- First product modeled aircraft carrier
- Incorporates 23 new technologies
- Designed for decades of new technology insertion

## Aircraft Carrier Refuelings

- Refuel ship at 25 year mid-life to serve another 25 years
- Modernize with 35% of total life maintenance dollars
- Line of business extends beyond **2050** with Ford-class

## Aircraft Carrier Inactivations

- Defuel and inactivate ship at end of 50-year life
- USS *Nimitz* (CVN 68) inactivation first of 10 ship class
- Line of business extends beyond **2090** with Ford-class

4

Total Ships in Production

2

In Process





# World's Most Advanced Nuclear-Powered Submarines



**Virginia-Class (SSN)**

**Length:** 377 – 461 (Virginia Payload Module) feet

**Displacement:** Approximately 7,800 – 10,200 (Virginia Payload Module) tons

Partner with General Dynamics Electric Boat

Model of collaboration and efficiency



## NEW CAPABILITIES

Ability to deliver weapons, vehicles and undersea payloads with stealth, firepower and maneuverability



**Columbia-Class (SSBN)**

**Length:** 560 feet

**Displacement:** 20,800 tons (submerged)

Major subcontractor to General Dynamics Electric Boat for bows and sterns

Digital from inception



## NEW CAPABILITIES

New life-of-ship reactor, electric drive propulsion system, field 16 Trident II D5 ballistic missiles

14

Total Ships in Production

17

In Process

**Virginia**

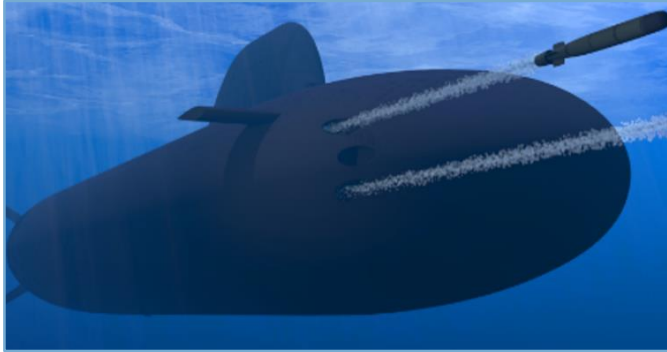


**Columbia**



- Newport News Shipbuilding
- General Dynamics Electric Boat
- Delivery Yard

# Tight Alignment with National Defense Strategy



## SUBMARINES

“...our Submarine Force is **the best in the world**, the Submarine Force is **needed now more than ever** and is ready to support and defend our nation and our partners.”

**Admiral Samuel Paparo**  
Commander, INDO-PACOM



## AUKUS

“AUKUS will help advance our shared vision of a **free and open Indo-Pacific region** for generations to come.”

**Antony J. Blinken**  
U.S. Secretary of State

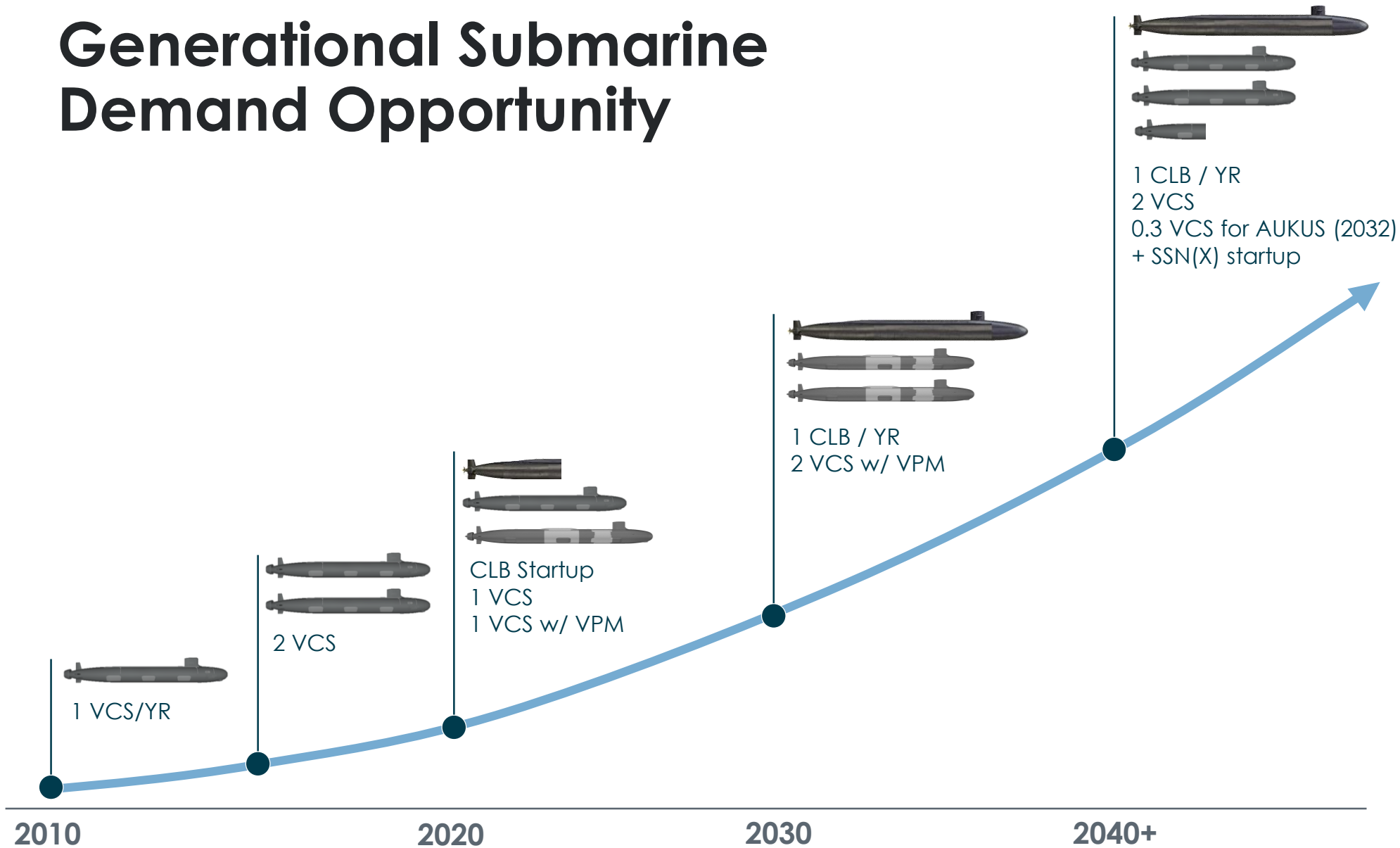


## AIRCRAFT CARRIERS

“For 100 years, aircraft carriers have been **the most survivable and versatile airfields in the world**, Perhaps no single military platform distinguishes what our nation is ... and what it stands for ... more than the aircraft carrier.”

**Adm. Michael Gilday, USN (Ret.)**  
Former Chief of Naval Operations

# Generational Submarine Demand Opportunity



**5X Growth**  
in U.S. Submarine  
Production From  
2010 to 2040+



# Investing to Fully Realize Shipbuilding Potential



## People

- Growing the **workforce pipeline** through partnerships
- Accelerate **data analytics** for hiring and retention
- **Strong training and development** programs



## Supply Chain

- Intrusive **project management**
- Strategic partnerships for **additional capacity**
- Disrupt with **additive manufacturing**



## Technology

- Target **investments** to facilitate new workforce
- Invest in **Industry 4.0** smart plant technologies
- Leverage **AI capabilities** into business operations



## Infrastructure / Capacity

- Capitalize on **submarine centers of excellence**
- Invest in unique **nuclear capable assets**
- Establish **aircraft carrier** assembly-line build

# Stabilizing Workforce to Improve Performance



## Hiring

Utilizing data analytics to focus recruiting efforts on most successful locations

Holding micro in-person hiring events resulting in higher candidate yield

Targeting craft pipeline programs to obtain higher skilled new hires



## Develop & Grow

Formal leadership development program from President to deckplate

Expanding individual development plans to each craft

Growing NNS Apprentice School program to align with workforce growth



## Retention

Utilizing predictive analytics to identify potential hot spots for attrition

Leveraged data for actions reducing salaried attrition by 20% in 2023

Intentional individual coaching for craft employees to help connect to our Mission

# Supply Chain Focus



**2,500**

Suppliers

80,000 Purchase Orders  
Across 48 States



**>\$4B**

Open Orders  
Managed



**~1M**

Hours Outsourced  
Annually

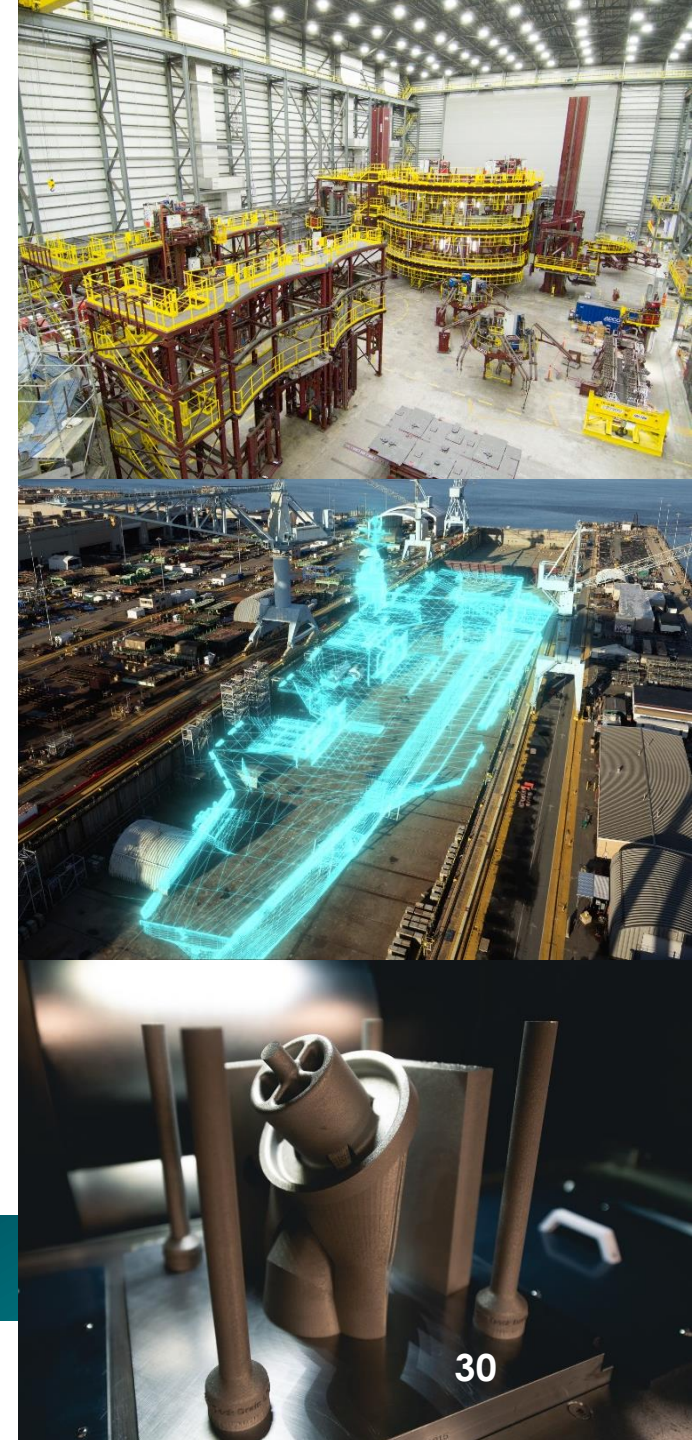




# Investing in Technology and Infrastructure for Capacity and Operational Efficiency

Digital Shipbuilding	Informatics and AI	Additive Manufacturing
Joint Manufacturing and Assembly Facility	Fixture Based Manufacturing	Sparc App (Arc Time Management)

Targeting Opportunities for Full HII Capabilities



# Case Study: World Class Capabilities for Submarine Bow & Stern Manufacturing

## The Process

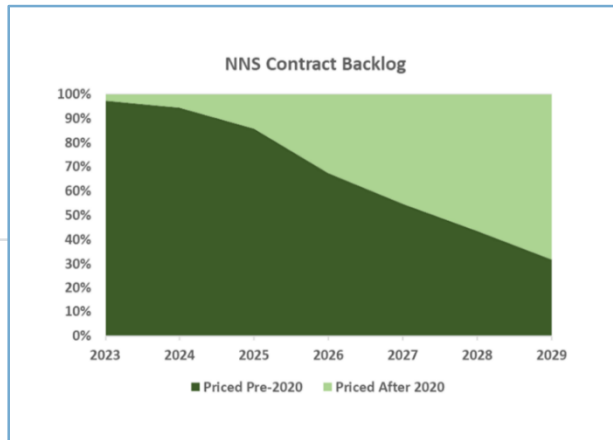
- Safety and efficiency embedded in step
- Consistent build process on all bow and stern sections
- Work consolidated in one location
- Automated welding augments manual welding

## The Results

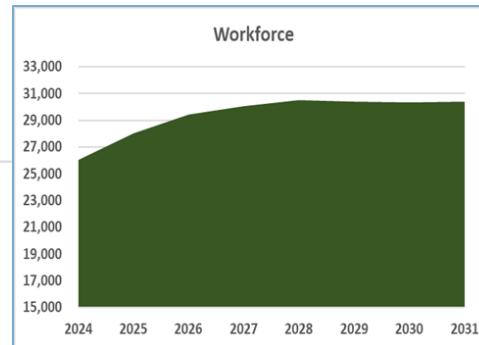
- Second *Columbia* class stern was **22% more complete** in the fixture as compared to the first
- **First-time quality** higher degree of control of key attributes
- **Flexibility** to address unplanned challenges



