



News Release

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HII Reports First Quarter 2024 Results

- Record first quarter revenues of \$2.8 billion, up 4.9% compared to first quarter 2023
- Operating income of \$154 million, up 9.2% compared to first quarter 2023
- Net earnings of \$153 million or \$3.87 diluted earnings per share
- New contract awards of \$3.1 billion, resulting in backlog of \$48.4 billion
- Company reaffirms previously issued financial guidance¹

NEWPORT NEWS, Va. (May 2, 2024) - HII (NYSE: HII) reported first quarter 2024 revenues of \$2.8 billion, up 4.9% from the first quarter of 2023, driven primarily by growth at its Mission Technologies segment.

Operating income in the first quarter of 2024 was \$154 million and operating margin was 5.5%, compared to \$141 million and 5.3%, respectively, in the first quarter of 2023. The increases were primarily driven by higher segment operating income² compared to the prior year.

Segment operating income² in the first quarter of 2024 was \$170 million and segment operating margin² was 6.1%, compared to \$156 million and 5.8%, respectively, in the first quarter of 2023. The increases were primarily driven by higher volumes at the Mission Technologies and Ingalls segments.

Net earnings in the quarter were \$153 million, compared to \$129 million in the first quarter of 2023. Diluted earnings per share in the quarter was \$3.87, compared to \$3.23 in the first quarter of 2023.

Net cash used in operating activities in the quarter was \$202 million and free cash flow¹ was negative \$274 million, compared to cash used in operating activities of \$9 million and free cash flow¹ of negative \$49 million in the first quarter of 2023.

New contract awards in the first quarter of 2024 were \$3.1 billion, bringing total backlog to approximately \$48.4 billion as of March 31, 2024.

"The first quarter was a good start to the year," said Chris Kastner, HII's president and CEO. "Strong growth in Mission Technologies and stable shipbuilding progress provide a solid foundation for the balance of 2024 and beyond."

¹The financial outlook, expectations and other forward looking statements provided by the company for 2024 and beyond reflect the company's judgment based on information available at the time of this release.

²Non-GAAP measures. See Exhibit B for definitions and reconciliations.

Results of Operations

	Three Months Ended			
	March 31			
(\$ in millions, except per share amounts)	2024	2023	\$ Change	% Change
Sales and service revenues	\$ 2,805	\$ 2,674	\$ 131	4.9 %
Operating income	154	141	13	9.2 %
Operating margin %	5.5 %	5.3 %		22 bps
Segment operating income ¹	170	156	14	9.0 %
Segment operating margin % ¹	6.1 %	5.8 %		23 bps
Net earnings	153	129	24	18.6 %
Diluted earnings per share	\$ 3.87	\$ 3.23	\$ 0.64	19.8 %

¹ Non-GAAP measures that exclude non-segment factors affecting operating income. See Exhibit B for definitions and reconciliations.

Segment Operating Results

Ingalls Shipbuilding

	Three Months Ended			
	March 31			
(\$ in millions)	2024	2023	\$ Change	% Change
Revenues	\$ 655	\$ 577	\$ 78	13.5 %
Segment operating income ¹	60	55	5	9.1 %
Segment operating margin % ¹	9.2 %	9.5 %		(37) bps

¹ Non-GAAP measures. See Exhibit B for definitions and reconciliations.

Ingalls Shipbuilding revenues for the first quarter of 2024 were \$655 million, an increase of \$78 million, or 13.5%, from the same period in 2023, primarily driven by higher volumes in surface combatants and amphibious assault ships, partially offset by lower volumes in the *Legend* class National Security Cutter program.

Ingalls Shipbuilding segment operating income¹ for the first quarter of 2024 was \$60 million, an increase of \$5 million from the same period in 2023. Segment operating margin¹ in the first quarter of 2024 was 9.2% compared to 9.5% in the same period last year. The increase in operating income and decrease in operating margin was primarily driven by the changes in volumes described above.

Key Ingalls Shipbuilding milestones for the quarter:

- Completed Builder's and Acceptance trials for *Richard M. McCool Jr.* (LPD 29)

¹ Non-GAAP measures. See Exhibit B for definitions and reconciliations.

Newport News Shipbuilding

(\$ in millions)	Three Months Ended			
	March 31			
	2024	2023	\$ Change	% Change
Revenues	\$ 1,434	\$ 1,506	\$ (72)	(4.8)%
Segment operating income ¹	82	84	(2)	(2.4)%
Segment operating margin % ¹	5.7 %	5.6 %		14 bps

¹ Non-GAAP measures. See Exhibit B for definitions and reconciliations.

