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DELTA REPORT

10-Q

HII - HUNTINGTON INGALLS INDUST

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1046
CHANGES	243
DELETIONS	513
ADDITIONS	290

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023 March 31, 2024

or ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________ to ________
Commission file number 001-34910

HUNTINGTON INGALLS INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

Delaware	**90-0607005**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4101 Washington Avenue Newport News, Virginia 23607
(Address of principal executive offices and zip code)

(757) 380-2000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	**HII**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 27, 2023 April 26, 2024, 39,723,456 39,433,340 shares of the registrant's common stock were outstanding.

TABLE OF CONTENTS

Table of Contents

HUNTINGTON INGALLS INDUSTRIES, INC.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (UNAUDITED)

		Three Months Ended September 30		Nine Months Ended September 30	
(in millions, except per share amounts)	**(in millions, except per share amounts)**	**2023**	**2022**	**2023**	**2022**
(in millions, except per share amounts)					
(in millions, except per share amounts)					
Sales and service revenues					
Sales and service revenues					
Sales and service revenues	Sales and service revenues				
Product sales	Product sales	**$ 1,835**	$ 1,774	**$ 5,543**	$ 5,327
Product sales					
Product sales					
Service revenues					
Service revenues					
Service revenues	Service revenues	**981**	852	**2,734**	2,537

Sales and service revenues	Sales and service revenues	**2,816**	2,626	**8,277**	7,864
Sales and service revenues					
Sales and service revenues					
Cost of sales and service revenues					
Cost of sales and service revenues					
Cost of sales and service revenues	Cost of sales and service revenues				
Cost of product sales	Cost of product sales	**1,541**	1,517	**4,711**	4,511
Cost of product sales					
Cost of product sales					
Cost of service revenues					
Cost of service revenues					
Cost of service revenues	Cost of service revenues	**859**	747	**2,411**	2,252
Income from operating investments, net	Income from operating investments, net	**9**	13	**25**	47
Income from operating investments, net					
Income from operating investments, net					
Other income and gains (losses), net					
Other income and gains (losses), net					
Other income and gains (losses), net					
General and administrative expenses					
General and administrative expenses					
General and administrative expenses	General and administrative expenses	**253**	244	**711**	688
Operating income	Operating income	**172**	131	**469**	460
Operating income					
Operating income					
Other income (expense)					
Other income (expense)					
Other income (expense)	Other income (expense)				
Interest expense	Interest expense	**(22)**	(27)	**(70)**	(79)
Interest expense					
Interest expense					
Non-operating retirement benefit					
Non-operating retirement benefit					
Non-operating retirement benefit	Non-operating retirement benefit	**37**	71	**111**	209
Other, net	Other, net	**2**	(13)	**11**	(30)
Other, net					
Other, net					
Earnings before income taxes					
Earnings before income taxes					
Earnings before income taxes	Earnings before income taxes	**189**	162	**521**	560
Federal and foreign income tax expense	Federal and foreign income tax expense	**41**	24	**114**	104
Federal and foreign income tax expense					
Federal and foreign income tax expense					
Net earnings					
Net earnings					
Net earnings	Net earnings	**$ 148**	$ 138	**$ 407**	$ 456

Basic earnings per share	Basic earnings per share	**$ 3.70**	$ 3.44	**$ 10.18**	$ 11.37
Basic earnings per share					
Basic earnings per share					
Weighted-average common shares outstanding					
Weighted-average common shares outstanding					
Weighted-average common shares outstanding	Weighted-average common shares outstanding	**40.0**	40.1	**40.0**	40.1
Diluted earnings per share	Diluted earnings per share	**$ 3.70**	$ 3.44	**$ 10.18**	$ 11.37
Diluted earnings per share					
Diluted earnings per share					
Weighted-average diluted shares outstanding					
Weighted-average diluted shares outstanding					
Weighted-average diluted shares outstanding	Weighted-average diluted shares outstanding	**40.0**	40.1	**40.0**	40.1
Dividends declared per share	Dividends declared per share	**$ 1.24**	$ 1.18	**$ 3.72**	$ 3.54
Dividends declared per share					
Dividends declared per share					
Net earnings from above	Net earnings from above	**$ 148**	$ 138	**$ 407**	$ 456
Other comprehensive income (loss)					
Net earnings from above					
Net earnings from above					
Other comprehensive income					
Other comprehensive income					
Other comprehensive income					
Change in unamortized benefit plan costs	Change in unamortized benefit plan costs	**4**	12	**13**	(61)
Other		**—**	(1)	**—**	(2)
Tax benefit (expense) for items of other comprehensive income		**(2)**	(3)	**(4)**	16
Other comprehensive income (loss), net of tax		**2**	8	**9**	(47)
Change in unamortized benefit plan costs					
Change in unamortized benefit plan costs					
Tax expense for items of other comprehensive income					
Tax expense for items of other comprehensive income					
Tax expense for items of other comprehensive income					
Other comprehensive income, net of tax					
Other comprehensive income, net of tax					
Other comprehensive income, net of tax					
Comprehensive income	Comprehensive income	**$ 150**	$ 146	**$ 416**	$ 409
Comprehensive income					
Comprehensive income					

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

HUNTINGTON INGALLS INDUSTRIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

($ in millions)	($ in millions)	September 30, 2023	December 31, 2022	($ in millions)	March 31, 2024	December 31, 2023
Assets	***Assets***					
Current Assets	**Current Assets**					
Current Assets						
Current Assets						
Cash and cash equivalents	Cash and cash equivalents	**$ 109**	$ 467			
Accounts receivable, net of allowance for doubtful accounts of $2 million as of 2023 and 2022		**698**	636			
Cash and cash equivalents						
Cash and cash equivalents						
Accounts receivable, net of allowance for expected credit losses of $5 million as of 2024 and $8 million as of 2023						
Contract assets	Contract assets	**1,300**	1,240			
Inventoried costs	Inventoried costs	**194**	183			
Income taxes receivable	Income taxes receivable	**180**	170			
Prepaid expenses and other current assets	Prepaid expenses and other current assets	**106**	50			
Prepaid expenses and other current assets						
Prepaid expenses and other current assets						
Total current assets	Total current assets	**2,587**	2,746			
Property, plant, and equipment, net of accumulated depreciation of $2,448 million as of 2023 and $2,319 million as of 2022		**3,201**	3,198			
Property, plant, and equipment, net of accumulated depreciation of $2,515 million as of 2024 and $2,467 million as of 2023						
Operating lease assets	Operating lease assets	**248**	282			
Goodwill	Goodwill	**2,618**	2,618			
Other intangible assets, net of accumulated amortization of $977 million as of 2023 and $881 million as of 2022		**923**	1,019			
Other intangible assets, net of accumulated amortization of $1,036 million as of 2024 and $1,009 million as of 2023						
Pension plan assets	Pension plan assets	**670**	600			
Miscellaneous other assets						
Miscellaneous other assets						

Miscellaneous other assets	Miscellaneous other assets	**374**	394	
Total assets	**Total assets**	**$ 10,621**	$ 10,857	
Liabilities and Stockholders' Equity	***Liabilities and Stockholders' Equity***			
Current Liabilities	**Current Liabilities**			
Current Liabilities				
Current Liabilities				
Trade accounts payable				
Trade accounts payable				
Trade accounts payable	Trade accounts payable	**$ 535**	$ 642	
Accrued employees’ compensation	Accrued employees’ compensation	**361**	345	
Current portion of long-term debt		**255**	399	
Short-term debt and current portion of long-term debt				
Current portion of postretirement plan liabilities	Current portion of postretirement plan liabilities	**134**	134	
Current portion of workers’ compensation liabilities	Current portion of workers’ compensation liabilities	**223**	229	
Contract liabilities	Contract liabilities	**878**	766	
Other current liabilities				
Other current liabilities				
Other current liabilities	Other current liabilities	**431**	380	
Total current liabilities	Total current liabilities	**2,817**	2,895	
Long-term debt	Long-term debt	**2,213**	2,506	
Pension plan liabilities	Pension plan liabilities	**219**	214	
Other postretirement plan liabilities	Other postretirement plan liabilities	**257**	260	
Workers’ compensation liabilities	Workers’ compensation liabilities	**452**	463	
Long-term operating lease liabilities	Long-term operating lease liabilities	**212**	246	
Deferred tax liabilities	Deferred tax liabilities	**341**	418	
Other long-term liabilities	Other long-term liabilities	**377**	366	
Total liabilities	Total liabilities	**6,888**	7,368	
Commitments and Contingencies (Note 10)	**Commitments and Contingencies (Note 10)**			**Commitments and Contingencies (Note 10)**
Stockholders’ Equity	**Stockholders’ Equity**			