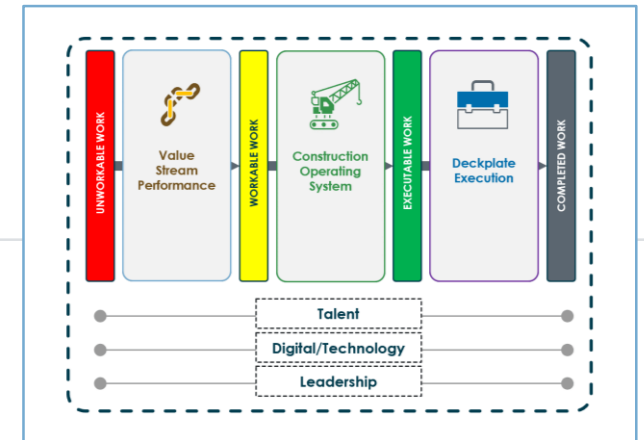
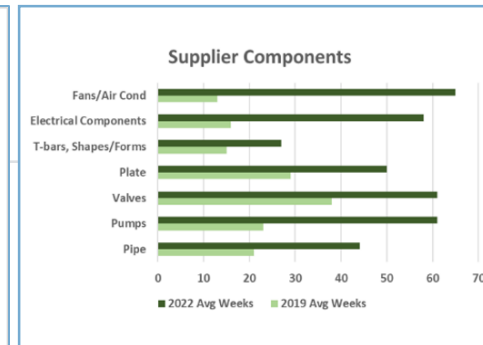
# Path to Newport News Growth and Margin Expansion



**Evolve** From Pre-COVID Contracts



**New Contracts** Reflective of Macro-Economics



Fully Leverage **Execution Operating System**

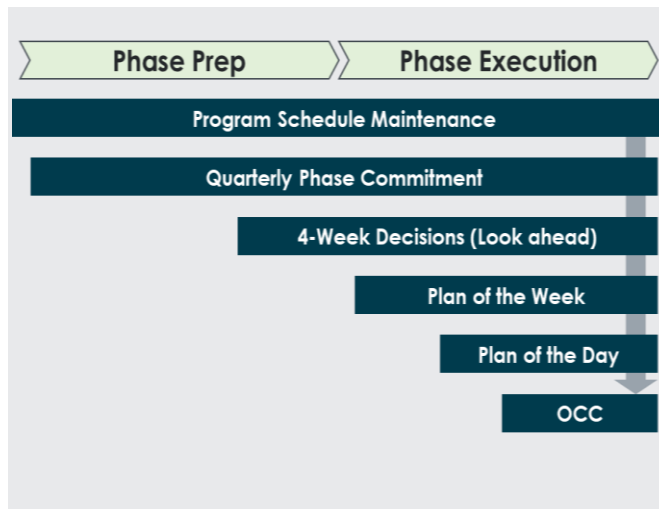
Relentless Focus on **Operational Excellence**



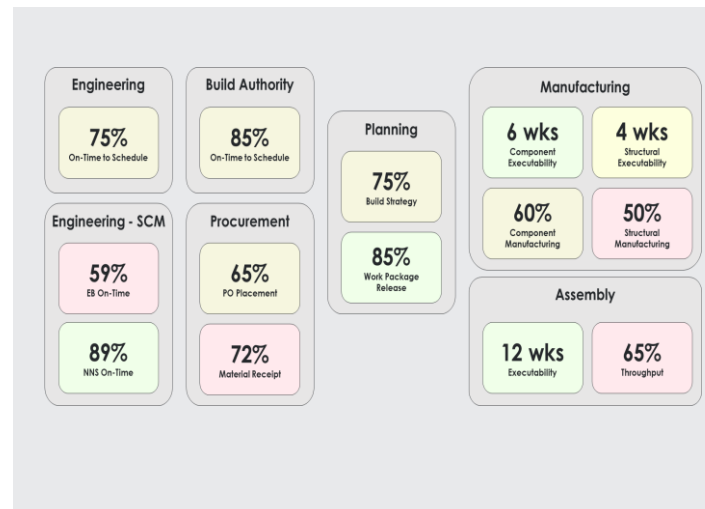
# Execution Operating System

Standard processes, measures, and expectations across all product lines

## Program Schedule to Daily Deckplate Commitments



## Material and Tech Instructions to Deckplate On-Time



## Leadership Driven Accountability and Innovation



Clarity of roles and expectations



Daily, weekly, monthly performance to goal



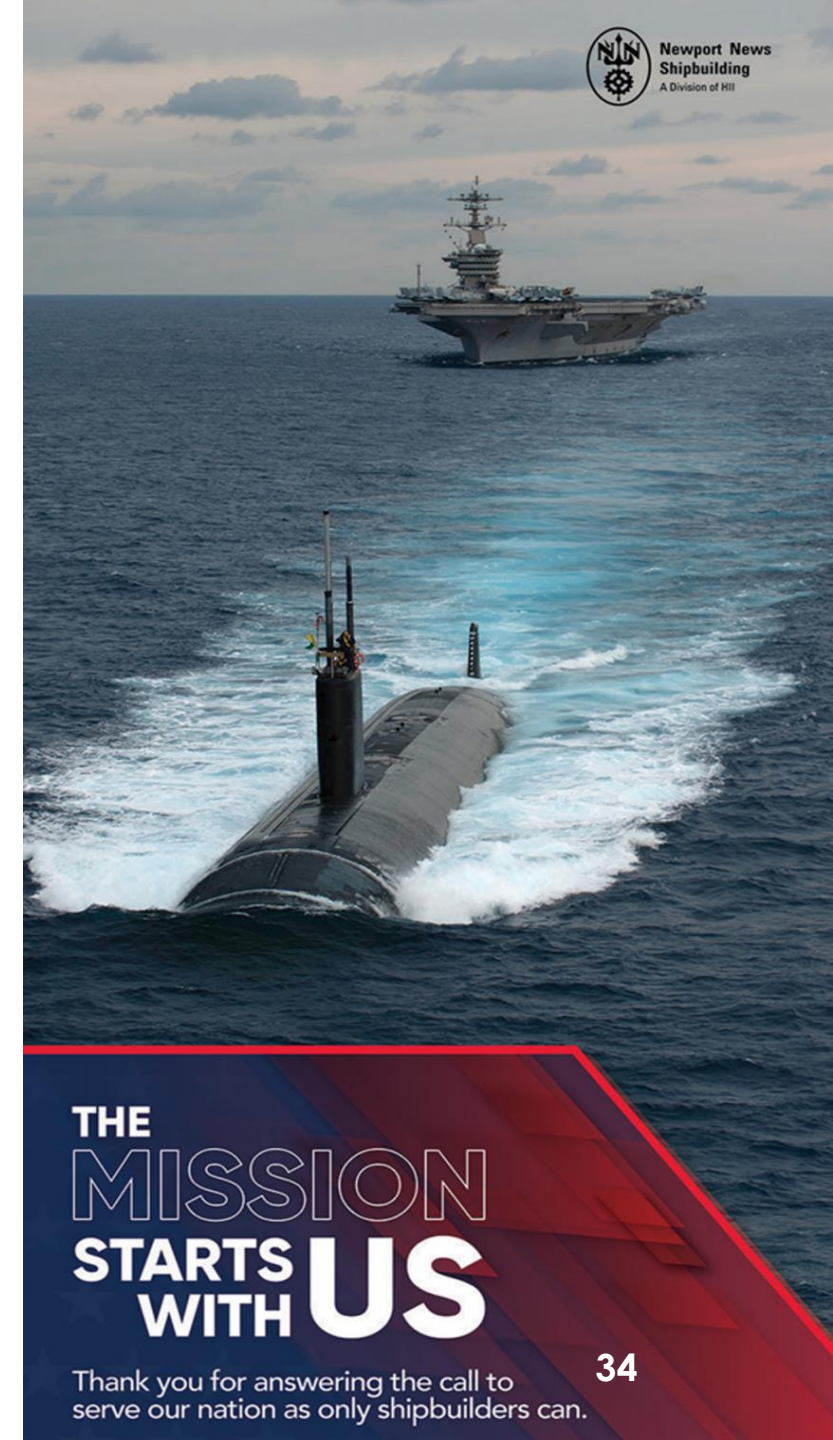
Knowledge transfer and innovation

Standards improve performance, transparency, and role clarity



# Key Takeaways Newport News Shipbuilding

- Solid backlog and growing pipeline aligned with Navy priorities
- Prepared for workforce and supply chain challenges
- Leveraging investments to capture shipbuilding growth
- Driving execution while positioning for future



THE  
MISSION  
STARTS  
WITH **US**

Thank you for answering the call to  
serve our nation as only shipbuilders can.



# Ingalls Shipbuilding

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Kari Wilkinson, Executive Vice President  
and President, Ingalls Shipbuilding

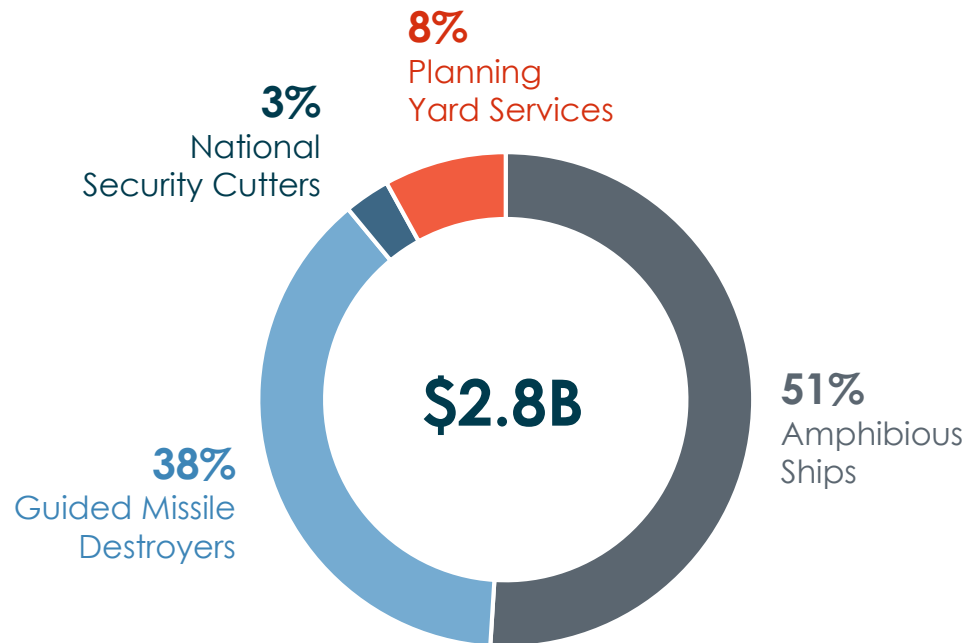
# Ingalls At-A-Glance

Pascagoula,  
Mississippi  
HEADQUARTERS

**85+**  
YEAR HISTORY

**\$16B**  
BACKLOG

## 2023 REVENUES



**Demonstrated** ability to evolve and deliver the most technologically advanced and relevant platforms

**Dedicated partner** to 1,300+ active suppliers across American industry

**Responsible** for building and / or supporting 8 classes of ships for the nation

**Experienced workforce** of ~11K ship designers, builders, and service providers

**Operational scale** with 800+ acres of open-water accessible opportunity



# Our People

**~11K**

Employees

**Largest**

Industrial Employer  
in Mississippi

**200+**

Master Shipbuilders

**1,000+**

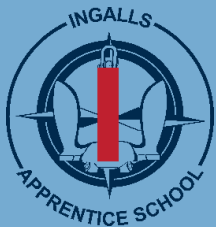
Veterans

**>\$100M**

Invested in the last  
5 years to develop  
our shipbuilders

**\$100K**

STEM grants annually to  
grow future shipbuilders



## Ingalls Apprenticeship School

- Over 700 enrolled in the program
- 2-4 year curriculum; community college partnership
- Developing our future leaders