Newport News Shipbuilding revenues for the first quarter of 2024 were \$1.4 billion, a decrease of \$72 million or 4.8%, from the same period in 2023, primarily driven by lower volumes in aircraft carriers and the *Virginia* class submarine program.

Newport News Shipbuilding segment operating income¹ and segment operating margin¹ were primarily driven by the lower volumes described above.

Key Newport News Shipbuilding milestones for the quarter:

- Floated off *Massachusetts* (SSN 798)
- Completed acceptance trials for *New Jersey* (SSN 796)
- Awarded advance planning contract for the refueling and complex overhaul of USS *Harry S. Truman* (CVN 75)

¹ Non-GAAP measures. See Exhibit B for definitions and reconciliations.

Mission Technologies

(\$ in millions)	Three Months Ended			
	March 31			
	2024	2023	\$ Change	% Change
Revenues	\$ 750	\$ 624	\$ 126	20.2 %
Segment operating income ¹	28	17	11	64.7 %
Segment operating margin % ¹	3.7 %	2.7 %		101 bps

¹ Non-GAAP measures. See Exhibit B for definitions and reconciliations.

Mission Technologies revenues for the first quarter of 2024 were \$750 million, an increase of \$126 million, or 20.2%, from the same period in 2023. The increase was primarily due to higher volumes in C5ISR and cyber, electronic warfare and space.

Mission Technologies segment operating income¹ for the first quarter of 2024 was \$28 million, compared to \$17 million in the first quarter of 2023. Segment operating margin¹ in the first quarter of 2024 was 3.7%, compared to 2.7% in the same period last year. The increases were primarily driven by the higher volumes described above.

Mission Technologies results included approximately \$25 million of amortization of purchased intangible assets in the first quarter of 2024, compared to approximately \$27 million in the same period last year.

Mission Technologies EBITDA margin¹ in the first quarter of 2024 was 7.7%, a decrease from 8.0% in the first quarter of 2023.

Key Mission Technologies milestones for the quarter:

- Awarded \$305 million contract to protect U.S. regional interests in the Republic of Korea
- Awarded \$74 million contract to research, analyze and develop enhanced capabilities for vertical launching systems (VLS) onboard U.S. Navy surface ships
- Awarded an order to build a REMUS 620 unmanned underwater vehicle for an international customer

¹ Non-GAAP measures. See Exhibit B for definitions and reconciliations

HII Financial Outlook¹

- Reaffirming FY24 outlook
- Reaffirming 5 year (2024-2028) free cash flow^{2,3} outlook of \$3.6B

	FY24 Outlook ¹
Shipbuilding Revenue ²	\$8.8B - \$9.1B
Shipbuilding Operating Margin ²	7.6% - 7.8%
Mission Technologies Revenue	\$2.7B - \$2.75B
Mission Technologies Segment Operating Margin ²	3.0% - 3.5%
Mission Technologies EBITDA Margin ²	8.0% - 8.5%
Operating FAS/CAS Adjustment	(\$63M)
Non-current State Income Tax Benefit/Expense ⁴	~\$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 ^{2,3}	\$600M - \$700M

¹The financial outlook, expectations and other forward-looking statements provided by the company for 2024 and beyond reflect the company's judgment based on the information available at the time of this release.

²Non-GAAP measures. See Exhibit B for definitions. 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.

³Outlook is based on current tax law and assumes the provisions requiring capitalization of R&D expenditures for tax purposes are not deferred or repealed.

⁴Outlook is based on current tax law. Repeal or deferral of provisions requiring capitalization of R&D expenditures would result in elevated non-current state income tax expense.

About HII

HII is a global, all-domain defense provider. HII's mission is 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.

As the nation's largest military shipbuilder, and with a more than 135-year history of advancing U.S. national security, HII delivers critical capabilities extending from ships to unmanned systems, cyber, ISR, AI/ML and synthetic training. Headquartered in Virginia, HII's workforce is 44,000 strong. For more information, please visit www.HII.com.

Conference Call Information

HII will webcast its earnings conference call at 9 a.m. Eastern time today. A live audio broadcast of the conference call and supplemental presentation will be available on the investor relations page of the company's website: www.HII.com. A telephone replay of the conference call will be available from noon today through Thursday, May 9th by calling (866) 813-9403 or (929) 458-6194 and using access code 793592.

