Huntington Ingalls Industries to Acquire Alion Science and Technology

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Huntington Ingalls Industries

Forward-Looking Statements

Statements in this presentation regarding our proposed acquisition of Alion Science & Technology (the “transaction”), the expected time for completing the transaction, the expected benefits and synergies of the transaction, including the effect of the transaction on revenue, EBITDA margin and free cash flow, future opportunities for the combined company and any other statements about management’s future expectations, beliefs, goals, plans or prospects, other than statements of historical fact, constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are only predictions based on current assumptions and expectations. Forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those expressed in these statements. Factors that may cause such differences include: the risk that the conditions to the closing of the transaction, including receipt of required regulatory approvals, are not satisfied; our ability to realize the anticipated synergies, growth prospects and other benefits of the transaction, including the risk that the anticipated benefits from the transaction may not be realized within the expected time period or at all; competition from larger or more established companies in the relevant markets; our ability to retain and hire key personnel; challenges, risks and costs associated with integrating the operations of Alion; 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); and other risk factors discussed in our filings with the U.S. Securities and Exchange Commission. 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 any forward-looking statements. You should not place undue reliance on any forward-looking statements that we may make. This presentation also contains non-GAAP financial measures. Non-GAAP financial measures should not be construed as being more important than comparable GAAP measures.

Strategic Acquisition Enhances Technical Solutions

- Alion significantly expands HII ability to support U.S. Navy and DoD customers in their most critical national security missions
- Enhanced high-end capabilities are complementary to existing HII work and provide critical mass in targeted markets
  - C5ISR, Military Training & Simulation, Next Generation Technology & Solutions
- Broad customer and contract access with minimal overlap
  - Franchise positions with diverse customers
- Significant value-creating revenue synergy opportunity
- Immediately enhances Technical Solutions potential topline growth rate
- Expected to be cash flow accretive in 2022
- Expected to be GAAP EPS neutral in 2022, accretive in 2023

Alion Provides Capabilities and Customer Access to Drive Accelerated Growth in Strategic Target Markets

Overview of Alion

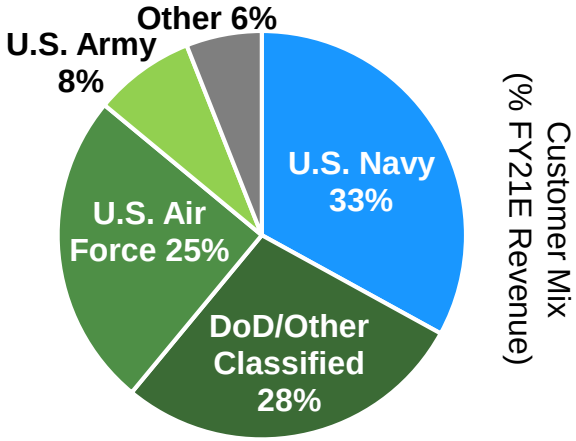
~$1.6B FY22E Revenue

~8.4% FY22E Adj. EBITDA Margin[1]

3,200 Employees

84% Cleared Personnel

~$3B+ Backlog



Alion by Core Capabilities (% FY21E revenue)

C5ISR *(47%)*

- Airborne sensor integration
- Sensor fusion and visualization development
- Natural language processing and AI/ML for intelligence analysis

Key Programs

JCETII	COCOM ISR
Customer: *Remote Sensing Center*	Customer: *COCOMs*

Cyber & Electronic Warfare *(32%)*

- Big Data Platform (BDP) and analytics
- Enterprise scale cloud migration
- Electronic warfare RDT&E

Key Programs

Unified Platform / Gabriel Nimbus	Classified / NASIC
Customer: *USAF, Army, & CYBERCOM*	Customer: *USAF*

LVC Solutions (Training & Simulation) *(21%)*

- Globally distributed simulation for integrated live virtual constructive (iLVC) training
- Navy enterprise live training range digital integration for multi-domain ops training

Key Programs

NCTE / NITE	JTSE
Customer: *USN*	Customer: *Joint Chiefs of Staff*

[1]Non-GAAP measure. See appendix for definition and other information.