# Our Programs



## Flight III Destroyer

5 in Production

Multi-mission backbone of the US fleet

Combats air, surface and subsurface threats

Flight III configuration delivery underway

### NEW CAPABILITIES

Air & Missile Defense Radar  
AEGIS Baseline 10 combat system



## DDG 1000 Prompt Strike

2 in Production

State-of-the-art electric propulsion system

Most-advanced warfighting technology

Ongoing modernization and upgrade

### NEW CAPABILITIES

Conventional Prompt Strike



## Amphibs

6 in Production

Transports marines, equipment & supplies

Expeditionary and humanitarian missions

Flight II configuration delivery imminent

### NEW CAPABILITIES

Maintains important lift  
Incorporating unmanned

14

Total Ships  
in Production

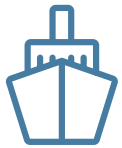
24

in Process



# Our Strategy:

Accelerating Growth,  
Expanding Margins,  
and Reducing  
Enterprise Risk



Relentless  
Backlog  
**Execution**



Workforce  
Development  
**Sustainment**



Expansion  
Through  
**Partnerships**



New  
Technology  
**Evolution**



# Strong Alignment with Navy Shipbuilding Priorities



01

Ensure  
**Conventional Prompt Strike**  
Delivery to the Fleet

02

Accelerate  
**DDG Flight III**  
Delivery Cadence

03

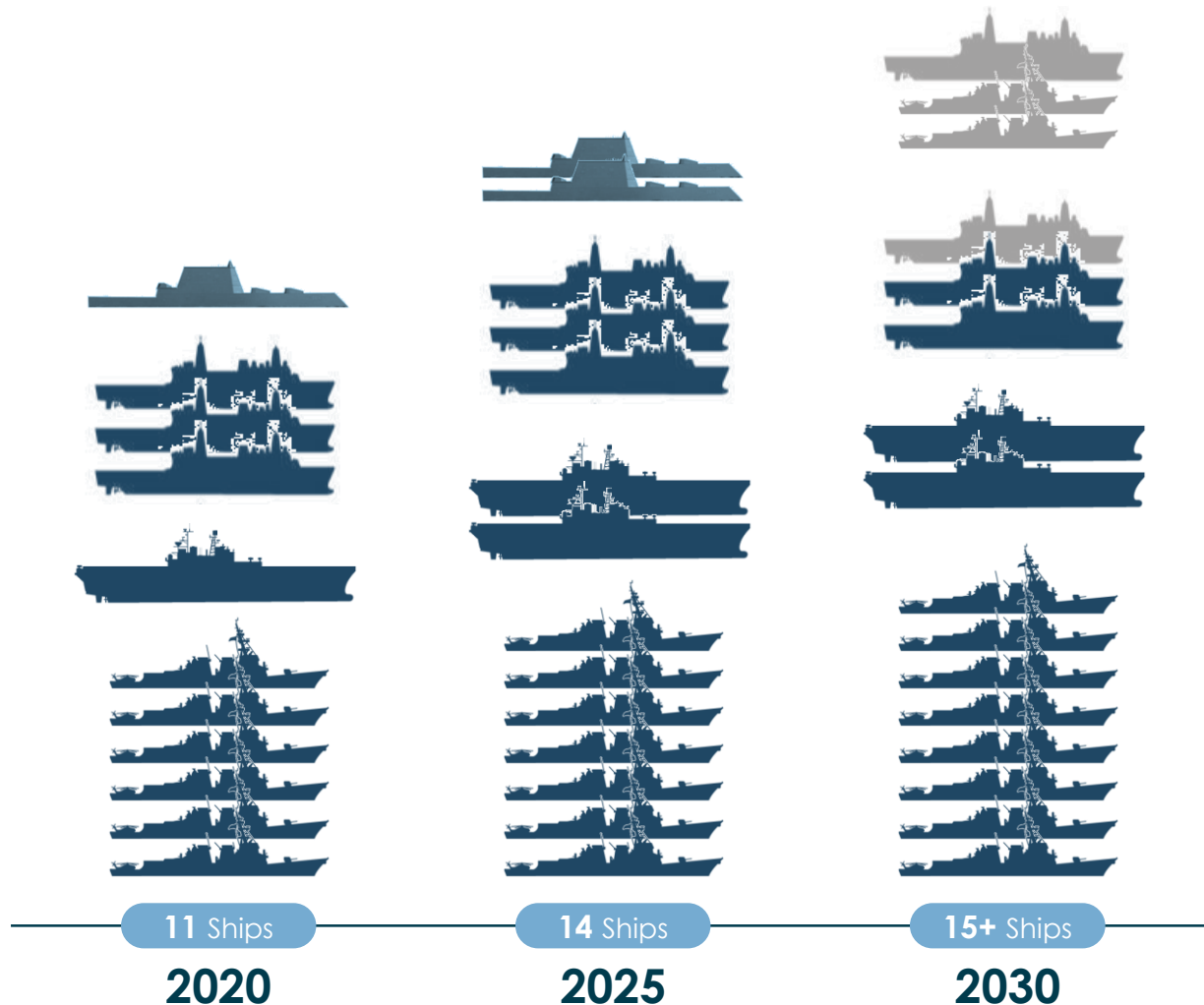
Maximize  
**Amphib Operational Availability**  
at Delivery

**Tight Alignment of Expertise and Investments** With National Defense Strategy



# Generational Surface Ship Demand Opportunity

TODAY  
**14 Ships**  
in Production



## East Bank Unit Construction & Outfitting Facility



Contract Awards of **\$11B**  
Contributing to **\$16B** Backlog



# Ingalls Shipbuilding Growth and Margin Expansion

## ACTION TO ACHIEVE

**Execute on our commitments**

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**Drive additional efficiencies**

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**Capture new contracts**



## PLAN TO CAPTURE

- Perform on current contracts
  - Offer best affordability and deliver on time
- 

- Applying technology to the business
  - Exercise partnerships and collaborative networks
- 

- Leverage existing programs of record
- Be the best partner to our customers

# Investing to Fully Realize Shipbuilding Potential



## People

- Apprenticeship expansion and on-the-job mentoring
- **Relentless** focus on **hiring, onboarding,** and **development**
- Implementation of the Operations Resource Centers (ORCs)



## Technology

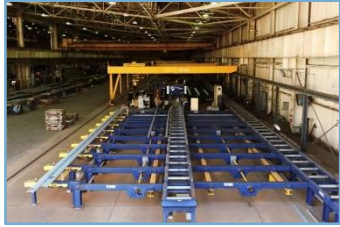
- Reimagined research and development investments to fuel growth
- Step up efforts in **data integration** and **business intelligence**
- Pointing new technologies at the business to unlock best efficiency



## Infrastructure / Capabilities

- Poised for volume with a completed modernization program
- Focused on **support** to **people** and **quality of life**
- Investments in deck plate tools for efficiency to enable shipbuilders

# Investing in Manufacturing & Technology



Robotic Cutting  
Profile Line



CSA III **Unit Construction**  
& Outfitting Facility



Steel Handling  
Crane



Floating **Dry Dock**  
(Doubled Capacity)



Additional East Bank  
**Outfitting Pier** (In Work)

2020

2025

CSA West **Unit Construction**  
& Outfitting Facility



Hybrid Laser  
**Thin Panel Line**



**Quality of Life**  
Upgrades Chick-fil-Á



**Human Resources Facility**  
Designed for Volume

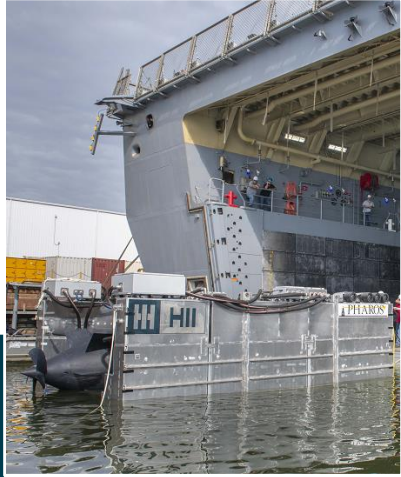


East Bank **Unit Construction**  
& Outfitting Facility



~\$1B+ Investments to Date to Execute on Our Commitments and Position for Growth

# Differentiated & Relevant Capabilities



## Engineering

Deep bench  
from stem to stern



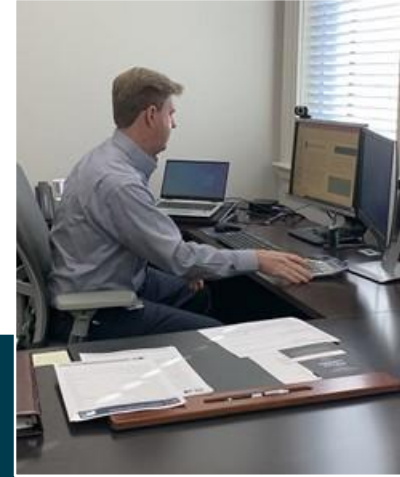
## Planning

Processes linking  
investments to outcomes



## Supply Chain

Center of a vast  
supplier partner network



## Business

Solution-oriented  
contracting and compliance



## Operations

Safety-minded  
and quality-focused



# Delivering Complexity

## Case Study: DDG 125

The DDG program established best-practices and redefined our approach across the portfolio with our customers and supplier partners

---

### The Result

DDG 125, the first Flight III ship and a true first-of-class, was delivered within weeks of the projected timeline set five years earlier

### The Reason | World-Class Collaboration

The program showcased unparalleled collaboration and transparency with all stakeholders, proactively addressed issues for swift team resolution with full transparency



Program Execution **Enabled by Leadership** in a Highly Complex and Dynamic Environment



# Key Takeaways Ingalls Shipbuilding

- Highly capable 85+ year partner in pioneering the development and production of the most technologically advanced ships
- Agile in evolving platforms to meet the threat in support of our nation and to continue to be relevant
- Investing strategically in people and facilities to fully realize shipbuilding potential and align to growing demand
- Relentlessly focused on executing current and future backlog to support the mission and drive affordability and profitability



**THEIR MISSION.  
OUR PURPOSE.**





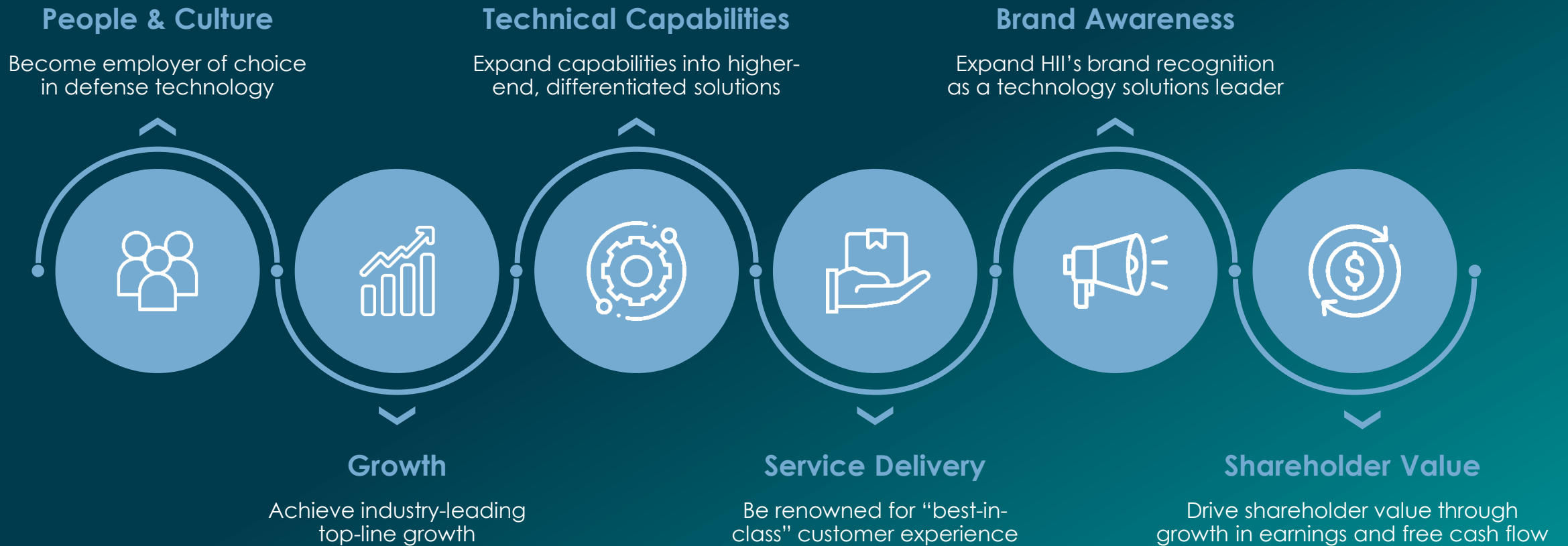


# Mission Technologies

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Andy Green, Executive Vice President  
and President, Mission Technologies

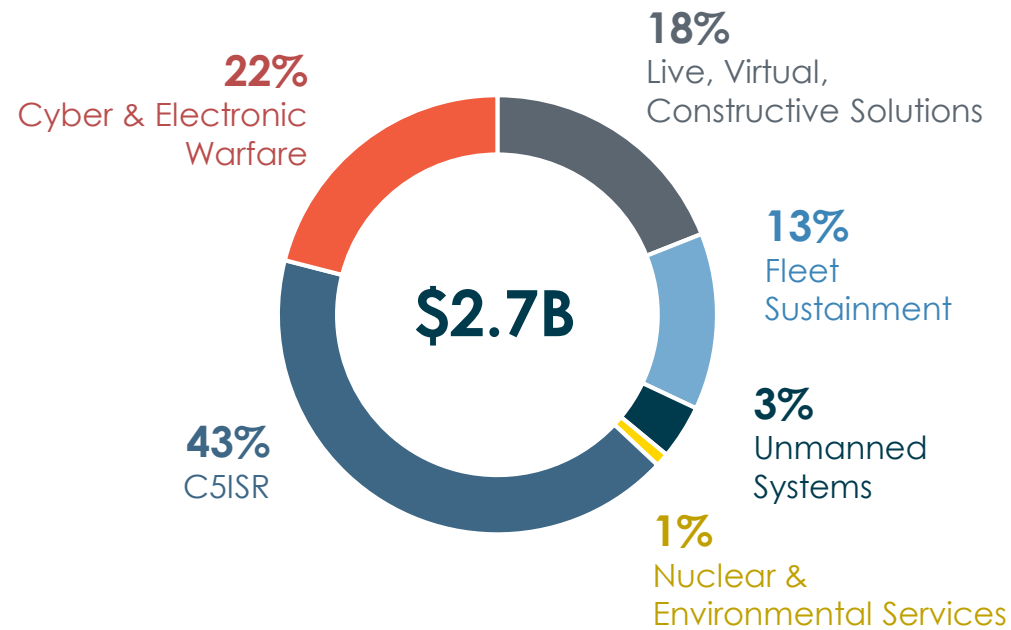
# Focused on the Mission





# Mission Technologies At-A-Glance

## 2023 REVENUES



**13.1%**  
Revenue  
Growth

**\$5.8B+**  
Awards<sup>1</sup>

**~7K**  
Employees

**1.9x**  
Book-to-Bill<sup>1</sup>

**100+**  
Global  
Facilities

**18**  
Countries

**Leading technology solutions partner,**  
supporting all-domains

**Well-positioned portfolio** aligned with  
national defense priorities

**Strong expertise and positions in  
core capabilities:**

- C5ISR systems and operations
- Cyber and electronic warfare
- Live, virtual and constructive military training
- Fleet sustainment
- Unmanned systems
- Nuclear and environmental services