Common stock, $0.01 par value; 150,000,000 shares authorized; 53,595,352 shares issued and 39,779,936 shares outstanding as of September 30, 2023, and 53,503,317 shares issued and 39,863,456 shares outstanding as of December 31, 2022		**1**	1
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			
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			
Common stock, $0.01 par value; 150,000,000 shares authorized; 53,709,837 shares issued and 39,509,640 shares outstanding as of March 31, 2024, and 53,595,748 shares issued and 39,618,880 shares outstanding as of December 31, 2023			
Additional paid-in capital	Additional paid-in capital	**2,038**	2,022
Retained earnings	Retained earnings	**4,532**	4,276
Treasury stock	Treasury stock	**(2,248)**	(2,211)
Accumulated other comprehensive loss	Accumulated other comprehensive loss	**(590)**	(599)
Total stockholders' equity	Total stockholders' equity	**3,733**	3,489
Total liabilities and stockholders' equity	**Total liabilities and stockholders' equity**	**$ 10,621**	$ 10,857

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Table of Contents

HUNTINGTON INGALLS INDUSTRIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

		Nine Months Ended September 30			Three Months Ended March 31	
($ in millions)	**($ in millions)**	**2023**	**2022**	**($ in millions)**	**2024**	**2023**
Operating Activities	**Operating Activities**					
Net earnings	Net earnings	**$ 407**	$ 456			
Net earnings						
Net earnings						

Adjustments to reconcile to net cash used in operating activities	Adjustments to reconcile to net cash used in operating activities		
Depreciation			
Depreciation			
Depreciation	Depreciation	**163**	158
Amortization of purchased intangibles	Amortization of purchased intangibles	**96**	105
Amortization of debt issuance costs	Amortization of debt issuance costs	**6**	6
Provision for doubtful accounts		**—**	(7)
Provision for expected credit losses			
Stock-based compensation	Stock-based compensation	**27**	28
Deferred income taxes	Deferred income taxes	**(81)**	(14)
Loss (gain) on investments in marketable securities	Loss (gain) on investments in marketable securities	**(10)**	34
Loss (gain) on investments in marketable securities			
Loss (gain) on investments in marketable securities			
Change in	Change in		
Change in			
Change in			
Accounts receivable			
Accounts receivable			
Accounts receivable	Accounts receivable	**(62)**	(281)
Contract assets	Contract assets	**(60)**	(254)
Inventoried costs	Inventoried costs	**(12)**	(13)
Prepaid expenses and other assets	Prepaid expenses and other assets	**(66)**	(4)
Accounts payable and accruals	Accounts payable and accruals	**45**	48
Retiree benefits	Retiree benefits	**(55)**	(99)
Other non-cash transactions, net	Other non-cash transactions, net	**10**	2
Net cash provided by operating activities		**408**	165
Net cash used in operating activities			
Investing Activities	**Investing Activities**		

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Capital expenditures	Capital expenditures		
Capital expenditures			
Capital expenditures			
Capital expenditure additions			
Capital expenditure additions			
Capital expenditure additions	Capital expenditure additions	**(164)**	(179)
Grant proceeds for capital expenditures	Grant proceeds for capital expenditures	**14**	—
Investment in affiliates	Investment in affiliates	**(24)**	(5)
Proceeds from equity method investments		**61**	6
Investment in affiliates			
Investment in affiliates			
Other investing activities, net			
Other investing activities, net			
Other investing activities, net	Other investing activities, net	**2**	—
Net cash used in investing activities	Net cash used in investing activities	**(111)**	(178)
Financing Activities	**Financing Activities**		
Repayment of long-term debt	Repayment of long-term debt	**(455)**	(300)
Repayment of long-term debt			
Repayment of long-term debt			
Proceeds from revolving credit facility borrowings			
Repayment of revolving credit facility borrowings			
Net borrowings on commercial paper			
Dividends paid			
Dividends paid			
Dividends paid	Dividends paid	**(149)**	(142)
Repurchases of common stock	Repurchases of common stock	**(37)**	(41)
Employee taxes on certain share-based payment arrangements	Employee taxes on certain share-based payment arrangements	**(13)**	(14)
Other financing activities, net			
Other financing activities, net			
Other financing activities, net	Other financing activities, net	**(1)**	—

Net cash used in financing activities	Net cash used in financing activities	**(655)**	(497)
Change in cash and cash equivalents	Change in cash and cash equivalents	**(358)**	(510)
Cash and cash equivalents, beginning of period	Cash and cash equivalents, beginning of period	**467**	627
Cash and cash equivalents, end of period	**Cash and cash equivalents, end of period**	**$ 109**	$ 117
Supplemental Cash Flow Disclosure	**Supplemental Cash Flow Disclosure**		
Cash paid for income taxes (net of refunds)		**$ 227**	$ 107
Cash paid for interest			
Cash paid for interest			
Cash paid for interest	Cash paid for interest	**$ 63**	$ 61
Non-Cash Investing and Financing Activities	**Non-Cash Investing and Financing Activities**		
Capital expenditures accrued in accounts payable	Capital expenditures accrued in accounts payable	**$ 6**	$ 5
Capital expenditures accrued in accounts payable			
Capital expenditures accrued in accounts payable			

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Table of Contents

HUNTINGTON INGALLS INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

Three Months Ended September 30, 2023 and 2022 ($ in millions)	**Common Stock**	**Additional Paid-in Capital**	**Retained Earnings (Deficit)**	**Treasury Stock**	**Accumulated Other Comprehensive Income (Loss)**	**Total Stockholders' Equity**
Balance as of June 30, 2022	$ 1	$ 2,002	$ 4,113	$ (2,186)	$ (978)	$ 2,952
Net earnings	—	—	138	—	—	138
Dividends declared ($1.18 per share)	—	—	(48)	—	—	(48)
Stock-based compensation	—	12	—	—	—	12
Other comprehensive income, net of tax	—	—	—	—	8	8
Treasury stock activity	—	—	—	(14)	—	(14)
Balance as of September 30, 2022	$ 1	$ 2,014	$ 4,203	$ (2,200)	$ (970)	$ 3,048
Balance as of June 30, 2023	$ 1	$ 2,030	$ 4,434	$ (2,227)	$ (592)	$ 3,646

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Net earnings	—	—	148	—	—	148
Dividends declared ($1.24 per share)	—	—	(50)	—	—	(50)
Stock-based compensation	—	8	—	—	—	8
Other comprehensive income, net of tax	—	—	—	—	2	2
Treasury stock activity	—	—	—	(21)	—	(21)
Balance as of September 30, 2023	**$ 1**	**$ 2,038**	**$ 4,532**	**$ (2,248)**	**$ (590)**	**$ 3,733**

Nine Months Ended September 30, 2023 and 2022 ($ in millions)	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance as of December 31, 2021	$ 1	$ 1,998	$ 3,891	$ (2,159)	$ (923)	$ 2,808
Net earnings	—	—	456	—	—	456
Dividends declared ($3.54 per share)	—	—	(142)	—	—	(142)
Stock-based compensation	—	16	(2)	—	—	14
Other comprehensive loss, net of tax	—	—	—	—	(47)	(47)
Treasury stock activity	—	—	—	(41)	—	(41)
Balance as of September 30, 2022	$ 1	$ 2,014	$ 4,203	$ (2,200)	$ (970)	$ 3,048

Three Months Ended March 31, 2024 and 2023 ($ in millions)	Three Months Ended March 31, 2024 and 2023 ($ in millions)	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Stoc[k] E[quity]
Balance as of December 31, 2022	**Balance as of December 31, 2022**	$ 1	$ 2,022	$ 4,276	$ (2,211)	$ (599)	$ 3,489
Net earnings	Net earnings	—	—	407	—	—	407
Dividends declared ($3.72 per share)		—	—	(149)	—	—	(149)
Dividends declared ($1.24 per share)							
Stock-based compensation	Stock-based compensation	—	16	(2)	—	—	14
Other comprehensive income, net of tax	Other comprehensive income, net of tax	—	—	—	—	9	9
Treasury stock activity	Treasury stock activity	—	—	—	(37)	—	(37)
Balance as of September 30, 2023		**$ 1**	**$ 2,038**	**$ 4,532**	**$ (2,248)**	**$ (590)**	**$ 3,733**
Treasury stock activity							
Treasury stock activity							
Balance as of March 31, 2023							

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Balance as of December 31, 2023
Balance as of December 31, 2023
Balance as of December 31, 2023
Net earnings
Dividends declared ($1.30 per share)
Stock-based compensation
Other comprehensive income, net of tax
Treasury stock activity
Treasury stock activity
Treasury stock activity
Balance as of March 31, 2024

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Table of Contents

HUNTINGTON INGALLS INDUSTRIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. DESCRIPTION OF BUSINESS

Huntington Ingalls Industries, Inc. ("HII" or the "Company") is a global, all-domain defense partner, building and delivering the world's most powerful, survivable naval ships and technologies that safeguard America's seas, sky, land, space, and cyber. HII is organized into three reportable segments: Ingalls Shipbuilding ("Ingalls"), Newport News Shipbuilding ("Newport News"), and Mission Technologies. For more than a century, the Company's Ingalls segment in Mississippi and Newport News segment in Virginia have built more ships in more ship classes than any other U.S. naval shipbuilder, making HII America's largest shipbuilder. The Mission Technologies segment develops integrated solutions that enable today's connected, all-domain force.