Cautionary Statement Regarding Forward-Looking Statements and Projections

Statements in this earnings release and in our other filings with the Securities and Exchange Commission ("SEC"), 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, train and retain 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 in our other filings with the SEC. Additional factors include those described in our 2023 Annual Report on Form 10-K, including under the captions "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Business," in our subsequent quarterly reports on Form 10-Q, including under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," and in our subsequent 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. This release also contains non-GAAP financial measures and includes a GAAP reconciliation of these financial measures. Non-GAAP financial measures should not be construed as being more important than comparable GAAP measures.

Exhibit A: Financial Statements

**HUNTINGTON INGALLS INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(UNAUDITED)**

(in millions, except per share amounts)	Three Months Ended March 31	
	2024	2023
Sales and service revenues		
Product sales	\$ 1,787	\$ 1,829
Service revenues	1,018	845
Sales and service revenues	<u>2,805</u>	<u>2,674</u>
Cost of sales and service revenues		
Cost of product sales	1,537	1,568
Cost of service revenues	893	756
Income from operating investments, net	12	12
Other income and gains (losses), net	(1)	(1)
General and administrative expenses	232	220
Operating income	<u>154</u>	<u>141</u>
Other income (expense)		
Interest expense	(21)	(24)
Non-operating retirement benefit	44	37
Other, net	7	9
Earnings before income taxes	<u>184</u>	<u>163</u>
Federal and foreign income tax expense	31	34
Net earnings	<u>\$ 153</u>	<u>\$ 129</u>
Basic earnings per share	\$ 3.87	\$ 3.23
Weighted-average common shares outstanding	39.5	39.9
Diluted earnings per share	\$ 3.87	\$ 3.23
Weighted-average diluted shares outstanding	39.5	39.9
Dividends declared per share	\$ 1.30	\$ 1.24
Net earnings from above	\$ 153	\$ 129
Other comprehensive income (loss)		
Change in unamortized benefit plan costs	5	4
Tax expense for items of other comprehensive income	(2)	(1)
Other comprehensive income, net of tax	<u>3</u>	<u>3</u>
Comprehensive income	<u>\$ 156</u>	<u>\$ 132</u>

HUNTINGTON INGALLS INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(\$ in millions)	March 31, 2024	December 31, 2023
Assets		
Current Assets		
Cash and cash equivalents	\$ 10	\$ 430
Accounts receivable, net of allowance for expected credit losses of \$5 million as of 2024 and \$8 million as of 2023	718	461
Contract assets	1,661	1,537
Inventoried costs	199	186
Income taxes receivable	140	183
Prepaid expenses and other current assets	105	83
Total current assets	2,833	2,880
Property, Plant, and Equipment, net of accumulated depreciation of \$2,515 million as of 2024 and \$2,467 million as of 2023	3,298	3,296
Operating lease assets	251	262
Goodwill	2,618	2,618
Other intangible assets, net of accumulated amortization of \$1,036 million as of 2024 and \$1,009 million as of 2023	864	891
Pension plan assets	920	888
Miscellaneous other assets	383	380
Total assets	\$ 11,167	\$ 11,215
Liabilities and Stockholders' Equity		
Current Liabilities		
Trade accounts payable	608	554
Accrued employees' compensation	342	382
Short-term debt and current portion of long-term debt	203	231
Current portion of postretirement plan liabilities	129	129
Current portion of workers' compensation liabilities	225	224
Contract liabilities	936	1,063
Other current liabilities	505	449
Total current liabilities	2,948	3,032
Long-term debt	2,235	2,214
Pension plan liabilities	214	212
Other postretirement plan liabilities	239	241
Workers' compensation liabilities	451	449
Long-term operating lease liabilities	217	228
Deferred tax liabilities	351	367
Other long-term liabilities	386	379
Total liabilities	7,041	7,122
Commitments and Contingencies		
Stockholders' Equity		
Common stock, \$0.01 par value; 150,000,000 shares authorized; 53,709,837 shares issued and 39,509,640 shares outstanding as of March 31, 2024, and 53,595,748 shares issued and 39,618,880 shares outstanding as of December 31, 2023	1	1
Additional paid-in capital	2,038	2,045
Retained earnings	4,855	4,755
Treasury stock	(2,349)	(2,286)
Accumulated other comprehensive loss	(419)	(422)
Total stockholders' equity	4,126	4,093
Total liabilities and stockholders' equity	\$ 11,167	\$ 11,215