Capitalizing on **diverse capabilities and  
leading-edge technologies** to capture  
significant growth opportunities



1. Total Contract Value

# 2023 Award Spotlights

\$1.4  
Billion

DOD



Joint Network Engineering and Emerging Operations (J-NEEO)

\$1.3  
Billion

DOD



USAFRICOM Personnel Recovery Enterprise Services and Solutions (PRESS)

\$347  
Million

Navy



Lionfish Small Unmanned Undersea Vehicle

\$285  
Million

Air Force



Next Generation Electronic Warfare

\$244  
Million

Navy



Minotaur software products integration into maritime platforms

\$242  
Million

Navy



U.S. Navy Naval Surface Warfare Center Software (NSWC) Dahlgren shore-based training

\$134  
Million

Navy



U.S. Navy Naval Surface Warfare Center Software (NSWC) Dahlgren, integrated training systems, software development

**Nearly \$6B in FY23 Awards – Solidifying Strong Market Position**



1. Total Contract Value

# Leading- Edge Growth Capabilities



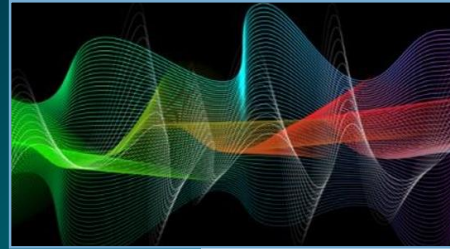
## C5ISR

Developing, integrating and managing sensors, systems and assets to support integrated ISR operations, and accelerated decision-making



## LVC SOLUTIONS

Designing, developing and operating the largest LVC enterprise that prepares warfighters for cross-domain battle



## CYBER & ELECTRONIC WARFARE

Working within nation's intelligence and cyber operations communities to defend interests in cyberspace and anticipate emerging threats



## UNMANNED SYSTEMS

Providing design, autonomy, manufacturing, testing, operations, and sustainment for unmanned underwater vehicles (UUVs) and unmanned surface vessels (USVs)

## ARTIFICIAL INTELLIGENCE

Developing, testing and integrating AI and ML algorithms to accelerate mission-critical systems and platforms





# Case Study: MINOTAUR

Expanded contract from \$75M to \$244M

## Integrated Capabilities

- Intelligence and surveillance
- AI-enabled mission management system

## Well-Aligned with Future Initiatives

- Priority of U.S. Navy
- Aligned with Joint All-Domain Command and Control (JADC2) warfighting concept

## Warfighter Benefits

- **Enables shared situational awareness**, tracking, and understanding of land and maritime surface platforms
- **Correlates distributed and disparate sensor data**  
~ space, airborne, surface and subsurface platforms



Provides a Common Operating Picture for the Warfighter

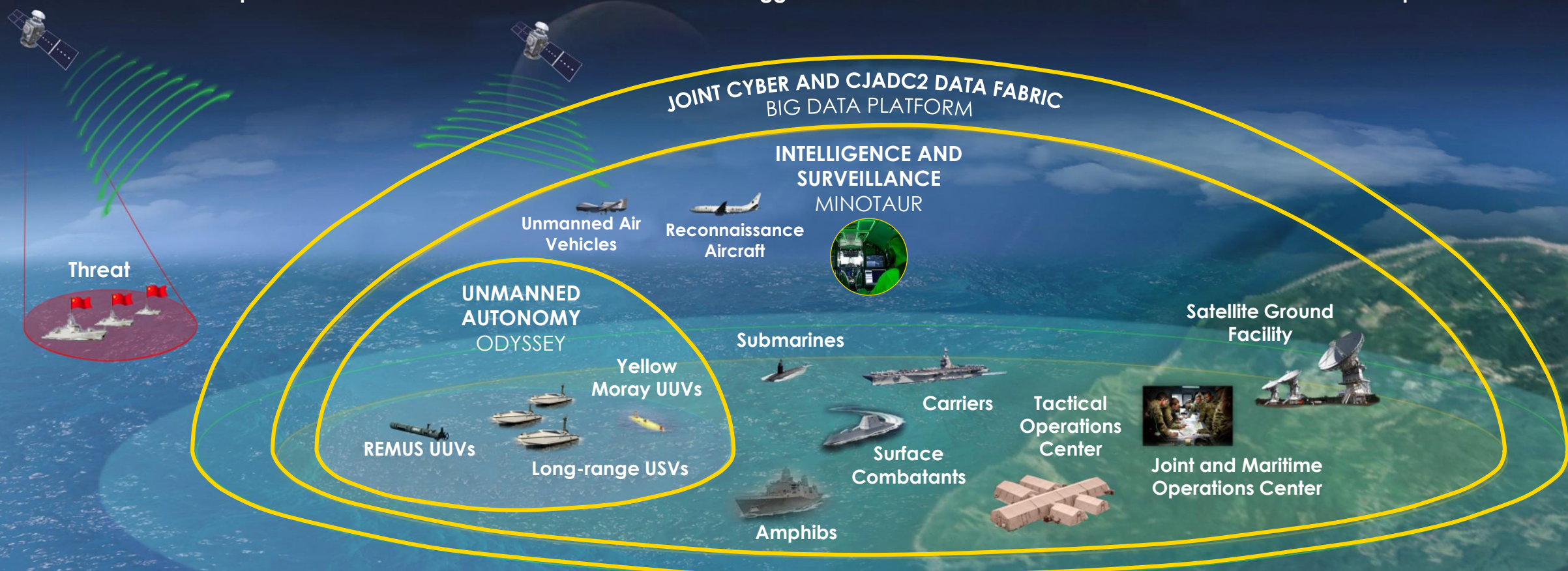


# All-Domain Solutions Aligned with Defense Priorities

Develop for All-Domain Dominance

Deter Aggression Wherever it Occurs

Great Power Competition



References:  
- 2023 National Defense Science & Technology Strategy  
- 2022 National Defense Strategy



**JOINT AND COMBINED SYNTHETIC TRAINING**  
NAVY CONTINUOUS TRAINING ENVIRONMENT AND AIR  
FORCE DISTRIBUTED MISSIONS OPERATIONS

# Accomplishing the Mission



## PROTECT & GROW Base Business

Successfully defend large recompetes

Drive new work to contracts with available excess ceiling

Drive expansion of existing programs (e.g., Minotaur)

Apply new technologies to develop more advanced solutions



## CAPTURE Strategic New Work

Combine / package technologies into new offerings (e.g., CJADC2, unmanned)

Extend solutions into other DOD customer sets

Expand HII Australia with focus on AUKUS opportunities



## DRIVE Margin Expansion

Increase portfolio of fixed price work

Expand product development and production

Increase end-to-end systems modernization and integration

Pursue additional platform as-a-service contracts

Incrementally increase pipeline profitability while sustaining growth



## INVEST In Future Solutions

Leverage government-funded applied research opportunities

Enhance program management practices

Expand strategic partnerships with market leaders and innovators

Prioritize IR&D to develop customer-driven solutions

# Advancing High-Caliber, Tech-Driven Team



Attract **highly skilled, next generation** talent



Enhance **talent development, internal career mobility** and **advancement**



Build an **engaged, diverse** and **inclusive** culture



**75%+** Hold Security Clearances



**60%+** Engineers & Technologists



**35%+** Veterans



**Strong** Retention Rate

Example Programs



MyCareer



# Key Takeaways

## Mission Technologies

- Achieved 13.1% YoY top-line growth and well-positioned for the future
- Secured \$5.8B contract awards in FY23 and possess strong pipeline of opportunities
- Leading franchise positions in technology defense market
- Solutions aligned with Defense priorities
- Disciplined plan to drive growth
- Nurturing high-caliber technology talent



Leveraging Leading  
All-Domain  
Capabilities to  
**Execute and  
Grow**



# Break



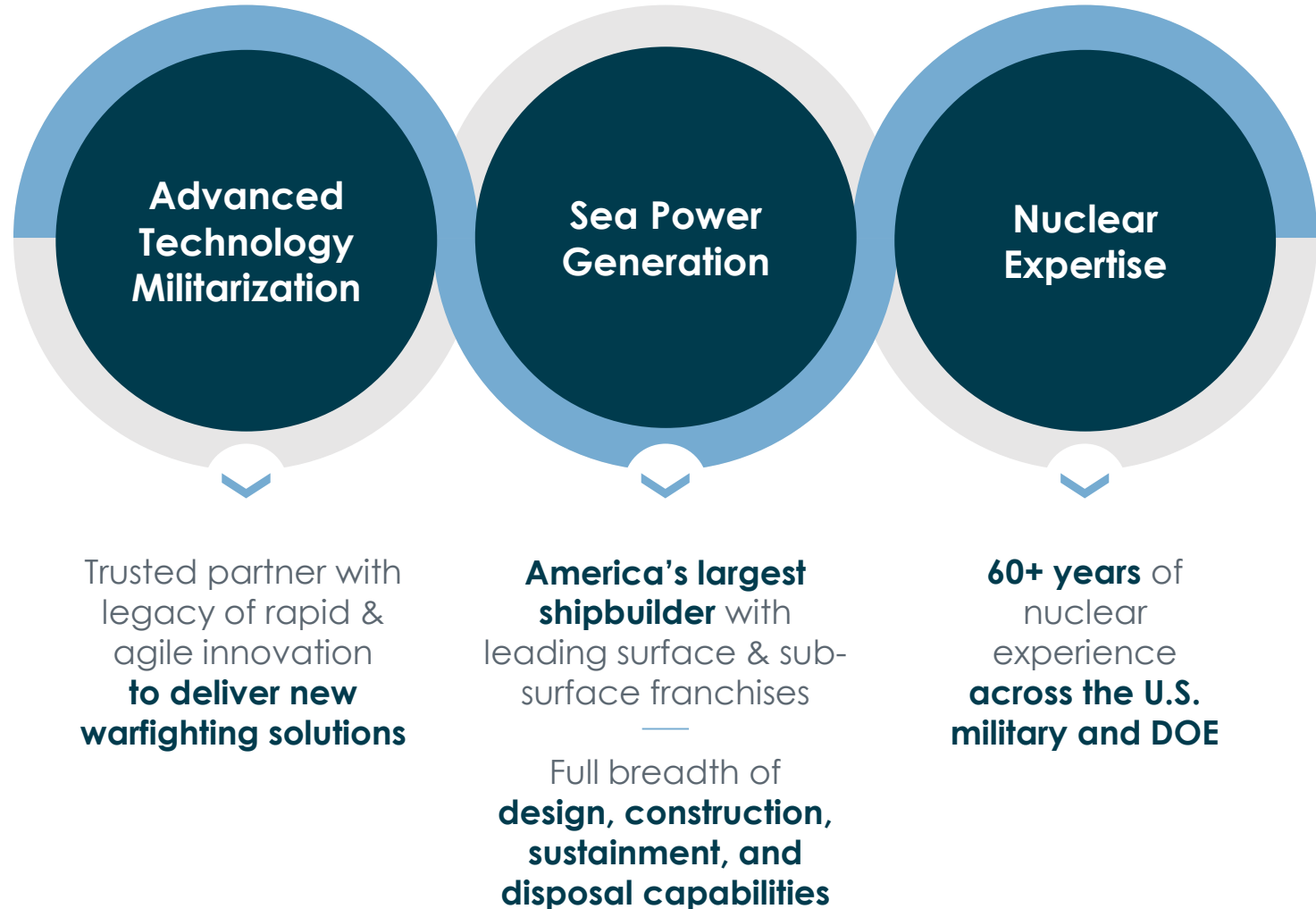


# Growth Catalysts

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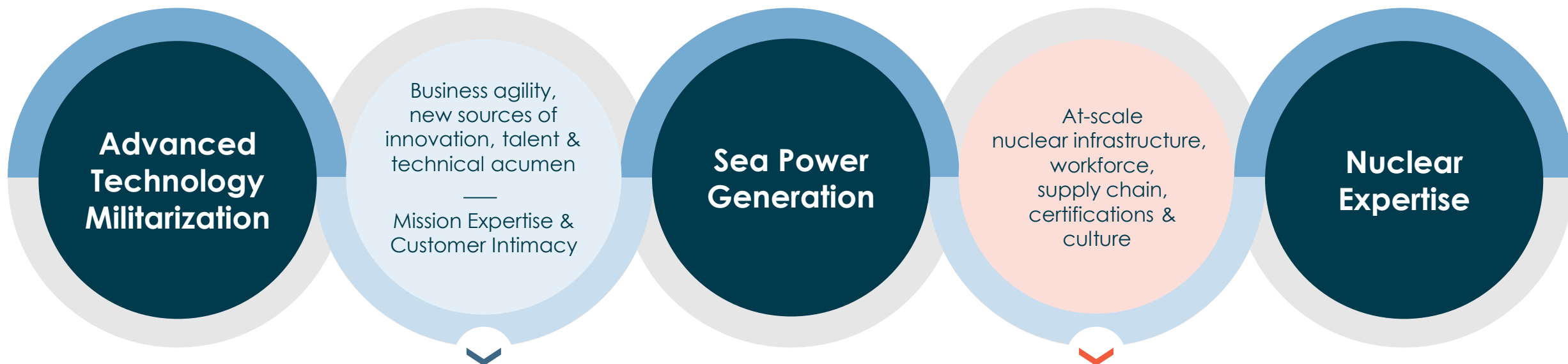
Eric Chewning, Executive Vice President,  
Strategy & Development