2. BASIS OF PRESENTATION

Principles of Consolidation - The unaudited condensed consolidated financial statements of HII and its subsidiaries have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and the instructions to Form 10-Q promulgated by the Securities and Exchange Commission ("SEC"). As used in the Notes to the Condensed Consolidated Financial Statements (Unaudited), the terms "HII" and "the Company" refer to HII and its subsidiaries. All intercompany transactions and balances are eliminated in consolidation. For classification of current assets and liabilities related to its long-term production contracts, the Company uses the duration of these contracts as its operating cycle, which is generally longer than one year. Additionally, certain prior year amounts have been reclassified to conform to the current year presentation.

These unaudited condensed consolidated financial statements include all adjustments of a normal recurring nature considered necessary by management for a fair presentation of the unaudited condensed consolidated financial position, results of operations, and cash flows and should be read in conjunction with the Company's audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 (the "2022 "2023 Annual Report on Form 10-K").

The quarterly information is labeled using a calendar convention; that is, first quarter is consistently labeled as ending on March 31, second quarter as ending on June 30, and third quarter as ending on September 30. It is management's long-standing practice to establish interim closing dates using a "fiscal" calendar, which requires the businesses to close their books on a Friday near these quarter-end dates in order to normalize the potentially disruptive effects of quarterly closings on business processes. The effects of this This practice only exist exists for interim periods within a reporting year.

Accounting Estimates - The preparation of the Company's unaudited condensed consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Estimates have been prepared on the basis of the most current and best available information, and actual results could differ materially from those estimates.

Fair Value of Financial Instruments - Except for the Company's long-term debt, the carrying amounts of the Company's financial instruments that are recorded at historical cost approximate fair value due to the short-term nature of the instruments and low credit risk associated with the respective counterparties.

The Company maintains multiple grantor trusts to fund certain non-qualified pension plans. These trusts were valued at $211 million $226 million and $209 million $220 million as of September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023, respectively, and are presented within miscellaneous other assets within the unaudited condensed consolidated statements of financial position. These trusts consist primarily of investments in marketable securities, which are held at fair value within Level 1 of the fair value hierarchy.

The estimated fair values of the Company's total long-term debt (including current portion), excluding finance lease liabilities, as of September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023, were $2,264 million $2,178 million and $2,703 million $2,309 million, respectively. The estimated fair values of the current portion of the Company's long-term debt, excluding finance lease liabilities, were $253 million $84 million and $390 million $229 million as of September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023, respectively. The fair values of the Company's long-term debt were calculated based on recent trades of the Company's debt instruments in inactive markets, which fall within Level 2 under of the fair value hierarchy.

Table of Contents

Debt - In April 2023, January 2024, the Company amended prepaid the remaining balance of $145 million on its existing $1.5 billion credit facility (the "Revolving Credit Facility") and term loan due August 19, 2024 (the "Term Loan") to change the benchmark interest rate from the London Interbank Offered Rate to the Secured Overnight Financing Rate ("SOFR"). The current interest rate is based on SOFR plus an interest spread based on the Company's credit rating, plus an additional 0.10%. The Company does not expect the transition to the SOFR benchmark to materially impact its financial results. For further information on the Company's debt, see the Company's 2022 2023 Annual Report on Form 10-K.

Goodwill Impairment and Annual Assessment Date Change - During the second quarter of 2023, the Company elected to change the measurement date of its annual goodwill impairment test from November 30 to October 31. The change is not material to the consolidated financial statements as it does not result in the delay, acceleration or avoidance of an impairment charge and the test is still performed in the fourth quarter. The Company continues to perform a quarterly assessment for impairment between annual tests for impairment.

Sale of Equity Method Investment - In June 2023, the Company sold its investment in an unconsolidated ship repair and specialty fabrication joint venture, Titan Acquisition Holdings, L.P. ("Titan"). The Company received $61 million in proceeds and recognized an immaterial loss on sale.

3. ACCOUNTING STANDARDS UPDATES

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. The new guidance requires new tabular and narrative segment disclosures of significant expenses that are regularly reported to the chief operating decision maker and the nature of segment expense information used to manage operations. The new guidance is effective for annual reporting periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The Company is currently evaluating the impacts of the new guidance on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The new guidance requires disaggregated information about the effective tax rate reconciliation and additional information on taxes paid that meet a quantitative threshold. The new guidance is effective for annual reporting periods beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impacts of the new guidance on its consolidated financial statements and related disclosures.

Other accounting pronouncements issued but not effective until after December 31, 2023 December 31, 2024, are not expected to have a material impact on the Company's consolidated financial position, results of operations, and cash flows.

4. STOCKHOLDERS' EQUITY

Treasury Stock - In November January 20242019, , the Company's board of directors authorized an increase in the Company's stock repurchase program from $2.2 billion $3.2 billion to $3.2 billion $3.8 billion and an extension of the term of the program to October 31, 2024 December 31, 2028. Repurchases are made from time to time at management's discretion in accordance with applicable federal securities laws. For the nine three months ended September 30, 2023 March 31, 2024, the Company repurchased 175,555 223,329 shares at an aggregate cost of $37 million. $63 million, including $1 million of accrued excise tax. For the nine three months ended September 30, 2022 March 31, 2023, the Company repurchased 196,850 39,325 shares at an aggregate cost of $41 million $9 million. The cost of purchased shares is recorded as treasury stock in the unaudited condensed consolidated statements of financial position.

Dividends - The Company paid cash dividends totaling $149 million $51 million and $142 million $49 million for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

Accumulated Other Comprehensive Loss - Other comprehensive income (loss) refers to gains and losses recorded as an element of stockholders' equity but excluded from net earnings. The accumulated other comprehensive loss was comprised of unamortized benefit plan costs of $590 million $419 million and $599 million $422 million as of September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023, respectively.

Table of Contents

The changes in accumulated other comprehensive loss by component for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, were as follows:

($ in millions)	Benefit Plans	Other	Total
Balance as of June 30, 2022	$ (977)	$ (1)	$ (978)
Other comprehensive income (loss) before reclassifications	3	(1)	2
Amounts reclassified from accumulated other comprehensive loss			
Amortization of prior service cost[1]	5	—	5
Amortization of net actuarial loss[1]	8	—	8
Settlement gain[1]	(4)	—	(4)
Tax (expense) benefit for items of other comprehensive income	(4)	1	(3)
Net current period other comprehensive income	8	—	8
Balance as of September 30, 2022	$ (969)	$ (1)	$ (970)
Balance as of June 30, 2023	$ (592)	$ —	$ (592)
Amounts reclassified from accumulated other comprehensive loss			
Amortization of prior service cost[1]	**3**	**—**	**3**
Amortization of net actuarial loss[1]	**1**	**—**	**1**
Tax expense for items of other comprehensive income	**(2)**	**—**	**(2)**
Net current period other comprehensive income	**2**	**—**	**2**
Balance as of September 30, 2023	**$ (590)**	**$ —**	**$ (590)**

($ in millions)	($ in millions)	Benefit Plans	Other	Total	($ in millions)	Benefit Plans	Other	Total
Balance as of December 31, 2021		$ (923)	$ —	$ (923)				
Other comprehensive loss before reclassifications		(94)	(2)	(96)				
Amounts reclassified from accumulated other comprehensive loss								
Amortization of prior service credit[1]		13	—	13				
Amortization of net actuarial loss[1]		24	—	24				
Settlement gain[1]		(4)	—	(4)				
Tax benefit for items of other comprehensive loss		15	1	16				
Net current period other comprehensive loss		(46)	(1)	(47)				
Balance as of September 30, 2022		$ (969)	$ (1)	$ (970)				
Balance as of December 31, 2022	Balance as of December 31, 2022	$ (599)	$ —	(599)				

Amounts reclassified from accumulated other comprehensive loss	Amounts reclassified from accumulated other comprehensive loss			

Amounts reclassified from accumulated other comprehensive loss

Amounts reclassified from accumulated other comprehensive loss

Amortization of prior service cost1

Amortization of prior service cost1

Amortization of prior service cost1	Amortization of prior service cost1	**11**	**—**	**11**
Amortization of net actuarial loss1	Amortization of net actuarial loss1	**2**	**—**	**2**
Tax expense for items of other comprehensive income	Tax expense for items of other comprehensive income	**(4)**	**—**	**(4)**