HUNTINGTON INGALLS INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(\$ in millions)	Three Months Ended March 31	
	2024	2023
Operating Activities		
Net earnings	\$ 153	\$ 129
Adjustments to reconcile to net cash used in operating activities		
Depreciation	53	55
Amortization of purchased intangibles	27	32
Amortization of debt issuance costs	2	2
Provision for expected credit losses	(3)	—
Stock-based compensation	14	12
Deferred income taxes	(17)	(30)
Loss (gain) on investments in marketable securities	(8)	(8)
Change in		
Accounts receivable	(253)	(119)
Contract assets	(124)	(58)
Inventoried costs	(13)	(7)
Prepaid expenses and other assets	25	30
Accounts payable and accruals	(34)	(31)
Retiree benefits	(27)	(18)
Other non-cash transactions, net	3	2
Net cash used in operating activities	(202)	(9)
Investing Activities		
Capital expenditures		
Capital expenditure additions	(75)	(43)
Grant proceeds for capital expenditures	3	3
Investment in affiliates	—	(20)
Other investing activities, net	1	—
Net cash used in investing activities	(71)	(60)
Financing Activities		
Repayment of long-term debt	(145)	(10)
Proceeds from revolving credit facility borrowings	42	—
Repayment of revolving credit facility borrowings	(20)	—
Net borrowings on commercial paper	117	—
Dividends paid	(51)	(49)
Repurchases of common stock	(62)	(9)
Employee taxes on certain share-based payment arrangements	(25)	(12)
Other financing activities, net	(3)	—
Net cash used in financing activities	(147)	(80)
Change in cash and cash equivalents	(420)	(149)
Cash and cash equivalents, beginning of period	430	467
Cash and cash equivalents, end of period	\$ 10	\$ 318
Supplemental Cash Flow Disclosure		
Cash paid for interest	\$ 10	\$ 12
Non-Cash Investing and Financing Activities		
Capital expenditures accrued in accounts payable	\$ 6	\$ 8

Exhibit B: Non-GAAP Measures Definitions & Reconciliations

We make reference to “segment operating income,” “segment operating margin,” “shipbuilding revenue,” “shipbuilding operating margin,” “Mission Technologies EBITDA,” “Mission Technologies EBITDA margin” and “free cash flow.”

We internally manage our operations by reference to segment operating income and segment operating margin, which are not recognized measures under GAAP. When analyzing our operating performance, investors should use segment operating income and segment operating margin in addition to, and not as alternatives for, operating income and operating margin 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 and segment operating 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. 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 and segment operating margin 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. 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 that shipbuilding revenue, shipbuilding operating margin, Mission Technologies EBITDA and Mission Technologies EBITDA margin reflect an additional way 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 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.

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.

Segment operating margin is defined as segment operating income as a percentage of sales and service revenues.

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.

Reconciliations of Segment Operating Income and Segment Operating Margin

(\$ in millions)	Three Months Ended	
	March 31	
	2024	2023
Ingalls revenues	\$ 655	\$ 577
Newport News revenues	1,434	1,506
Mission Technologies revenues	750	624
Intersegment eliminations	(34)	(33)
Sales and Service Revenues	2,805	2,674
Operating Income	154	141
Operating FAS/CAS Adjustment	17	19
Non-current state income taxes	(1)	(4)
Segment Operating Income	170	156
<i>As a percentage of sales and service revenues</i>	6.1 %	5.8 %
Ingalls segment operating income	60	55
<i>As a percentage of Ingalls revenues</i>	9.2 %	9.5 %
Newport News segment operating income	82	84
<i>As a percentage of Newport News revenues</i>	5.7 %	5.6 %
Mission Technologies segment operating income	28	17
<i>As a percentage of Mission Technologies revenues</i>	3.7 %	2.7 %

Reconciliation of Free Cash Flow

(\$ in millions)	Three Months Ended	
	March 31	
	2024	2023
Net cash used in operating activities	\$ (202)	\$ (9)
Less capital expenditures:		
Capital expenditure additions	(75)	(43)
Grant proceeds for capital expenditures	3	3
Free cash flow	<u>\$ (274)</u>	<u>\$ (49)</u>

Reconciliation of Mission Technologies EBITDA and EBITDA Margin

(\$ in millions)	Three Months Ended	
	March 31	
	2024	2023
Mission Technologies sales and service revenues	\$ 750	\$ 624
Mission Technologies segment operating income	\$ 28	\$ 17
Mission Technologies depreciation expense	3	3
Mission Technologies amortization expense	25	27
Mission Technologies state tax expense	2	3
Mission Technologies EBITDA	\$ 58	\$ 50
Mission Technologies EBITDA margin	7.7 %	8.0 %