Alion is Highly Consistent with Stated Strategy

Alion Transaction Alignment With HII Strategy	
Complements HII's Revenue Visibility and Competitive Posture	✓ Adds Alion's $3B+ of backlog supporting ongoing revenue visibility ✓ Competitively positioned incumbency with Alion's 90%+ recompete win rate ✓ Broadens HII positioning as customer's partner
Supports Overall HII Growth	✓ In-line with strategy of expanding Next Generation IT, Training & Simulation and C5ISR ✓ Positively enhances overall HII growth outlook ✓ Grows efficient cash generating TS segment to ~25% of overall HII by revenue
Enhances Technical Solutions Segment	✓ $2.6B+ revenue segment with enhanced capabilities, customers and talent ✓ In line with target of raising Technical Solutions EBITDA[1] margins to 8-10% by 2024 ✓ Significantly improves TS growth rate outlook
Ongoing, Consistent Capital Allocation Framework	✓ Generational investment in shipyards concluding in 2021 as planned ✓ Expect continued annual dividend growth ✓ Utilize excess cash for strategic opportunities and share repurchases ✓ Deploy aggressive debt reduction approach in order to return to investment grade metrics

[1]Non-GAAP measure. See appendix for definition and other information.

Synergy Driven by Complementary Capabilities & Customers



TSD Market Focus Areas



+ Alion

Alion Business Groups

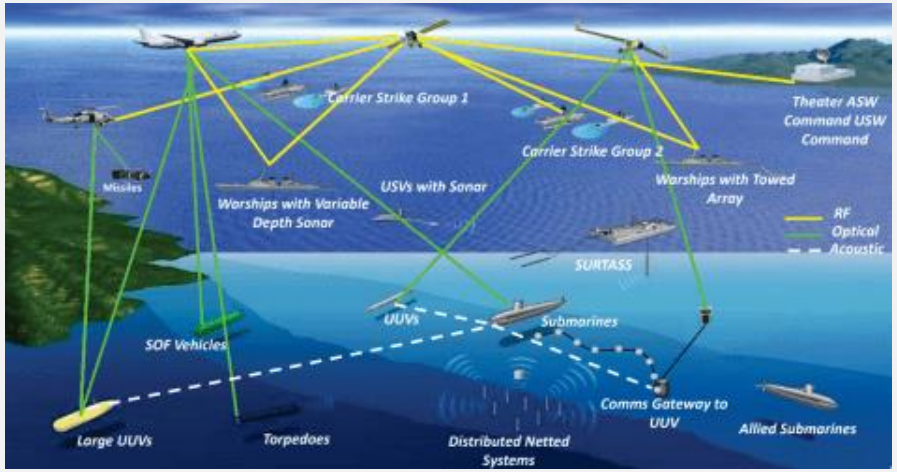
C5ISR	▪ Multi-domain ISR ▪ Joint planning and operations	*Navy* *Other DoD* *Other USG*	***Customer breadth, ISR processing / AI***	*Navy* *Other DoD* *Other USG*	▪ ISR integration & operations ▪ Sensor data fusion & processing ▪ AI/ML platform
Training & Simulation	▪ Blended reality ▪ Distributed training ▪ Secure training architectures	*Navy* *Other DoD* *Other USG*	***Depth of capability for LVC, multi-domain***	*Navy* *Other DoD* *Other USG*	▪ LVC training environments ▪ Complex modeling & simulation ▪ Globally distributed training
Next-Gen Technology & Solutions	▪ Cyber operations, advanced platforms & analytics	*Navy* *Other DoD* *Other USG*	***Customer breadth, data analytics, RF spectrum ops***	*Navy* *Other DoD* *Other USG*	▪ Spectrum management ▪ Big data architecture & analytics platform ▪ EW development ▪ Intel exploitation



Positioning on Key Navy Priorities – Distributed Maritime Ops.