Tax expense for items of other comprehensive income

Tax expense for items of other comprehensive income

Net current period other comprehensive income	Net current period other comprehensive income	**9**	**—**	**9**
Balance as of September 30, 2023		**$ (590)**	**$ —**	**$(590)**

Balance as of March 31, 2023

Balance as of December 31, 2023

Balance as of December 31, 2023

Balance as of December 31, 2023

Amounts reclassified from accumulated other comprehensive loss

Amounts reclassified from accumulated other comprehensive loss

Amounts reclassified from accumulated other comprehensive loss

Amortization of prior service cost1

Amortization of prior service cost1

Amortization of prior service cost1

Amortization of net actuarial loss1

Tax expense for items of other comprehensive income

Tax expense for items of other comprehensive income

Tax expense for items of other comprehensive income

Net current period other comprehensive income	
Balance as of March 31, 2024	

1 These accumulated comprehensive loss components are included in the computation of net periodic benefit cost. See Note 12: 11: Employee Pension and Other Postretirement Benefits. The tax expense recorded in stockholders' equity for the amounts reclassified from accumulated other comprehensive loss for each of the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, was $2 million. The tax expense recorded in stockholders' equity for the amounts reclassified from accumulated other comprehensive loss for the nine months ended September 30, 2023 and 2022, was $4 million and $8 million $1 million, respectively.

Table of Contents

5. EARNINGS PER SHARE

Basic and diluted earnings per common share were calculated as follows:

		Three Months Ended September 30		**Nine Months Ended September 30**	
(in millions, except per share amounts)	**(in millions, except per share amounts)**	**2023**	**2022**	**2023**	**2022**
(in millions, except per share amounts)					
(in millions, except per share amounts)					
Net earnings					
Net earnings					
Net earnings	Net earnings	**$ 148**	$ 138	**$ 407**	$ 456
Weighted-average common shares outstanding	Weighted-average common shares outstanding	**40.0**	40.1	**40.0**	40.1
Weighted-average common shares outstanding					
Weighted-average common shares outstanding					
Net dilutive effect of stock awards					
Net dilutive effect of stock awards					
Net dilutive effect of stock awards	Net dilutive effect of stock awards	**—**	—	**—**	—

Dilutive weighted-average common shares outstanding	Dilutive weighted-average common shares outstanding	**40.0**	40.1	**40.0**	40.1
Dilutive weighted-average common shares outstanding					
Dilutive weighted-average common shares outstanding					
Earnings per share - basic					
Earnings per share - basic					
Earnings per share - basic	Earnings per share - basic	**$3.70**	$3.44	**$10.18**	$11.37
Earnings per share - diluted	Earnings per share - diluted	**$3.70**	$3.44	**$10.18**	$11.37
Earnings per share - diluted					
Earnings per share - diluted					

Under the treasury stock method, the Company has excluded from the diluted share amounts presented above the effects of 0.4 million Restricted Performance Stock Rights ("RPSRs") and 0.1 million Restricted Stock Rights ("RSRs") for each of the three and nine months ended September 30, 2023 March 31, 2024, and 2022. 0.5 million RPSRs for the three months ended March 31, 2023.

6. REVENUE

Disaggregation of Revenue

The following tables present revenues on a disaggregated basis, in a manner that reconciles with the Company's reportable segment disclosures, for the following categories: product versus service type, customer type, contract type, and major program. The Company believes that this level of disaggregation provides investors with information to evaluate the Company's financial performance and provides the Company with information to make capital

allocation decisions in the most appropriate manner. For more information on the Company's contracts, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of the Company's 2022 2023 Annual Report on Form 10-K.

The following tables present revenues on a disaggregated basis:

	Three Months Ended September 30, 2023											
	Three Months Ended March 31, 2024											Three Months Ended March 31, 2024
($ in millions)	**($ in millions)**	**Ingalls**	**Newport News**	**Mission Technologies**	**Intersegment Eliminations**	**Total**	**($ in millions)**	**Ingalls**	**Newport News**	**Mission Technologies**	**Intersegment Eliminations**	**Total**
Revenue Type	**Revenue Type**											
Product sales												
Product sales												
Product sales	Product sales	$ 637	$ 1,170	$ 28	$ —	$1,835						

Service revenues	Service revenues	73	281	627	—	981
Intersegment	Intersegment	1	2	30	(33)	—
Sales and service revenues	Sales and service revenues	$ 711	$ 1,453	$ 685	$ (33)	$2,816
Customer Type	**Customer Type**					
Federal	Federal	$ 710	$ 1,451	$ 647	$ —	$2,808
Federal						
Federal						
Commercial	Commercial	—	—	7	—	7
State and local government agencies		—	—	1	—	1
Intersegment						
Intersegment						
Intersegment	Intersegment	1	2	30	(33)	—
Sales and service revenues	Sales and service revenues	$ 711	$ 1,453	$ 685	$ (33)	$2,816
Contract Type	**Contract Type**					
Firm fixed-price						
Firm fixed-price						
Firm fixed-price	Firm fixed-price	$ —	$ 1	$ 77	$ —	$ 78
Fixed-price incentive	Fixed-price incentive	637	779	3	—	1,419
Cost-type	Cost-type	73	671	521	—	1,265
Time and materials	Time and materials	—	—	54	—	54
Intersegment	Intersegment	1	2	30	(33)	—
Sales and service revenues	Sales and service revenues	$ 711	$ 1,453	$ 685	$ (33)	$2,816

	Three Months Ended March 31, 2023				
($ in millions)	**Ingalls**	**Newport News**	**Mission Technologies**	**Intersegment Eliminations**	**Total**
Revenue Type					
Product sales	$ 534	$ 1,271	$ 24	$ —	$ 1,829
Service revenues	41	234	570	—	845
Intersegment	2	1	30	(33)	—
Sales and service revenues	$ 577	$ 1,506	$ 624	$ (33)	$ 2,674
Customer Type					
Federal	$ 575	$ 1,505	$ 581	$ —	$ 2,661
Commercial	—	—	13	—	13
Intersegment	2	1	30	(33)	—
Sales and service revenues	$ 577	$ 1,506	$ 624	$ (33)	$ 2,674
Contract Type					
Firm fixed-price	$ 2	$ —	$ 75	$ —	$ 77
Fixed-price incentive	533	829	—	—	1,362
Cost-type	40	676	467	—	1,183

Time and materials	—	—	52	—	52
Intersegment	2	1	30	(33)	—
Sales and service revenues	$ 577	$ 1,506	$ 624	$ (33)	$ 2,674

Table of Contents

($ in millions)	Three Months Ended September 30, 2022 Ingalls	Newport News	Mission Technologies	Intersegment Eliminations	Total
Revenue Type					
Product sales	$ 577	$ 1,185	$ 12	$ —	$ 1,774
Service revenues	41	259	552	—	852
Intersegment	5	1	31	(37)	—
Sales and service revenues	$ 623	$ 1,445	$ 595	$ (37)	$ 2,626
Customer Type					
Federal	$ 618	$ 1,444	$ 554	$ —	$ 2,616
Commercial	—	—	9	—	9
State and local government agencies	—	—	1	—	1
Intersegment	5	1	31	(37)	—
Sales and service revenues	$ 623	$ 1,445	$ 595	$ (37)	$ 2,626
Contract Type					
Firm fixed-price	$ 1	$ 1	$ 59	$ —	$ 61
Fixed-price incentive	577	723	—	—	1,300
Cost-type	40	720	437	—	1,197
Time and materials	—	—	68	—	68
Intersegment	5	1	31	(37)	—
Sales and service revenues	$ 623	$ 1,445	$ 595	$ (37)	$ 2,626

($ in millions)	Nine Months Ended September 30, 2023 Ingalls	Newport News	Mission Technologies	Intersegment Eliminations	Total
Revenue Type					
Product sales	$ 1,775	$ 3,688	$ 80	$ —	$ 5,543
Service revenues	171	777	1,786	—	2,734
Intersegment	6	3	88	(97)	—
Sales and service revenues	$ 1,952	$ 4,468	$ 1,954	$ (97)	$ 8,277
Customer Type					
Federal	$ 1,946	$ 4,465	$ 1,836	$ —	$ 8,247
Commercial	—	—	29	—	29
State and local government agencies	—	—	1	—	1
Intersegment	6	3	88	(97)	—
Sales and service revenues	$ 1,952	$ 4,468	$ 1,954	$ (97)	$ 8,277
Contract Type					
Firm fixed-price	$ 2	$ 3	$ 236	$ —	$ 241
Fixed-price incentive	1,776	2,432	4	—	4,212
Cost-type	168	2,030	1,464	—	3,662
Time and materials	—	—	162	—	162

Intersegment	6	3	88	(97)	—
Sales and service revenues	$ 1,952	$ 4,468	$ 1,954	$ (97)	$ 8,277