# Enterprise Capabilities Enable Growth Catalysts





# Interlocking Capabilities are Mutually Reinforcing



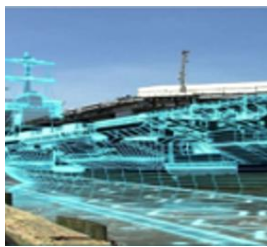
## Example Synergies



Manned / Unmanned Teaming



Advanced Autonomy



Industry 4.0 into the shipyard



AUKUS Pillar 2

## Example Synergies



Nuclear Refueling & Complex Overhaul



Nuclear Disposal / Dismantlement

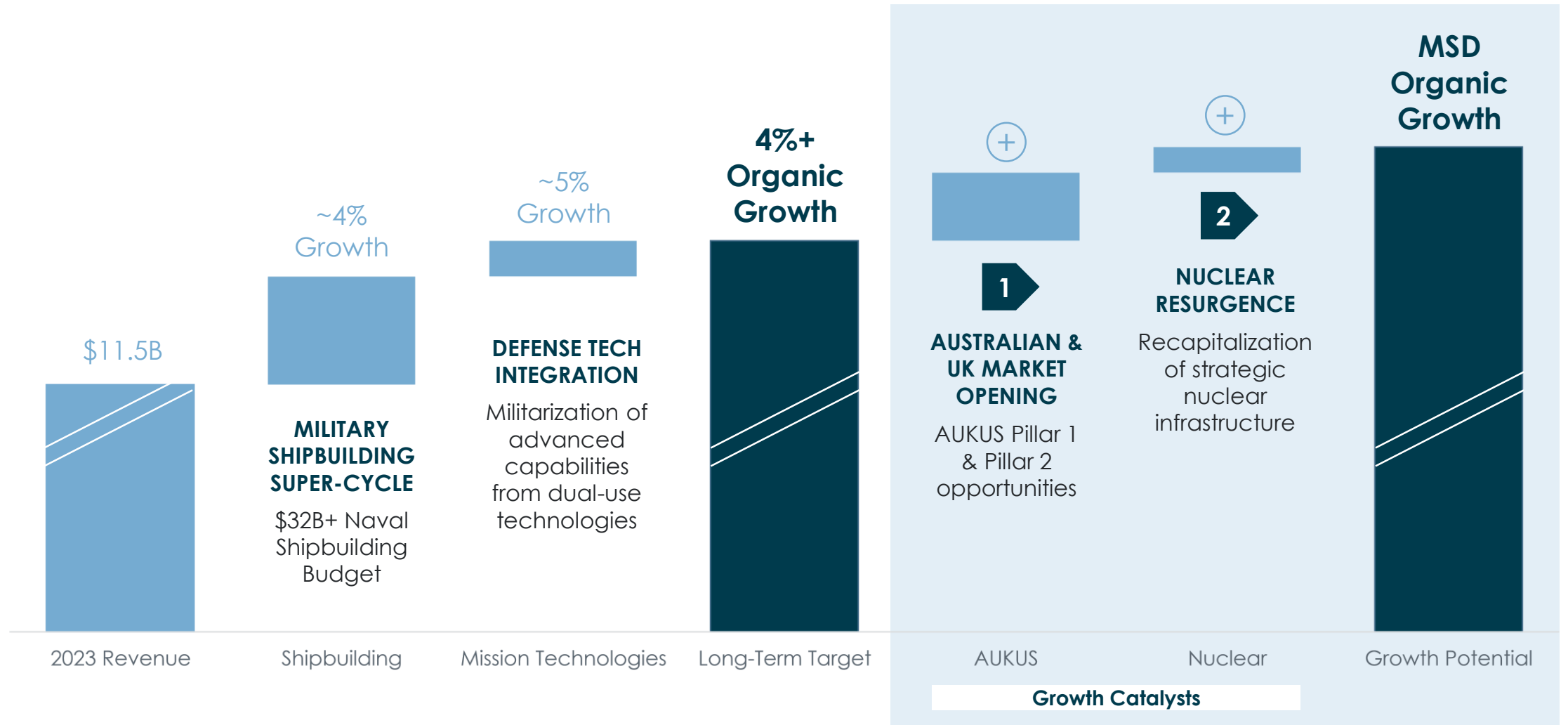


Civil & Commercial Nuclear



AUKUS Pillar 1

# AUKUS & Nuclear Create Upside Potential



# 1 Strong Portfolio Well-Aligned to AUKUS Partnership



## PILLAR 1: NUCLEAR-POWERED SUBMARINES

### Newport News Shipbuilding



Virginia-Class Submarine

### Mission Technologies – Nuclear and Environmental Services

Disciplined Nuclear  
Operations Talent

Nuclear Workforce & Supply  
Chain Development

Nuclear Infrastructure  
Enhancements

Sustainment Support

## PILLAR 2: ADVANCED CAPABILITIES

### Mission Technologies

Advanced Cyber

Artificial Intelligence

Autonomy

C2 / Data Sharing

Defense Innovation

Electronic Warfare

Undersea Capabilities

### Strong Positioning for Cross-Pillar Opportunities

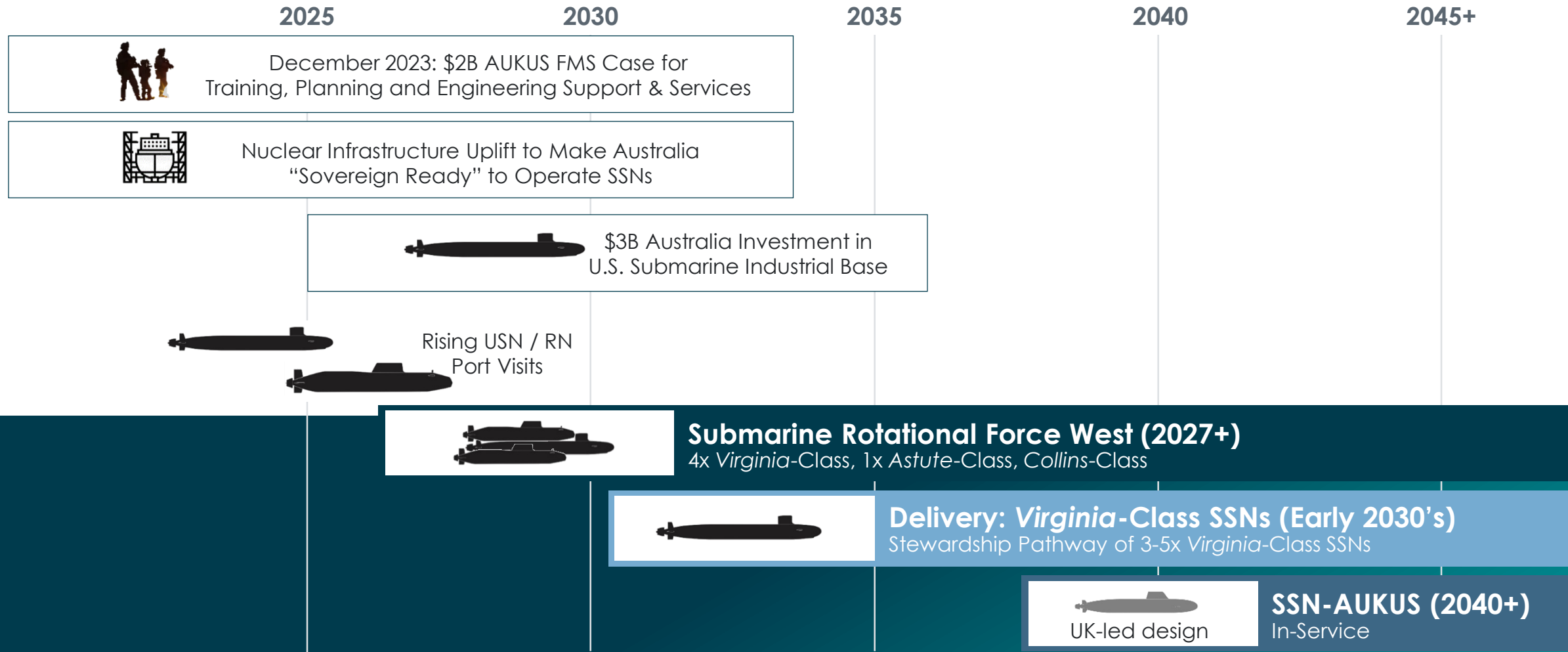
*e.g., Manned-unmanned undersea capabilities, LVC for training, predictive maintenance*





# 1 AUKUS Pillar 1 Opportunity

\$250B<sup>1</sup> Australia Program with Tailwinds from Greater Industrial Base Integration



# 1 AUKUS Pillar 2 Opportunity

Enabled By Strategic Acquisitions



“If Pillar One was historic, then Pillar Two promises to be revolutionary”

- CSIS, July 10, 2023



Acquired  
August 2021

Advanced Cyber  
Artificial Intelligence  
C2 / Data Sharing  
Defense Innovation  
Electronic Warfare



Acquired  
March 2020 | December 2020

Autonomy  
Undersea  
Capabilities

Acquired Capabilities Drive Synergistic Growth Across Portfolio



2

# Leveraging Nuclear Shipbuilding Workforce & Core Capabilities to Expand in Nuclear

## Differentiated

Newport  
News  
Shipbuilding

MT -  
Nuclear &  
Environmental  
Group

**4x DOE JVs**

Long-Duration Contracts

**High ROIC**

Strong Visibility &  
Growing Demand

**Proven**

Nuclear Workforce & Expertise

## Strong Tailwinds



**8%+**

DOE NNSA  
FY24 Budget Growth<sup>1</sup>

**Modernization**

Nuclear Triad Infrastructure

**New Nuclear**

Micro / SMR / AMR / AP1000

## Significant Pipeline



**\$5B+**

DOE M&O  
Contract Value Pipeline

**New Evergreen  
CVN D&D Pipeline**

Starting with CVN-65

**Global / Commercial**

Nuclear Lifecycle Management  
Strategic Partnerships

**Operating Model  
Deploys  
Capabilities  
Across Divisions**



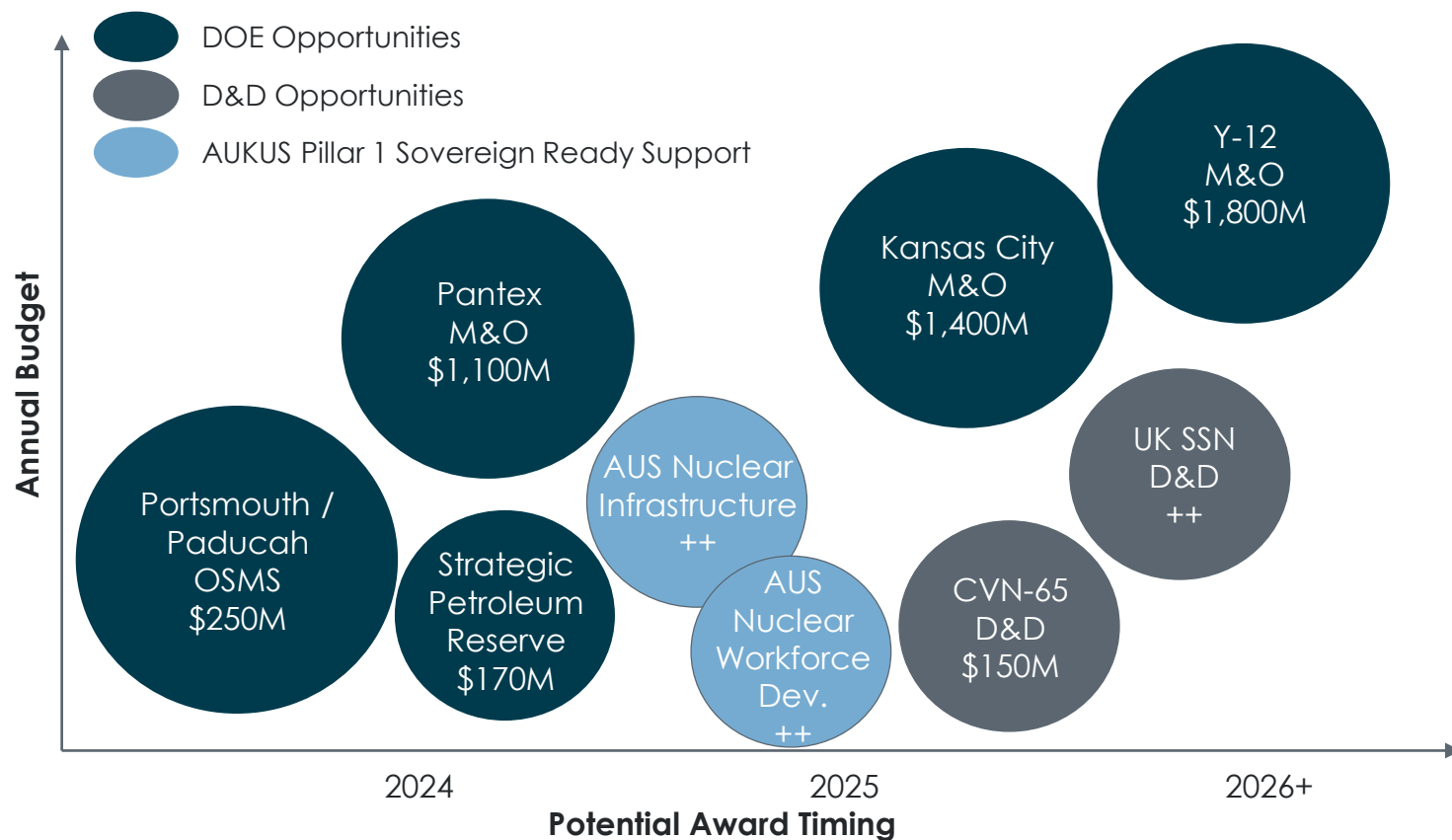
1. Based on FY'24 Request vs. FY'23 Enacted