- Distributed Maritime Operations (DMO) is among the Navy's top modernization priorities
- HII + Alion combination will provide differentiated capabilities for DMO pursuit

Navy's DMO concept integrates **manned and unmanned platforms** for networked naval warfare leveraging **AI and automation** for improved lethality and force resiliency



DMO Elements	HII + Alion Combined Capabilities
Manned & unmanned platforms	System / subsystem autonomy
Networks & infrastructure	Cyber operations, training environments
Data architecture	Big data architectures, cloud engineering
Tools & analytics	AI, multi-INT analytics, mission data processing & sensor fusion tools
Sensor & effects integration	Shipboard integration, ISR sensor integration, EW payloads

HII capability *Alion capability*

Financial Details of Transaction

Purchase Price	~$1.65 billion purchase price
Adj. EBITDA	~$135 million 2022E Adj. EBITDA[1]
EV Multiple	~12.2x 2022E Adjusted EBITDA[1]
Funding	$1 billion in new senior notes, $650 million in new term loan facility
Leverage	Pro forma 2021E debt to Adjusted EBITDA[1] of 3.3x
Timeline	Expected to close in the second half of 2021

[1]Non-GAAP measure. See appendix for definition and other information.

Significant Near and Long-Term Financial Benefits



- Accelerates Technical Solutions' revenue growth
- Technical Solutions expected pro forma 2021-2024 topline CAGR of 7% to 9%
- Expect to add $1.6B of revenue in 2022



- Accretive to cash flow in 2022
- Expect GAAP EPS neutral in 2022, accretive in 2023
- Expect ~$135M of Adj. EBITDA[1] in 2022



- Expect ~$200M of incremental free cash flow[1] 2022-2024, net of financing impacts
- Low capex needs, high cash efficiency

Acquisition Unlocks Significant Long-term Synergy Potential

[1]Non-GAAP measure. See appendix for definition and other information.

HII will Continue Consistent Capital Allocation Priorities

- Generational investment in shipyards concluding in 2021 as planned
- Accelerated growth and incremental free cash flow[1] further facilitates continued dividend growth
- Alion acquisition consistent with strategic portfolio shaping and financial guardrails
- Expect to continue share repurchases
- HII is committed to investment grade rating and will work to aggressively reduce debt and return to investment grade metrics



[1]Non-GAAP measure. See appendix for definition and other information.

Key Takeaways

1. Alion represents an unmatched strategic fit for HII

2. Enhances technical capabilities and improves HII position in high-growth mission-critical security solutions

3. Provides high-end solutions critical to multi-domain distributed operations, well aligned with future U.S. Navy and Department of Defense modernization and readiness priorities

4. Meaningfully accelerates Technical Solutions revenue growth

5. Expected to be significantly cash flow accretive in 2022; incremental $200M FCF[1] 2022-24

Alion Provides Capabilities, Customers and Talent to Drive Accelerated Growth in Strategic Target Markets

[1]Non-GAAP measure. See appendix for definition and other information.

Appendix

Huntington Ingalls Industries

Acronym list

AI/ML: Artificial Intelligence/Machine Learning
C5: Command, Control, Computers, Communications and Cyber
CAGR: Compound Annual Growth Rate
DMO: Distributed Maritime Operations
DoD: Department of Defense
ELICSAR: Enterprise Logging Ingest and Cyber Situational Awareness Refinery
EW: Electronic Warfare
GAAP: Generally Accepted Accounting Principles
ISR: Intelligence, Surveillance, and Reconnaissance
JCETII: Joint Capability Embedded Technology Insertion and Integration
JTSE: Joint Training Synthetic Environment
LVC: Live, Virtual, Constructive Training
NASIC: National Air and Space Intelligence Center
NCTE: Navy Continuous Training Environment
NITE: Navy Integrated Training Environment
RDT&E: Research, Development, Test & Evaluation
RF: Radio Frequency

Non-GAAP Measures Definitions

We make reference to “adjusted EBITDA”, “adjusted EBITDA margin” and “free cash flow.”

Adjusted EBITDA and EBITDA margin are not measures recognized under GAAP. They should be considered supplemental to and not substitutes for financial information prepared in accordance with GAAP. They 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, analysis of our results as reported under GAAP. 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.

Reconciliations of forward-looking non-GAAP measures are not provided because we are unable to provide such reconciliations without unreasonable effort due to the uncertainty and inherent difficulty of predicting the future occurrence and financial impact of certain elements of GAAP and non-GAAP measures.

Adjusted EBITDA is defined as operating income before interest expense, income taxes, depreciation, and amortization

Adjusted EBITDA margin is defined as operating income before interest expense, income taxes, depreciation, and amortization as a percentage of revenues.

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


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