Table of Contents

	Nine Months Ended September 30, 2022				
($ in millions)	Ingalls	Newport News	Mission Technologies	Intersegment Eliminations	Total
Revenue Type					
Product sales	$ 1,766	$ 3,496	$ 65	$ —	$ 5,327
Service revenues	136	768	1,633	—	2,537
Intersegment	10	4	87	(101)	—
Sales and service revenues	$ 1,912	$ 4,268	$ 1,785	$ (101)	$ 7,864
Customer Type					
Federal	$ 1,902	$ 4,264	$ 1,665	$ —	$ 7,831
Commercial	—	—	32	—	32
State and local government agencies	—	—	1	—	1
Intersegment	10	4	87	(101)	—
Sales and service revenues	$ 1,912	$ 4,268	$ 1,785	$ (101)	$ 7,864
Contract Type					
Firm fixed-price	$ 7	$ 12	$ 192	$ —	$ 211
Fixed-price incentive	1,762	2,180	—	—	3,942
Cost-type	133	2,072	1,299	—	3,504
Time and materials	—	—	207	—	207
Intersegment	10	4	87	(101)	—
Sales and service revenues	$ 1,912	$ 4,268	$ 1,785	$ (101)	$ 7,864

Three Months Ended March 31

Three Months Ended March 31

Three Months Ended March 31

($ in millions)

($ in millions)

		Three Months Ended September 30		Nine Months Ended September 30	
($ in millions)	**($ in millions)**	2023	2022	2023	2022
Major Programs	**Major Programs**				
Amphibious assault ships	Amphibious assault ships	$ 396	$ 325	$ 1,093	$ 1,060
Surface combatants and coast guard cutters	Surface combatants and coast guard cutters	313	291	853	840

Major Programs

Major Programs

Amphibious assault ships

Amphibious assault ships

Surface combatants and coast guard cutters

Surface combatants and coast guard cutters

Other					
Other					
Other	Other	2	7	6	12
Total Ingalls	Total Ingalls	711	623	1,952	1,912
Total Ingalls					
Total Ingalls					
Aircraft carriers					
Aircraft carriers					
Aircraft carriers	Aircraft carriers	782	762	2,447	2,318
Submarines	Submarines	515	519	1,592	1,459
Submarines					
Submarines					
Other					
Other					
Other	Other	156	164	429	491
Total Newport News	Total Newport News	1,453	1,445	4,468	4,268
Mission based solutions		567	493	1,609	1,472
Total Newport News					
Total Newport News					
C5ISR, CEW&S, LVC					
C5ISR, CEW&S, LVC					
C5ISR, CEW&S, LVC					
Other					
Other					
Other	Other	118	102	345	313
Total Mission Technologies	Total Mission Technologies	685	595	1,954	1,785
Total Mission Technologies					
Total Mission Technologies					
Intersegment eliminations					
Intersegment eliminations					
Intersegment eliminations	Intersegment eliminations	(33)	(37)	(97)	(101)
Sales and service revenues	Sales and service revenues	$ 2,816	$ 2,626	$ 8,277	$ 7,864
Sales and service revenues					
Sales and service revenues					

As of September 30, 2023 March 31, 2024, the Company had $49.4 billion $48.4 billion of remaining performance obligations. The Company expects to recognize approximately 30% 40% of its remaining performance obligations as revenue through 2024, 2025, an additional 30% through 2026, 2027, and the balance thereafter.

Cumulative Catch-up Revenue Adjustments

The following table presents the effect of net cumulative catch-up revenue adjustments on operating income and diluted earnings per share:

	Three Months Ended March 31	
($ in millions, except per share amounts)	**2024**	**2023**
Effect on operating income	$ 2	$ 9
Effect on diluted earnings per share	$ 0.03	$ 0.17

For the three months ended September 30, 2023, net cumulative catch-up revenue adjustments increased operating income and increased diluted earnings per share by $21 million and $0.41, respectively. For the three months ended September 30, 2022, net cumulative catch-up revenue adjustments increased operating income and increased diluted earnings per share by $27 million and $0.53, respectively. For the nine months ended September 30, 2023, net cumulative catch-up revenue adjustments increased operating income and increased diluted earnings per share by $50 million and $0.99, respectively. For the nine months ended September 30, 2022, net cumulative

catch-up revenue adjustments increased operating income and increased diluted earnings per share by $140 million and $2.75, respectively.

For the three and nine months ended September 30, 2023 March 31, 2024, no individual favorable cumulative catch-up revenue adjustment was material to the Company's unaudited condensed consolidated statements of operations and comprehensive income. For the three and nine months ended September 30, 2023 March 31, 2024, no individual unfavorable cumulative catch-up revenue adjustment was material to the Company's unaudited condensed consolidated statements of operations and comprehensive income.

Cumulative catch-up revenue adjustments for the three months ended September 30, 2022 March 31, 2023, included a favorable adjustment of $41 $15 million on a contract at the Company's Newport News segment, which increased diluted earnings per share by $0.80. For $0.30. Cumulative catch-up revenue adjustments for the nine three months ended September 30, 2022 March 31, 2023, no individual favorable cumulative catch-up revenue included an unfavorable adjustment was material to of $14 million on a contract at the Company's unaudited condensed consolidated statements of operations and comprehensive income. For the three and nine months ended September 30, 2022, no individual unfavorable cumulative catch-up revenue adjustment was material to the Company's unaudited condensed consolidated statements of operations and comprehensive income. Newport News segment, which decreased diluted earnings per share by $0.28.

Contract Balances

The Company reports contract balances in a net contract asset or contract liability position on a contract-by-contract basis at the end of each reporting period. Net contract assets were comprised as follows:

($ in millions)	March 31, 2024	December 31, 2023
Contract assets	**$ 1,661**	$ 1,537
Contract liabilities	**936**	1,063
Net contract assets	**$ 725**	$ 474

The Company's net contract assets decreased $52 million increased $251 million from December 31, 2022 December 31, 2023, to September 30, 2023 March 31, 2024, primarily resulting from billings an increase in contract assets related to revenue on certain U.S. Navy contracts. For the three and nine months ended September 30, 2023 March 31, 2024, the Company recognized revenue of $5 million and $678 million, respectively, $641 million related to its contract liabilities as of December 31, 2022 December 31, 2023. For the three and nine months ended September 30, 2022 March 31, 2023, the Company recognized revenue of $17 $551 million and $548 million, respectively, related to its contract liabilities as of December 31, 2021 December 31, 2022.

7. SEGMENT INFORMATION

The following table presents segment results for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

		Three Months Ended September 30		Nine Months Ended September 30	
($ in millions)	**($ in millions)**	**2023**	**2022**	**2023**	**2022**
($ in millions)					
($ in millions)					
Sales and Service Revenues					
Sales and Service Revenues					
Sales and Service Revenues	**Sales and Service Revenues**				
Ingalls	Ingalls	**$ 711**	$ 623	**$ 1,952**	$ 1,912
Ingalls					
Ingalls					
Newport News					
Newport News					
Newport News	Newport News	**1,453**	1,445	**4,468**	4,268
Mission Technologies	Mission Technologies	**685**	595	**1,954**	1,785
Mission Technologies					

Mission Technologies					
Intersegment eliminations					
Intersegment eliminations					
Intersegment eliminations	Intersegment eliminations	**(33)**	(37)	**(97)**	(101)
Sales and service revenues	Sales and service revenues	**$ 2,816**	$ 2,626	**$ 8,277**	$ 7,864
Sales and service revenues					
Sales and service revenues					
Operating Income					
Operating Income					
Operating Income	**Operating Income**				
Ingalls	Ingalls	**$ 73**	$ 50	**$ 193**	$ 242
Ingalls					
Ingalls					
Newport News					
Newport News					
Newport News	Newport News	**90**	102	**269**	277
Mission Technologies	Mission Technologies	**24**	14	**50**	48
Mission Technologies					
Mission Technologies					
Segment operating income					
Segment operating income					
Segment operating income	Segment operating income	**187**	166	**512**	567
Non-segment factors affecting operating income	Non-segment factors affecting operating income				
Non-segment factors affecting operating income					
Non-segment factors affecting operating income					
Operating FAS/CAS Adjustment					
Operating FAS/CAS Adjustment					
Operating FAS/CAS Adjustment	Operating FAS/CAS Adjustment	**(19)**	(36)	**(55)**	(108)
Non-current state income taxes	Non-current state income taxes	**4**	1	**12**	1
Non-current state income taxes					
Non-current state income taxes					
Operating income	Operating income	**$ 172**	$ 131	**$ 469**	$ 460
Operating income					
Operating income					

Operating FAS/CAS Adjustment - The Operating FAS/CAS Adjustment represents the difference between the service cost component of our pension and other postretirement benefit plan expense determined in accordance with U.S. GAAP Financial Accounting Standards ("FAS") and our pension and other postretirement expense under U.S. Government Cost Accounting Standards ("CAS").