2

# Nuclear & Environmental Opportunities

## Current DOE JV Footprint

- ✓ Savannah River Nuclear Solutions
- ✓ Los Alamos Legacy Cleanup
- ✓ Los Alamos National Lab
- ✓ Nevada National Security Site



## Nuclear Opportunity Set

DOE M&O	D&D	Partnership Markets
Expand DOE / NNSA Sites Under Management	CVN / SSN End of Life Annuity Opportunity UK Submarine Disposal / Dismantlement	AUKUS Civil & Commercial Nuclear New Nuclear

Note: Circle size based on total JV potential operating income opportunity of which Hill would get a relative share



# Case Study: Babcock International

Pursuing Strategic Partnerships to Accelerate Growth

## Rationale

- Complementary nuclear maritime asset build & support capabilities
- Strong AUKUS proposition for Pillar 1 nuclear infrastructure and sustainment efforts
- Mutually beneficial market access in U.S., UK, and Australia

## Attractive Growth Avenues

- U.S. / UK Navy nuclear ship & submarine decommissioning / disposal
- U.S. / UK civil nuclear infrastructure
- AUKUS submarine infrastructure & sustainment
- International commercial nuclear design study, fabrication, integration, and commissioning



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**Strategic agreement signed in July 2023** to explore growth opportunities in international civil and defense nuclear

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**MOU signed in December 2023 with Babcock & Bechtel Australia** to pursue AUKUS Pillar 1 infrastructure, sustainment and development opportunities



# Key Takeaways

## Growth Catalysts

➤ Mutually reinforcing capabilities enable capture of AUKUS and nuclear growth catalysts

---

➤ Our portfolio is well-aligned to both AUKUS Pillars 1 & 2

---

➤ Near-term AUKUS opportunity is nuclear infrastructure, workforce and supplier development in Australia

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➤ \$5B+ nuclear opportunity pipeline across civil, commercial and international markets

---

➤ Strategic partnerships accelerate growth





# Leading with Technology

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Todd Borkey, Executive Vice President and  
Chief Technology Officer

# HII Technology Leadership for Pivotal Times

## New Business Environment

### Silicon Valley >> DOD Technology

- Information Race impact on DOD
- AI Revolution / Autonomy & Robotics Acceleration
- Space Commercialization

### DOD Acquisition Readiness / New Business Models

- DOD mobilizing to a software defined world
- Acquisition difficulty with AI / Big Data
- Turnkey Engineering Services accelerate adoption

## New Threats to Overcome

### Pacific Theatre Demands

- Vast Area Denial / Weapons Parity & Quantity
- Space Threats, Hypersonic Threats
- Contested Logistics, Coalition Fighting
- Information Warfare / Contested Spectrum

### Ukraine / Renewed Middle East Tensions

- Lethal UAS and CUAS Advancements

## Strategic Transformational Tech

### Artificial Intelligence / Distributed Compute / Big Data

### Autonomous Systems

- Subsea, Surface, Air, & Space

### Commercial Space (Sensing / Communications)

### Hypersonic Weapons

### Directed Energy / New Nuclear Power

### Quantum Sciences (Sensing / Communications)

## New Urgent Priorities

### Information Dominance

### Space Dominance / Hypersonic Defenses

### Advanced Subsea Warfare (with Autonomy)

### Decision Dominance / Data Supremacy

- Resilient C5ISR / Kill Web Compression
- Joint Operational Planning Acceleration

### “Replicator” Integration

### Contested Logistics / Resilient Industrial Base





# Ideal Tech Portfolio for the Coming Decade



- AI Accelerated Processing
- Kill Web Compression / Resiliency
- Big Data with Edge Advantage
- Commercial Space Utilization
- Denied Area Collections



- Big Data Platform (JADC2 Data)
- Next Gen Electronic Warfare
- Space Awareness and EW/Cyber
- AI Powered Cyber Warfare
- Information War of Influence



- Prep of the Battlespace
- A2AD Operations / Replicator
- Deep Water Missions
- Subsea Warfare Augmentation
- Information Advantage



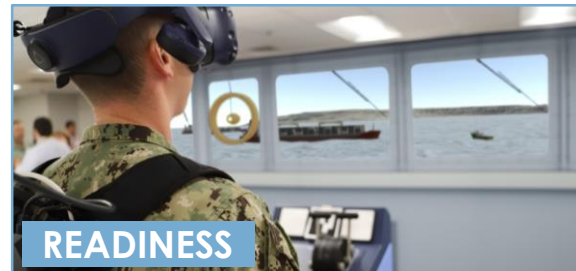
- AUKUS Pillar 1
- VCS Production Scaling
- Next Generation Submarine Design
- Accelerated Carrier RCOH
- AI Powered Shipbuilding



- Joint Warfighting Virtualization
- USAF and USSF LVC Expansion
- COCOM Planning and Rehearsal
- Contested Logistics
- Coalition Training / AUKUS Pillar 2



- DOE and DOD RDTE Growth
- Nuclear Triad Renewal
- New Nuclear Applications



- Platform Twins
- Enterprise Twins
- Overhaul Acceleration
- Lethality Management



- AI Powered Shipbuilding
- Next Generation Combatant Design
- Hypersonic Weapons Refits
- Increased Shipbuilding Demand
- LPD / LHA Autonomous Warfare

# Near Term Portfolio Power

AI / Big Data	Decision Dominance - Combatant Command Capabilities	JADC2 (All-Domain Warfighting)	Replicator (New INDOPACOM Strategy)	Renewed Great Power Competition
Federal Agency Transformations	Virtualization of Operational Plans, Rehearsal, and Logistics	Edge Sensing and Autonomous System C5ISR integration	Autonomous Systems, Minotaur Mission System, Big Data Platform (Edge Ready)	Next Generation Electronic Warfare
Information Operations, and Critical Tech Protection Support	C5ISR Resilience, Force Readiness, Coalition Data Sharing	Distributed All-Domain Warfighting Training and Rehearsal	Tech Agnostic Integrator of System of Systems Approach to Theatre Challenges	DOE Recapitalization of the Nuclear Triad and Scientific Research
Tactical Support, Indications and Warnings	Commercial Space for Decision Dominance and Resilience	Integrated Space Situational Awareness		
Enterprise Twins / GenAI Automation		Coalition Data Sharing and Coalition Rehearsal		



**Developer of the Nation's  
Largest LVC Enterprise**



**Industry Leader in 5th Generation  
Electronic Warfare Programs**



**Leading Autonomy Developer  
and Largest Producer of UUVs**



**Developer of Advanced C5ISR Edge  
Ready, AI-Enabled, Mission Systems**



# HII Technology Synergies

Shipbuilding Transformation	Navy Transformation	New Nuclear / Directed Energy	AUKUS Pillar 1 & Pillar 2	Interdivision Solutions
<p>GenAI Automation, Enterprise Twins</p> <p>—</p> <p>Informatics (Forensics, Constraint Removal)</p> <p>—</p> <p>AI Enabled Shipbuilding (Decision Aids, Co-Pilots, and Prediction)</p>	<p>Warship, Program, and Shipyard Data Centric Transformation</p> <p>—</p> <p>Fleet Readiness gains with Enterprise Twins and Prediction</p> <p>—</p> <p>Data Supremacy for Next Gen Platforms (Human Machine Teaming)</p> <p>—</p> <p>Contested Logistics and Virtualization of Plans</p>	<p>Small Modular Nuclear and Micro-Nuclear Mission Integration</p> <p>—</p> <p>Directed Energy Platform Integration / Advanced Power Thermal Solutions</p>	<p>NNS and MT division collaboration will win AUKUS Projects</p> <p>—</p> <p>Pillar 2 Objectives Align with the MT Division Portfolio (AI, Big Data, Cyber, Autonomy)</p>	<p>New Disruptive Interdivisional Projects Drive Value Creation</p> <p>—</p> <p>AI Applications in Defense, Autonomous Warfare, New Nuclear / Directed Energy, and Advanced Undersea Warfare</p>



Ranked in Federal AI by GovWin / Deltek



Over 100 Million SW Lines of Code Under Management



Leading Aggregator of DOD Cyber Data Operating at Petabyte Scale



~\$1B Annual Defense RDT&E Revenues

# Key Takeaways Technology



All units are experiencing demand growth from the new great power competition; Technologies align

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AI / Big Data synergies will transform shipbuilding into “data centric” operations to improve execution

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HII is poised to support Navy transformation towards “data centric” operations

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We are ideally positioned to drive growth and create value from both AUKUS pillars



Accelerating  
**Leading Edge  
Technology**  
To Mission





# Financial Strategy & Outlook

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Tom Stiehle, Executive Vice President  
and Chief Financial Officer

# Key Financial Messages

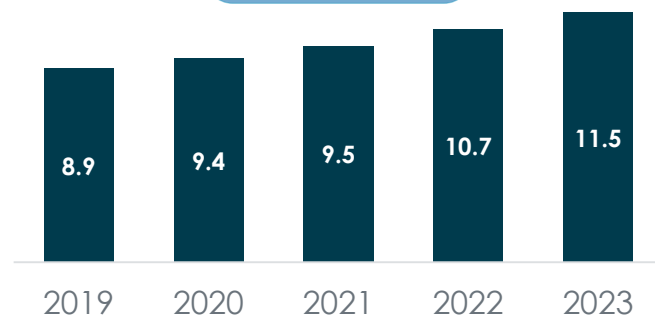
- ▶ Diversified portfolio well positioned for growing global defense demand
- ▶ Consistent and resilient financial performance
- ▶ Forecasting higher revenue growth, expanding margins, and increased cash flow
- ▶ Disciplined capital allocation strategy driving value creation
- ▶ Investing in Shipbuilding for accelerated growth in targeted markets



# Financial Performance

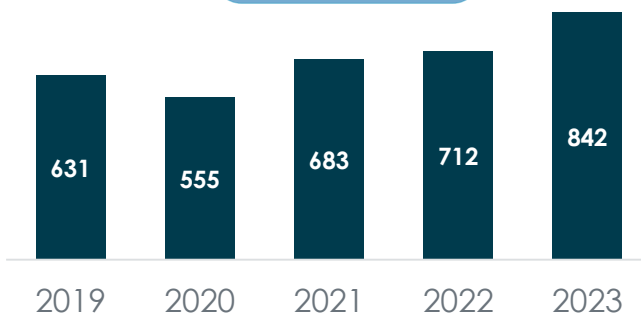
## REVENUE (\$B)

6.6% CAGR



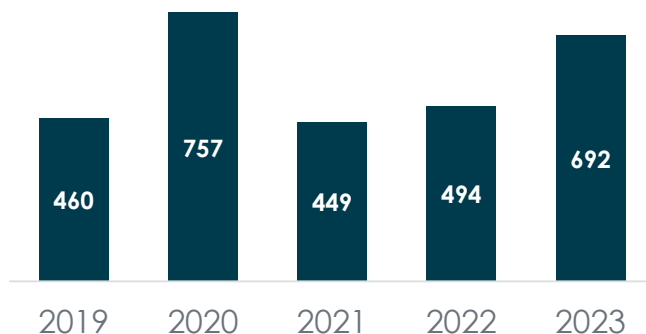
## SEGMENT OPERATING INCOME<sup>1</sup> (\$M)

7.5% CAGR



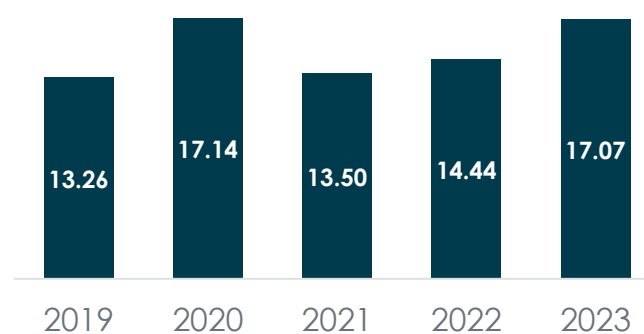
## FCF<sup>1</sup> (\$M)

10.8% CAGR



## DILUTED EPS (\$)

6.5% CAGR



**Consistently Growing Revenue**  
grounded in major DOD  
cornerstone programs



**Resilient, Expanding Operating  
Income** during pressurized  
business environment



**Solid Free Cash Flow Growth**  
fueled by all three divisions



**Consistent Track Record of EPS**  
Performance and growth



1. Non-GAAP measure. See appendix for definitions and reconciliations.

# Increased Revenue Growth Profile

## CLEAR PATH TO STRONG REVENUE GROWTH

	Shipbuilding Growth		Mission Tech Growth		HII Revenue Growth
FY22-FY23 Guide	3.0%	+	5.0%	=	3.5%
FY22-FY23 Actuals	4.2%		8.0%		5.3%
FY24-Fwd Guide	4.0%		5.0%		~4%+

Potential Upside From Opportunities Could Yield Additional Growth



# Margin Expansion Outlook

## Shipbuilding **8.3% → 9-10 % MARGIN<sup>1</sup>**

- Stabilize and grow workforce
- Improve supply chain
- Capital, operational, and technology investments
- Alignment of future contracts to business environment
- Drive productivity and operational efficiency