Table of Contents

The following table presents the Company's assets by segment:

($ in millions)	($ in millions)	September 30, 2023	December 31, 2022	($ in millions)	March 31, 2024	December 31, 2023
Assets	**Assets**					
Ingalls						
Ingalls						
Ingalls	Ingalls	**$ 1,637**	$ 1,633			
Newport News	Newport News	**4,515**	4,344			
Mission Technologies	Mission Technologies	**3,195**	3,347			
Corporate	Corporate	**1,274**	1,533			
Total assets	Total assets	**$ 10,621**	$ 10,857			

8. INCOME TAXES

The Company's earnings are primarily domestic, and its effective income tax rates on earnings from operations for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, were 21.7% 16.8% and 14.8%, respectively. For the nine months ended September 30, 2023 and 2022, the Company's effective income tax rates on earnings from operations were 21.9% and 18.6% 20.9%, respectively. The higher lower effective tax rate for the three months ended September 30, 2023, was primarily attributable to prior period research and development tax credits recorded in 2022. The higher effective tax rate for the nine months ended September 30, 2023, was primarily attributable to prior period research and development tax credits recorded in 2022 and to a tax gain associated with the sale of the Company's interest in Titan.

For the three months ended September 30, 2023, the Company's effective income tax rate differed from the federal statutory corporate income tax rate primarily as a result of expenses that are not deductible 21% for income tax purposes. For the nine three months ended September 30, 2023 March 31, 2024, the Company's effective income tax rate differed from the federal statutory corporate income tax rate primarily as a result of tax gain associated with the sale of the Company's interest in Titan. For the three and nine months ended September 30, 2022, the Company's effective income tax rates differed from the federal statutory corporate income tax rate primarily as a result of due to research and development tax credits for prior periods. and income tax benefits associated with stock award settlement activity.

The Company's unrecognized tax benefits increased by $2 million and $6 million during the three and nine months ended September 30, 2023, respectively. March 31, 2024. As of September 30, 2023 March 31, 2024, the estimated amounts of the Company's unrecognized tax benefits, excluding interest and

Table of Contents

penalties, were liabilities of $96 million $100 million. Assuming a sustainment of these tax positions, a reversal of $72 million $78 million of the accrued amounts would favorably affect the Company's effective federal income tax rate in future periods.

The Company recognizes interest and penalties related to unrecognized tax benefits as income tax expense. For the three and nine months ended September 30, 2023 March 31, 2024, interest resulting from the unrecognized tax benefits noted above increased income tax expense by $1 million and $3 million, respectively. million.
Non-current state income taxes include 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 unrecognized state tax benefits 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.

9. INVESTIGATIONS, CLAIMS, AND LITIGATION

The Company is involved in legal proceedings before various courts and administrative agencies, and is periodically subject to government examinations, inquiries and investigations. Pursuant to Financial Accounting Standards Board Accounting Standards Codification 450 *Contingencies,* - "Contingencies," the Company has accrued for losses associated with investigations, claims, and litigation when, and to the extent that, loss amounts related to the investigations, claims, and litigation are probable and can be reasonably estimated. The actual losses that might be incurred to resolve such investigations, claims, and litigation may be higher or lower than the amounts accrued. The Company has also provided footnote disclosure for matters for which a material loss is reasonably possible but a reserve has not been accrued because the likelihood of a material loss is not probable.

Antitrust Complaint - On October 6, 2023, a class action antitrust lawsuit was filed against the Company and other defendants in the U.S. District Court for the Eastern District of Virginia. The lawsuit names several HII companies,

Table of Contents

among other companies, as defendants. The named plaintiffs generally allege that the defendant companies have adhered to a “gentlemen’s agreement” that prohibits any defendant from actively recruiting naval engineers from other defendants. The complaint seeks class certification, treble damages, and any other relief to which the plaintiffs are entitled. Depending on the outcome of The District Court dismissed the lawsuit the Company could be subject to penalties and damages that could have a material adverse effect on its consolidated financial position, results of operations, or cash flows. The Company has not had an opportunity to respond to the complaint or engage against all defendants in any discovery related to the issues set forth in the complaint. As a result, the Company currently is unable to estimate an amount or range of reasonably possible loss or to express an opinion regarding the ultimate outcome of the matter.

False Claims Act Complaint - In 2016, the Company was made aware that it is a defendant in a *qui tam* False Claims Act lawsuit pending in the U.S. District Court for the Middle District of Florida related to the Company's purchases of allegedly non-conforming parts from a supplier for use in connection with U.S. Government contracts. In August 2019, the Department of Justice ("DoJ") declined to intervene in the lawsuit, and the lawsuit was unsealed. The court dismissed the complaint in September 2021, and the plaintiff appealed the dismissal to the United States Court of Appeals for the 11th Circuit. In August 2023, the 11th Circuit confirmed the district court's dismissal of the complaint. April 2024.

COVID Insurance Claims Claim - In September 2020, the Company filed a complaint against 32 reinsurers in the Superior Court, State of Vermont, Franklin Unit, seeking a judgment declaring that the Company's business interruption and other losses associated with COVID-19 are covered by the Company's property insurance program. The Company also has initiated arbitration proceedings against six other reinsurers seeking similar relief. In July 2021, the Vermont court granted the reinsurers' motion for judgment on the pleadings, which would have ended the Company's claim. The Company appealed the decision to the Vermont Supreme Court, which reversed and remanded the lower court's decision in September 2022, allowing the Company's claim to proceed. No assurances can be provided regarding the ultimate resolution of this matter.
In September 2021, the Company filed a complaint in the Superior Court of Delaware, seeking a judgment against certain insurers for breach of contract and breach of the implied covenant of good faith and fair dealing under three representations and warranties insurance policies purchased in connection with the Company's acquisition of Hydroid. The policies insure the Company against losses relating to the seller's breach of certain representations and warranties in the Hydroid acquisition agreement. The coverage limit under the insurance policies is $70 million, and the Company believes it has incurred losses equal to at least that amount as a result of breaches of the acquisition agreement. No assurances can be provided regarding the ultimate resolution of this matter.

U.S. Government Investigations and Claims - Departments and agencies of the U.S. Government have the authority to investigate various transactions and operations of the Company, and the results of such investigations may lead to administrative, civil, or criminal proceedings, the ultimate outcome of which could be fines, penalties, repayments or compensatory, treble, or other damages. U.S. Government regulations provide that certain findings against a contractor may also lead to suspension or debarment from future U.S. Government contracts or the loss of export privileges. Any suspension or debarment would have a material effect on the Company because of its reliance on government contracts.

Asbestos Related Claims - HII and its predecessors-in-interest are defendants in a longstanding series of cases that have been and continue to be filed in various jurisdictions around the country, wherein former and current employees and various third parties allege exposure to asbestos containing materials while on or associated with HII premises or while working on vessels constructed or repaired by HII. In some instances, partial or full insurance coverage is available for the Company's liabilities. The costs to resolve these cases during the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, were not material individually or in the aggregate. The Company's estimate of asbestos-related liabilities is subject to uncertainty because such liabilities are influenced by many variables that are inherently difficult to predict. Although the Company believes the ultimate resolution of current cases will not have a material effect on its condensed consolidated financial position, results of operations, or cash flows, it cannot predict what new or revised claims or litigation might be asserted or what information might come to light and can, therefore, give no assurances regarding the ultimate outcome of asbestos related litigation.

Other Litigation - The Company and its predecessor-in-interest have been in litigation with the Bolivarian Republic of Venezuela (the "Republic") since 2002 over a contract for the repair, refurbishment, and modernization at Ingalls of two foreign-built frigates. Following an arbitration proceeding between the parties, in February 2018, the arbitral tribunal awarded the Company approximately $151 million on its claims and awarded the Republic approximately

$22 million on its counterclaims. The Company is seeking to enforce and execute upon the award in multiple jurisdictions. No assurances can be provided regarding the ultimate resolution of this matter.
The Company is party to various other claims, legal proceedings, and investigations that arise in the ordinary course of business, including U.S. Government investigations that could result in administrative, civil, or criminal proceedings involving the Company. The Company is a contractor with the U.S. Government, and such proceedings can therefore include False Claims Act allegations against the Company. Although the Company believes that the resolution of these other claims, legal proceedings, and investigations will not have a material effect on its condensed consolidated financial position, results of operations, or cash flows, the Company cannot predict what new or revised claims or litigation might be asserted or what information might come to light and can, therefore, give no assurances regarding the ultimate outcome of these matters.

10. COMMITMENTS AND CONTINGENCIES

Contract Performance Contingencies - Contract profit margins may include estimates of revenues for matters on which the customer and the Company have not reached agreement, such as settlements in the process of negotiation, contract changes, claims, and requests for equitable adjustment for unanticipated contract costs. These estimates are based upon management's best assessment of the underlying causal events and circumstances and recognized to the extent of expected recovery based upon contractual entitlements and the probability of successful negotiation with the customer. The Company believes its outstanding customer settlements will be resolved without material impact to its financial position, results of operations, or cash flows.

Environmental Matters - The estimated cost to complete environmental remediation has been is accrued when it is probable that the Company will incur such costs in the future to address environmental conditions at currently or formerly owned or leased operating facilities, or at sites where it has been named a Potentially Responsible Party by the Environmental Protection Agency or similarly designated by another environmental agency, and the related costs can be estimated by management. These accruals do not include any litigation costs related to environmental matters, nor do they include amounts recorded as asset retirement obligations. Management estimates that as of September 30, 2023 March 31, 2024, the probable estimable future cost for environmental remediation was not material. Although management cannot predict whether new information gained as remediation progresses or the Company incurs additional remediation obligations will materially affect the estimated liability accrued, management does not believe that future remediation expenditures will have a material effect on the Company's consolidated financial position, results of operations, or cash flows.

Financial Arrangements - In the ordinary course of business, HII uses letters of credit issued by commercial banks to support certain leases, insurance policies, and contractual performance obligations, as well as surety bonds issued by insurance companies principally to support the Company's self-insured workers' compensation plans. As of September 30, 2023 March 31, 2024, the Company had $12 million in issued but undrawn letters of credit and $360 million of surety bonds outstanding.

U.S. Government Claims - From time to time, the U.S. Government communicates to the Company potential claims, disallowed costs, and penalties concerning prior costs incurred by the Company with which the U.S. Government disagrees. When such preliminary findings are presented, the Company and U.S. Government representatives engage in discussions, from which the Company evaluates the merits of the claims and assesses the amounts being questioned. Although the Company believes that the resolution of any of these matters will not have a material effect on its consolidated financial position, results of operations, or cash flows, it cannot predict the ultimate outcome of these matters.

Other Matters - In 1985, the Company and the U.S. Navy entered into a settlement agreement to resolve disputes associated with billing and allocating to contracts the cost of workers' compensation self-insurance, among other matters. In December 2020, a U.S. Navy Contracting Officer issued a determination that the 1985 settlement agreement did not comply with CAS and directed the Company to develop and implement a different process to bill and allocate the cost of workers' compensation self-insurance. The Company and the Navy agreed upon a CAS compliant resolution of the matter under which the Company will recover the cumulative billable costs not yet recovered under the 1985 settlement agreement. The resolution did not have a material effect on the Company's consolidated financial position, results of operations, or cash flows.

The Company has been in negotiations with a Mission Technologies customer since January 2023 to address issues related to a manufacturing contract. contract, and the parties reached an agreement to settle the matter. The Company has recorded provisions for losses relating to the contract losses that were not

Table of Contents

material to the Company's consolidated financial position, results of operations, or cash flows. The parties have not agreed upon a resolution of the matter, and the Company could incur additional future losses on the contract. The Company therefore cannot predict or give assurances regarding the ultimate outcome of this matter.

The Company previously disclosed an issue regarding the degree of corrosion of certain steel plates used to fabricate *Friedman* (NSC 11). The Company's expectation regarding the resolution of the matter with the customer is included in contract cost and profit estimates. Those estimates include management's best assessment of the underlying causal events, contractual entitlements, and the probability of successful resolution with the customer. The Company does not expect the final resolution of the matter to have a material impact to the Company's consolidated financial position, results of operations, or cash flows.

Table of Contents

Collective Bargaining Agreements - Of the Company's approximately more than 44,000 employees, approximately 45% are covered by a total of nine collective bargaining agreements and one site stabilization agreement. The Company believes its relationship with its employees is satisfactory.

11. EMPLOYEE PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company sponsors provides eligible employees defined benefit pension plans, defined contribution benefit plans, and other postretirement benefit plans, and defined contribution pension plans for eligible employees. plans.

The costs of the Company's defined benefit pension plans and other postretirement benefit plans for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, were as follows:

		Three Months Ended September 30				**Nine Months Ended September 30**			
		Pension Benefits		**Other Benefits**		**Pension Benefits**		**Other Benefits**	
		Pension Benefits							
		Pension Benefits							
		Pension Benefits							
($ in millions)									
($ in millions)									
($ in millions)	**($ in millions)**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Components of net periodic benefit cost	Components of net periodic benefit cost								

Components of net periodic benefit cost									
Components of net periodic benefit cost									
Service cost									
Service cost									
Service cost	Service cost	**$ 28**	$ 45	**$ 1**	$ 2	**$ 84**	$ 135	**$ 4**	$ 7
Interest cost	Interest cost	**85**	65	**6**	3	**257**	194	**16**	10
Interest cost									
Interest cost									
Expected return on plan assets									
Expected return on plan assets									
Expected return on plan assets	Expected return on plan assets	**(132)**	(148)	**—**	—	**(397)**	(446)	**—**	—
Amortization of prior service cost (credit)	Amortization of prior service cost (credit)	**4**	6	**(1)**	(1)	**13**	16	**(2)**	(3)
Amortization of prior service cost (credit)									
Amortization of prior service cost (credit)									
Amortization of net actuarial loss (gain)	Amortization of net actuarial loss (gain)	**5**	8	**(4)**	—	**13**	26	**(11)**	(2)
Settlement gain		**—**	(4)	**—**	—	**—**	(4)	**—**	—
Amortization of net actuarial loss (gain)									
Amortization of net actuarial loss (gain)									
Net periodic benefit (income) cost	Net periodic benefit (income) cost	**$ (10)**	$ (28)	**$ 2**	$ 4	**$ (30)**	$ (79)	**$ 7**	$ 12
Net periodic benefit (income) cost									
Net periodic benefit (income) cost									

The Company made the following contributions to its defined benefit pension plans and other postretirement benefit plans for the nine three months ended September 30, 2023 March 31, 2024 and 2022: 2023:

		Nine Months Ended September 30			Three Months Ended March 31		
($ in millions)	**($ in millions)**	**2023**	**2022**	**($ in millions)**	**2024**		**2023**
Pension plans	Pension plans						
Discretionary	Discretionary						
Discretionary							
Discretionary							
Qualified							
Qualified							
Qualified	Qualified	**$ —**	$ —				
Non-qualified	Non-qualified	**9**	7				

Other benefit plans	Other benefit plans	**23**	25
Total contributions	Total contributions	**$ 32**	$ 32

As of September 30, 2023 March 31, 2024, the Company anticipates no further significant cash contributions to its qualified defined benefit pension plans in 2023.

In 2022, the Company purchased annuity contracts to transfer $32 million of gross defined benefit pension obligations and related plan assets to an insurance company for approximately 500 retirees and beneficiaries. The

Table of Contents

annuity contracts were purchased using assets from the pension master trust, and no additional funding contribution was required. This transaction had no impact on the amount, timing, or form of the monthly retirement benefit payments to the affected retirees and beneficiaries. In connection with this transaction, the Company recognized a noncash, non-operating pension settlement gain of $4 million for the affected plan, which represents the accelerated recognition of actuarial losses that were included in accumulated other comprehensive loss within stockholders' equity. 2024.

12. STOCK COMPENSATION PLANS

During the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, the Company issued new stock awards as follows:

Restricted Performance Stock Rights - For the nine three months ended September 30, 2023 March 31, 2024, the Company granted approximately 0.2 million 0.1 million RPSRs at a weighted average share price of $215.13. $288.33. These rights are subject to cliff vesting on December 31, 2025 December 31, 2026. For the nine three months ended September 30, 2022 March 31, 2023, the Company granted approximately 0.2 million 0.1 million RPSRs at a weighted average share price of $201.48. $215.20. These rights are subject to cliff vesting on December 31, 2024 December 31, 2025. All of the RPSRs are subject to the achievement of performance-based targets at the end of the respective vesting periods and will ultimately vest between 0% and 200% of grant date value.

Restricted Stock Rights - For the nine three months ended September 30, 2023 and 2022, awards of March 31, 2024, the Company granted approximately 0.1 million compensation RSRs at a weighted average share price of $288.33. These rights vest 33 1/3% upon each of the first, second, and 0.2 million shares third anniversaries of the grant date. No compensation RSRs were granted for the three months ended March 31, 2023.

Table of Contents

Retention Restricted Stock Rights - Retention stock awards are granted to key employees primarily to ensure business continuity. For the three months ended March 31, 2024, the Company granted approximately 1,200 retention RSRs at a weighted average share price of $288.53, with cliff vesting one to two years from the grant date. For the three months ended March 31, 2023, the Company granted approximately 5,000 retention RSRs at a weighted average share price of $211.66, with cliff vesting two to three years from the grant date.