## Mission Technologies **8.6% → 9-10 % EBITDA<sup>1</sup>**

- Maturation of portfolio, customer relationships and contracts
- Increased fixed price and products-based work
- Technology & intellectual property insertion
- International / FMS
- Higher volumes / overhead leverage
- Shorter term contracts afford repricing

**Expect Incremental Annual Margin Expansion**

## KEY DRIVERS

### Shipbuilding

Build-out workforce

Effective supply chain management

Performance improvements through investments, operating system, and technology

New contracts aligned to business environment

Portfolio rotation / Production efficiency

### Mission Technologies

Portfolio contract mix

Technology insertion

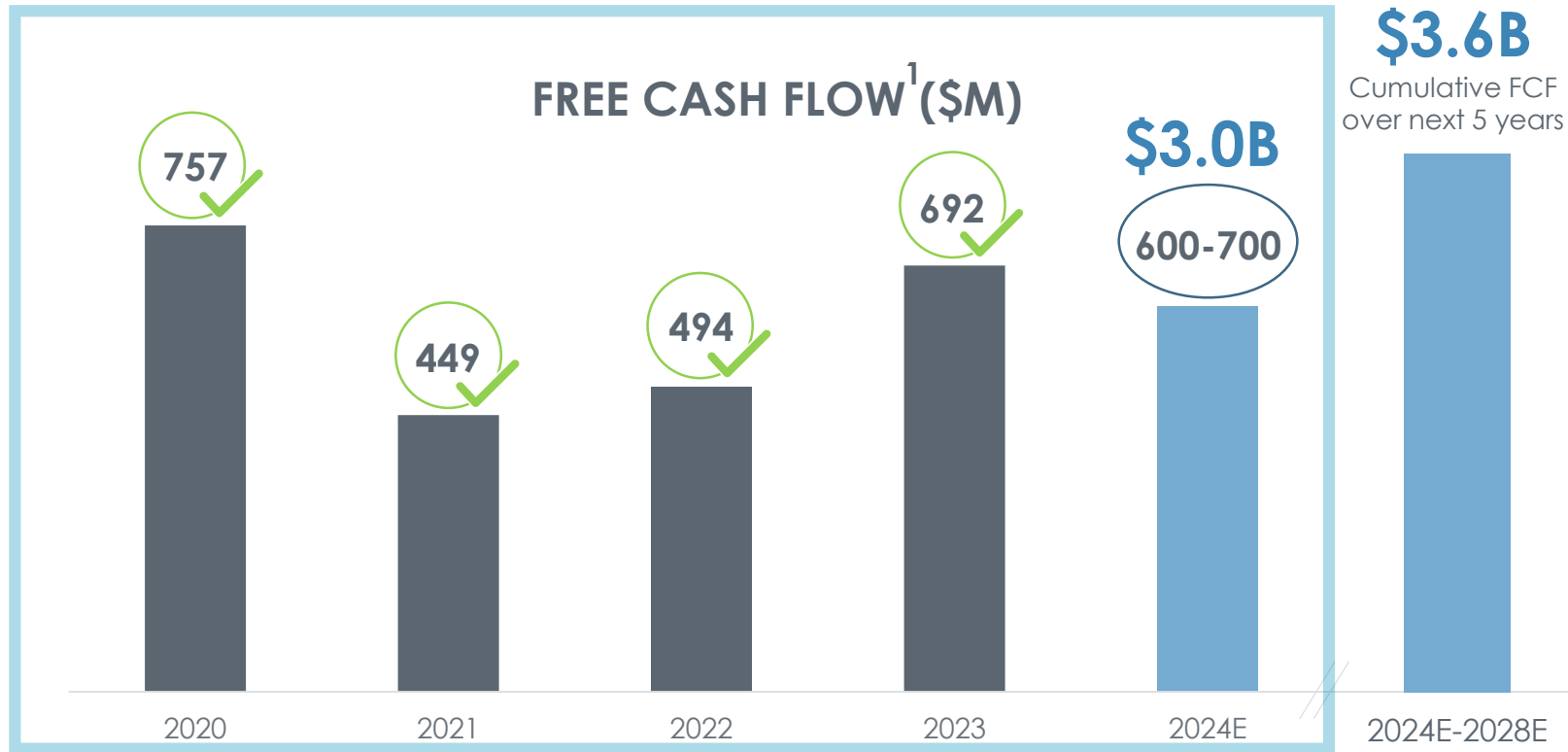
Higher volumes / overhead leverage

International / FMS



1. Non-GAAP measure. See appendix for definitions and reconciliations.

# Sustainable & Growing Free Cash Flow<sup>1</sup>



## KEY DRIVERS

- Revenue growth
- Margin expansion
- Higher operating income
- Efficient working capital
- Disciplined capex with partnership
- Focused cash management

**Exceeded previous multi-year target...new target 20% higher**



1. Non-GAAP measure. See appendix for definitions and reconciliations.

# Capital Allocation Strategy

## BALANCED PRIORITIES SUPPORT ALL STAKEHOLDERS



### Committed to Investment Grade Rating

Completed near-term Alion debt pay-down



### Maintain and Grow Capacity in Our Shipyards

Investing in Shipbuilding Growth with our Navy Partner



### Continue Annual Dividend Growth

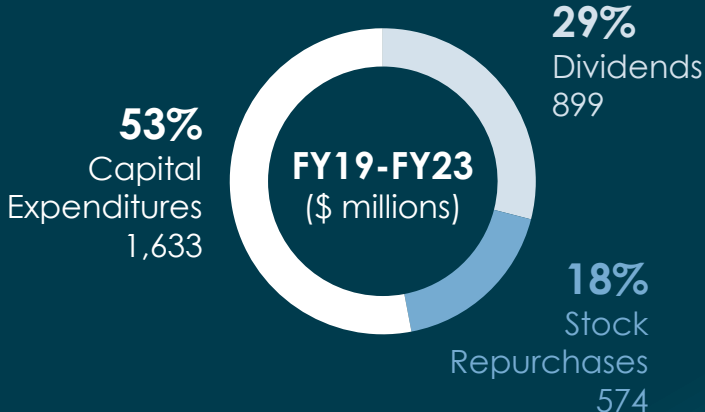
Mid-single digit annual growth, pension adj. payout ratio ~30%



Continue  
Evaluating M&A

Excess Cash to  
Share Repurchases

## HIGHLIGHTS



Expect debt repayment  
of \$229M in 2024

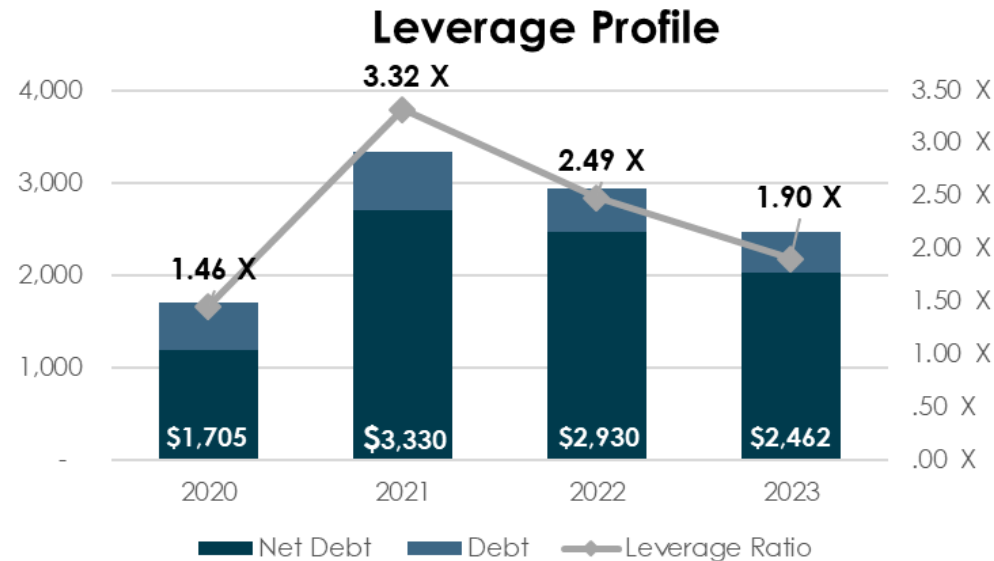
Expect to return ~\$500M of free  
cash flow to shareholders in 2024

Share repurchase authorization  
extended and increased  
(through 2028; ~\$1.5B available)

10 year investment of \$4.1B in  
facilities and technologies FY17-FY26

# Strong Balance Sheet & Liquidity

Rating Agency	Prior	Current
<b>S&amp;P Global</b>	BBB- (Negative)	BBB- (Stable)
<b>MOODY'S</b> INVESTORS SERVICE	Baa3 (Stable)	Baa3 (Positive)
<b>FitchRatings</b>	BBB- (Stable)	BBB- (Positive)



## 2023 LIQUIDITY PROFILE

**\$430M**

Cash Balance

**\$1,488M**

Revolver  
(\$12M Letters of Credit Outstanding)

**\$1,918M**

Total Liquidity

**\$2,462M**

Total Debt

Investment Grade Balance Sheet Provides Flexibility for Capital Allocation

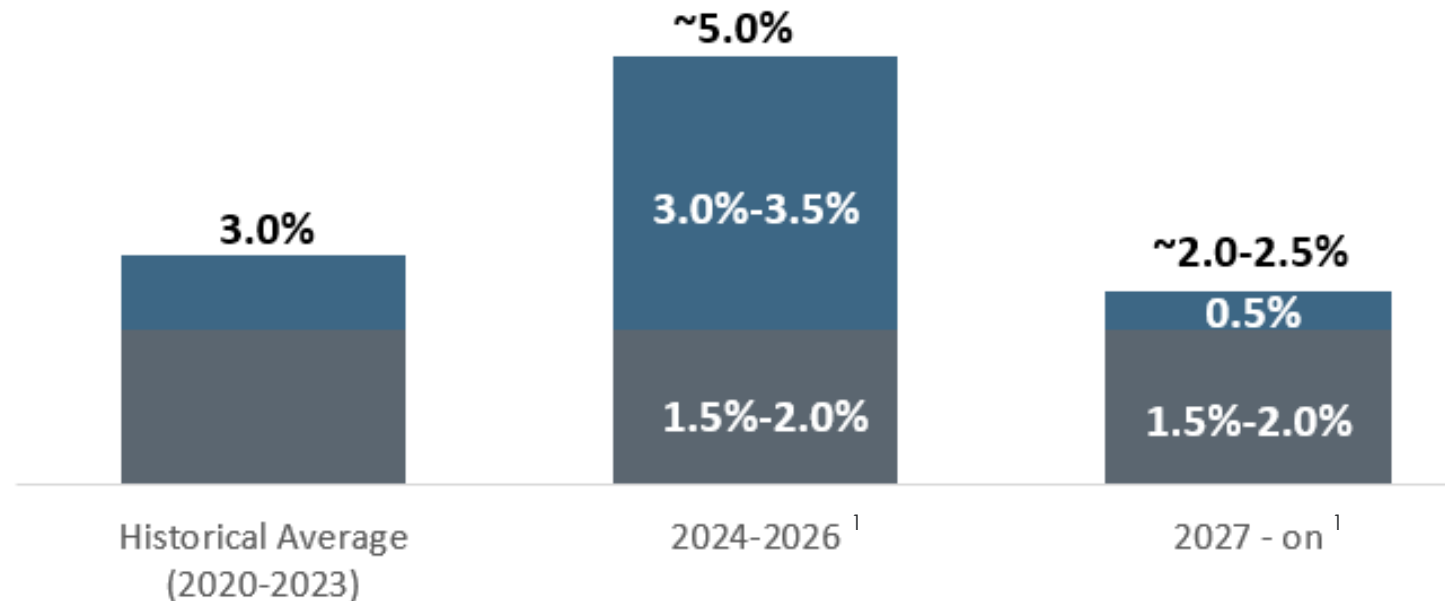




# Investing for Growth & Capabilities

## CAPITAL EXPENDITURES (% of Revenue)

■ Sustain & Maintain ■ Discretionary



Strategically Investing for Growth with Navy Participation

## KEY DRIVERS

Investing to accelerate revenue and improve segment performance

- ✓ Shipbuilding capacity
- ✓ Emerging technologies
- ✓ Yard maintenance

Outsized opportunities over next 3 years

Expected free cash flow generation incorporates anticipated capital expenditures



1. Per year value

# Reaffirming 2024 Outlook

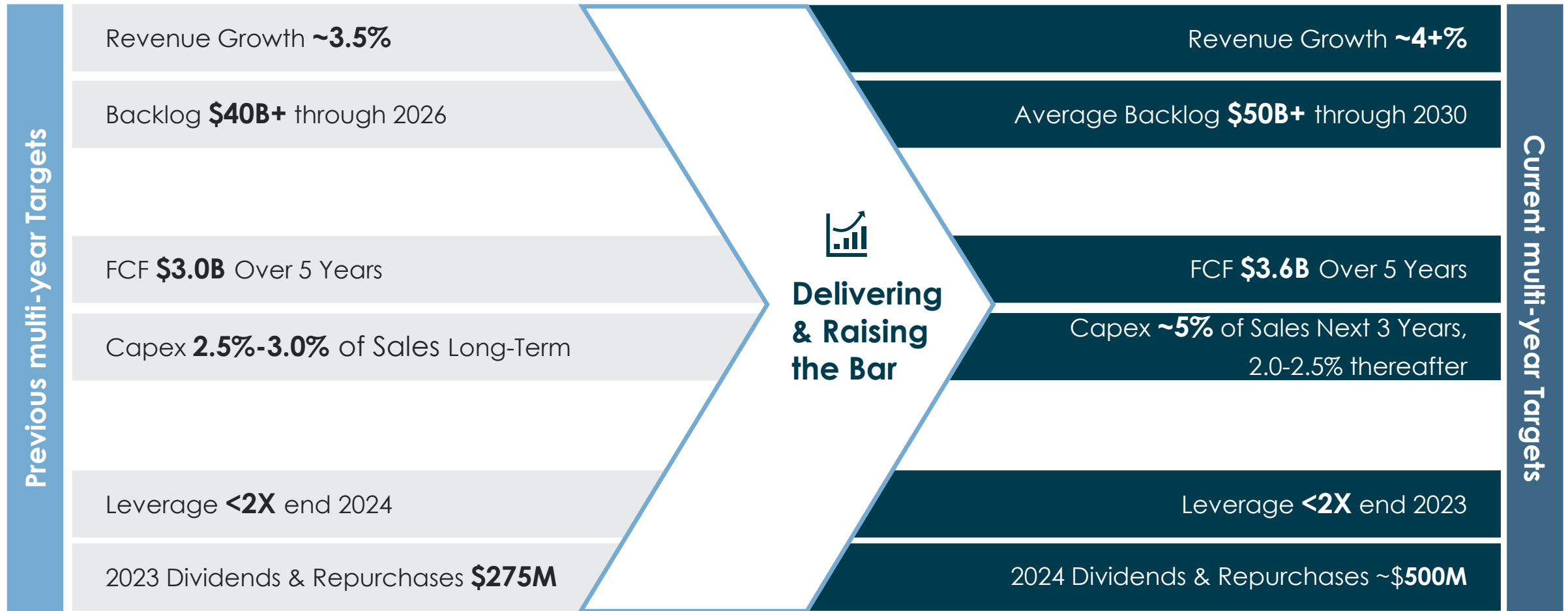
1. The financial outlook, expectations and other forward looking statements provided by the company for 2024 reflect the company's judgment based on the information available at the time of this presentation.
2. Non-GAAP measures. See appendix for definitions.
3. Outlook is based on current tax law. Repeal or deferral of requirement to capitalize R&D expenditures would result in elevated non-current state income tax expense.
4. Outlook is based on current tax law and assumes the requirement to capitalize R&D expenditures for tax purposes is not deferred or repealed.



## FY24 Outlook<sup>1</sup>

Shipbuilding Revenue <sup>2</sup>	\$8.8B - \$9.1B
Shipbuilding Operating Margin <sup>2</sup>	7.6% - 7.8%
Mission Technologies Revenue	\$2.7B-\$2.75B
Mission Technologies Segment Operating Margin <sup>2</sup>	3.0% - 3.5%
Mission Technologies EBITDA Margin <sup>2</sup>	8.0% - 8.5%
Operating FAS / CAS Adjustment	(\$63M)
Non-current State Income Tax Benefit <sup>3</sup>	\$0M
Interest Expense	(\$90M)
Non-operating Retirement Benefit	\$178M
Effective Tax Rate	~21%
Depreciation & Amortization	~\$350M
Capital Expenditures	~5.3% of Sales
Free Cash Flow <sup>2,4</sup>	\$600M-\$700M

# Improving Business Parameters





# Key Takeaways

## Financial

- ▶ Significant revenue visibility and growth profile
- ▶ Increasing free cash flow - 5 year FCF \$3.6B
- ▶ Investing in shipbuilding and technologies to meet customer needs and grow enterprise
- ▶ Focused on operational improvements to improve both affordability and profitability
- ▶ Strong balance sheet provides optionality
- ▶ Disciplined capital allocation strategy drives value creation





# Wrap Up



# Building for the Future

**~\$15B**

REVENUE BY END  
OF DECADE

**\$3.6B+ FCF**

OVER NEXT 5 YEARS  
(2024-2028)



# Break



# Appendix





# Non-GAAP Information

We make reference to "segment operating income," "Shipbuilding revenue," "Shipbuilding operating margin," "Mission Technologies EBITDA," "Mission Technologies EBITDA margin," "free cash flow," "operating FAS/CAS adjustment," and "non-current state income taxes."

We internally manage our operations by reference to segment operating income which is not a recognized measures under GAAP. When analyzing our operating performance, investors should use segment operating income in addition to, and not as alternatives for, operating income or any other performance measure presented in accordance with GAAP. They are measures that we use to evaluate our core operating performance. We believe that segment operating income reflects additional ways of viewing aspects of our operations that, when viewed with our GAAP results, provide a more complete understanding of factors and trends affecting our business. We believe these measures are used by investors and are a useful indicator to measure our performance. Because not all companies use identical calculations, our presentation of segment operating income may not be comparable to similarly titled measures of other companies.

Shipbuilding revenue, shipbuilding operating margin, Mission Technologies EBITDA and Mission Technologies EBITDA margin are not measures recognized under GAAP. They are measures that we use to evaluate our core operating performance. We believe that shipbuilding revenue, shipbuilding operating margin, Mission Technologies EBITDA and Mission Technologies EBITDA margin reflect additional ways of viewing aspects of our operations that, when viewed with our GAAP results, provide a more complete understanding of factors and trends affecting our business. When analyzing our operating performance, investors should use shipbuilding revenue, shipbuilding operating margin, Mission Technologies EBITDA and Mission Technologies EBITDA margin in addition to, and not as alternatives for, operating income and operating margin or any other performance measure presented in accordance with GAAP. We believe these measures are used by investors and are a useful indicator to measure our performance. Because not all companies use identical calculations, our presentation of shipbuilding revenue, shipbuilding operating margin, Mission Technologies EBITDA and Mission Technologies EBITDA margin may not be comparable to similarly titled measures of other companies.

Free cash flow is not a measure recognized under GAAP. Free cash flow has limitations as an analytical tool and should not be considered in isolation from, or as a substitute for, net earnings as a measure of our performance or net cash provided or used by operating activities as a measure of our liquidity. We believe free cash flow is an important measure for our investors because it provides them insight into our current and period-to-period performance and our ability to generate cash from continuing operations. We also use free cash flow as a key operating metric in assessing the performance of our business and as a key performance measure in evaluating management performance and determining incentive compensation. Free cash flow may not be comparable to similarly titled measures of other companies.

In reliance upon Item 10(e)(1)(i)(B) of Regulation S-K, reconciliations of forward-looking GAAP and non-GAAP measures are not provided because of the unreasonable effort associated with providing such reconciliations due to the variability in the occurrence and the amounts of certain components of GAAP and non-GAAP measures. For the same reasons, we are unable to address the significance of the unavailable information, which could be material to future results.



# Non-GAAP Measures Definitions



**Segment operating income** is defined as operating income for the relevant segment(s) before the Operating FAS/CAS Adjustment and non-current state income taxes.

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

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

**Mission Technologies EBITDA** is defined as Mission Technologies segment operating income before interest expense, income taxes, depreciation and amortization.

**Mission Technologies EBITDA margin** is defined as Mission Technologies EBITDA as a percentage of Mission Technologies revenues.

**Free cash flow** is defined as net cash provided by (used in) operating activities less capital expenditures net of related grant proceeds.

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

**Non-current state income taxes** are defined as deferred state income taxes, which reflect the change in deferred state tax assets and liabilities and the tax expense or benefit associated with changes in state uncertain tax positions in the relevant period. These amounts are recorded within operating income. Current period state income tax expense is charged to contract costs and included in cost of sales and service revenues in segment operating income.

Certain of the financial measures we present are adjusted for the Operating FAS/CAS Adjustment and non-current state income taxes to reflect the company's performance based upon the pension costs and state tax expense charged to our contracts under CAS. We use these adjusted measures as internal measures of operating performance and for performance-based compensation decisions.

# HII - Segment Operating Income Reconciliations

	Year Ended December 31				
<i>(\$ in millions)</i>	2023	2022	2021	2020	2019
Operating income	\$ 781	\$ 565	\$ 513	\$ 799	\$ 736
Operating FAS/CAS adjustment	72	145	157	(248)	(124)
Non-current state income taxes	(11)	2	13	4	19
<b>Segment Operating Income</b>	<b>\$ 842</b>	<b>\$ 712</b>	<b>\$ 683</b>	<b>\$ 555</b>	<b>\$ 631</b>

# HII - Free Cash Flow Reconciliations

(\$ in millions)	Year Ended December 31				
	2023	2022	2021	2020	2019
Net cash provided by operating activities	\$ 970	\$ 766	\$ 760	\$ 1,093	\$ 896
Less capital expenditures:					
Capital expenditures additions	(292)	(284)	(331)	(353)	(530)
Grant proceeds for capital expenditures	14	12	20	17	94
<b>Free cash flow</b>	<b>\$ 692</b>	<b>\$ 494</b>	<b>\$ 449</b>	<b>\$ 757</b>	<b>\$ 460</b>



# HII – Shipbuilding Revenues and Margin Reconciliation

	Year Ended December 31
<i>(\$ in millions)</i>	2023
Sales and Service Revenues	\$ 11,454
Mission Technologies	(2,699)
Intersegment eliminations	130
Shipbuilding Revenues	\$ 8,885
Operating Income	\$ 781
Operating FAS / CAS Adjustment	72
Non-current state income taxes	(11)
Segment Operating Income	\$ 842
Mission Technologies	(101)
Shipbuilding Operating Income	\$ 741
<b>As a percentage of shipbuilding revenues</b>	<b>8.3%</b>



# HII – Mission Technologies EBITDA Margin Reconciliation

(\$ in millions)	Year Ended December 31
	2023
Mission Technologies sales and service revenues	\$ 2,699
Mission Technologies segment operating income	101
Mission Technologies depreciation expense	11
Mission Technologies amortization expense	109
Mission Technologies state tax expense	11
Mission Technologies EBITDA	\$ 232
<b>Mission Technologies EBITDA margin</b>	<b>8.6%</b>

# Acronym List

Acronym	Definition
A2AD	Anti-Access/Area Denial
ABET	Accreditation Board for Engineering and Technology, Inc.
ADJ	Adjustment
AI	Artificial Intelligence
AMR	Auxiliary Machine Room
AP1000	Pressurized Water Reactor
AUKUS	Australia, United Kingdom, United States
B	Billion
BDP	Big Data Platform
BPS	Basis Point
C2	Command and Control
C5ISR	Command, Control, Communications, Computers, Cyber, Intelligence, Surveillance and Reconnaissance
CAGR	Compound Annual growth Rate
CAPEX	Capital Expenditures
CAS	United States Government Cost Accounting Standards
CEO	Chief Executive Officer
CJADC2	Combined Joint All Domain Command and Control
CLB	Columbia Class Submarine
COCOM	Combatant Command
COVID	Corona Virus Disease
CSA	Covered Slab Area
CSIS	Center for Strategic and International Studies
CUAS	Counter-Unmanned Aircraft System
CVN	Aircraft Carrier (Carrier, Fixed Wing, Nuclear)
D&D	Dismantlement and Disposal
DDG	Guided-Missile Destroyer (Destroyer, Designated, Guided)
DDG(X)	Next-Generation Guided-Missile Destroyer Program
DEV	Development
DOD	Department of Defense
DOE	Department of Energy
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization
EPS	Earnings Per Share
EVP	Executive Vice President
EW	Electronic Warfare
FAS	Financial Accounting Standards
FCF	Free Cash Flow
FMS	Foreign Military Sales
FWD	Forward
FY	Fiscal Year
GEN AI	Generational Artificial Intelligence
Gov Win / Deltek	Software Tool
HII	Huntington Ingalls Industries
HIL	Hardware in the Loop
INACT	Inactivation
INDOPACOM	United States Indo-Pacific Command
IR&D	Independent Research and Development
ISR	Intelligence, Surveillance, and Reconnaissance

# Acronym List

Acronym	Definition
JADC2	Joint All Domain Command and Control
J-NEEO	Joint Networking of Engineering and Emerging Operations
JV	Joint Venture
K	Thousand
K-12	Kindergarten through twelfth grade
LHA	Amphibious Assault Ship (Landing, Helicopter, Assault)
LPD	Amphibious Transport Dock (Landing, Platform, Dock)
LVC	Live, Virtual, and Constructive Solutions
M	Million
M&A	Mergers and Acquisitions
M&O	Maintenance and Operation
ML	Machine Learning
MOU	Memorandum of Understanding
MSD	Mid Single Digit
MT	Mission Technologies, a division of Huntington Ingalls Industries
NNS	Newport News Shipbuilding, a division of Huntington Ingalls Industries
NNSA	National Nuclear Security Administration
NSWC	Naval Surface Warfare Center
ORCS	Operations Resource Centers
OSMS	Operations and Site Mission Support
PRESS	Personnel Recovery Enterprise Services and Solutions
R&D	Research & Development
RCOH	Refueling and Complex Overhaul
RDT&E	Research, Development, Test & Evaluation
RET	Retired
RN	Royal Navy
ROIC	Return on Invested Capital
ROS	Return on Sales
SMR	Small Modular Reactors
SSBN	Submarine Submersible Ballistic Missile Nuclear Powered
SSN	Attack Submarine, Nuclear
SSN(X)	Next-Generation Attack Submarine
STEM	Science, Technology, Engineering, and Math
SW	Software
U.S.	United States of America
UAS	Unmanned Aircraft System
UK	United Kingdom
USAF	United States Airforce
USAFRICOM	United States Africa Command
USN	United States Navy
USSF	United States Space Force
USV	Unmanned Surface Vessels
UUV	Unmanned Underwater Vehicles
VA	Virginia
VCS	Virginia Class Submarine
VPM	Virginia Payload Module