The Company also received transfers of stock vested, respectively, of which less than 0.1 million for each period were transferred to the Company awards from employees in satisfaction of minimum tax withholding obligations. obligations associated with the vesting of stock awards during the period. Because the stock awards are surrendered in lieu of payments of cash to settle tax obligations and the stock is not issued, the Company does not account for these transfers as treasury stock.

The following table summarizes the status of the Company's outstanding stock awards as of September 30, 2023 March 31, 2024:

	Stock Awards (in thousands)	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (in years)
Total stock awards	528	$ 189.85	1.1

	Stock Awards (in thousands)	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (in years)
Total stock awards	545	$ 221.58	1.4

Compensation Expense

The Company recorded stock-based compensation for the value of awards granted to Company employees and non-employee members of the board of directors of $9 million $14 million and $12 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively. The Company recorded stock-based compensation for the value of awards granted to the Company's employees and non-employee members of the board of directors of $27 million and $28 million for the nine months ended September 30, 2023 and 2022, 2023, respectively.

The Company recorded tax benefits related to stock awards of $1 million $3 million and $3 million $2 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively. The Company recorded tax benefits related to stock awards of $4 million and $5 million for the nine months ended September 30, 2023 and 2022, 2023, respectively. The Company recognized tax benefits associated with the issuance of stock in settlement of stock awards of $1 million $8 million and less than $1 million $3 million for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. The Company recognized tax benefits associated with the issuance of stock in settlement of stock awards of $4 million for each of the nine months ended September 30, 2023 and 2022.

Unrecognized Compensation Expense

As of September 30, 2023 March 31, 2024, the Company had $2 million $21 million of unrecognized compensation expense associated with Restricted Stock Rights RSRs granted in 2024, 2023, 2022, and 2021, 2022, which will be recognized over a weighted average period of approximately one year, 1.8 years, and $39 million $51 million of unrecognized compensation expense associated with RPSRs granted in 2024, 2023, 2022, and 2021, 2022, which will be recognized over a weighted average period of 1.3 1.6 years.

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

Our Business

Huntington Ingalls Industries, Inc. ("HII", "we", "us", or "our") is a global, all-domain defense partner, building and delivering the world's most powerful, survivable naval ships and technologies that safeguard America's seas, sky, land, space, and cyber. For more than a century, our Ingalls Shipbuilding segment ("Ingalls") in Mississippi and Newport News Shipbuilding segment ("Newport News") in Virginia have built more ships in more ship classes than any other U.S. naval shipbuilder, making us America's largest shipbuilder. Our Mission Technologies segment develops integrated technology solutions and products that enable today's connected, all-domain force. Headquartered in Newport News, Virginia, HII employs approximately we employ over 44,000 people domestically and internationally.
We conduct most of our business with the U.S. Government, primarily the Department of Defense ("DoD"). As prime contractor, principal subcontractor, team member, or partner, we participate in many high-priority U.S. defense programs. Ingalls includes our non-nuclear ship design, construction, repair, and maintenance businesses. Newport News includes all of our nuclear ship design, construction, overhaul, refueling, and repair and maintenance businesses. Our Mission Technologies segment provides a wide range of services and products, including command, control, computers, communications, cyber, intelligence, surveillance, and reconnaissance ("C5ISR") systems and operations; the application of Artificial Intelligence and machine learning to battlefield decisions; defense

Table of Contents

defensive and offensive cyberspace strategies and electronic warfare; unmanned autonomous systems; live, virtual, and constructive training solutions; platform modernization; solutions ("LVC"); fleet sustainment; and critical nuclear operations.

The following discussion should be read along with the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 (our "2022 "2023 Annual Report on Form 10-K").

Business Environment

We continue to see uncertainty in the economy, our industry, and our company, with challenges for customers and suppliers, labor shortages, supply chain challenges, and inflation, among other impacts.

U.S. Government Contracts *Defense Spending Environment* - Congressional consideration of The National Defense Authorization Act ("NDAA") for fiscal year 2024 was finalized in December 2023, and the fiscal year 2024 President's Budget Request began following its release in March 2023. All four budget cycle concluded with the enactment of the Further Consolidated Appropriations Act, 2024 (the "Act") on March 23, 2024. Final defense oversight committees have acted on their respective bills. The House and Senate have each passed their respective National Defense Authorization bills for fiscal year 2024, both of which support our appropriations broadly supported shipbuilding programs, including the authorization of the additional LPD 33 Flight II amphibious ship. Both bills also authorize funding for two *Virginia* class (SSN 774) submarines, one *Columbia* class (SSBN 826) ballistic missile submarine and two *Arleigh Burke* class (DDG 51) destroyers. Additionally, both bills authorize multiyear procurement authority for the Block VI *Virginia* class (SSN 774) submarine contract. The Armed Services Committees will now work to adjudicate differences between the House and Senate authorization bills.

Both House and Senate appropriations bills have been passed out of committee, and the House defense appropriations bill has been approved by the full House. The House voted out a defense appropriations measure that broadly supports the President's budget request, including funding for two *Virginia* class (SSN 774) submarines, one *Columbia* class (SSBN 826) ballistic missile submarine and two *Arleigh Burke* class (DDG 51) destroyers. The Senate Appropriations Committee included $500 million in advance procurement for LPD 33 (unnamed) and advance procurement for a third *Arleigh Burke* class (DDG 51) destroyer in fiscal year 2025, as well as full funding for two *Arleigh Burke* class (DDG 51) destroyers, two *Virginia*class (SSN 774) attack submarines, and one *Columbia*class (SSBN 826) submarine ballistic submarine. Additionally, the appropriations measure provided $500 million for advance procurement ("AP") funding for LPD-33, additional AP funding for a third DDG-51 in fiscal year 2024. 2025, and funding for *Ford* class (CVN 78) nuclear aircraft carrier programs. The Act also provides funding for the submarine industrial base and large surface combatant shipyard infrastructure and authorizes the Navy to enter into a multi-year procurement contract for *Virginia* class (SSN 774) submarines.

Appropriations to fund the federal government for fiscal year 2024 have not been enacted. To provide Congress additional time to reach agreements on funding levels for federal agencies, a Continuing Resolution extending funding through November 17, 2023, at fiscal year 2023 levels was enacted on September 30, 2023. We cannot predict the outcome ofThe President submitted the fiscal year 2024 2025 budget process or whether additional short-term request on March 11, 2024, which is now under consideration by Congress. The budget request reflects continued investment in shipbuilding, funding will two *Arleigh Burke* class (DDG 51) surface combatants, one *San Antonio* class (LPD 17) amphibious warship, and the lead Block VI *Virginia* class (SSN 774) submarine, which is proposed to be required executed as a multiyear procurement. Additionally, the budget request continues funding for *Ford* class (CVN 78) nuclear aircraft carriers and the first of three years of full funding for the refueling and complex overhaul of USS *Harry S. Truman* (CVN 75). The budget request continues investment in the event annual appropriations measures are not finalized by the November 17, 2023, the expiration date of the current Continuing Resolution. submarine industrial base and research and development on next generation large surface combatants (DDG(X)) and nuclear submarines (SSN(X)).

Table of Contents

Political Global Geopolitical and Economic Environment - The global geopolitical and economic environment continues to be impacted by uncertainty, heightened geopolitical tensions, and instability. Geopolitical relationships have changed, and are continuing continue to change, and the U.S. and its allies face a global security environment that includes threats from state and non-state actors, including major global powers, as well as terrorist organizations, emerging nuclear tensions, diverse regional security concerns, and political instability. These global threats persist across all domains, from undersea to space to cyber, and the global market for defense products, services, and solutions is driven by these complex and evolving security challenges. Our current operating environment exists in the broader context of political and socioeconomic priorities and reflects, among other things, the continued impact of and uncertainty surrounding geopolitical tensions, financial market volatility, inflation, and a challenging labor market.

For further information on our business environment, see the discussion under Business Environment under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of our 2022 2023 Annual Report on Form 10-K.

Critical Accounting Policies, Estimates, and Judgments

As discussed in our 2022 2023 Annual Report on Form 10-K, we consider our policies relating to the following matters to be critical accounting policies and estimates:

- Revenue recognition;
- Purchase accounting, goodwill, and intangible assets;
- Litigation, commitments, and contingencies;
- Retirement related benefit plans; and
- Workers' compensation.

As of September 30, 2023 March 31, 2024, there had been no material changes to the foregoing critical accounting policies, estimates, and judgments since December 31, 2022 December 31, 2023.

Table of Contents

Program Descriptions

For convenience, a brief description of certain programs discussed in this Quarterly Report on Form 10-Q is included in the "Glossary of Programs" in this section.

CONSOLIDATED OPERATING RESULTS

The following table presents selected financial highlights:

	Three Months Ended March 31		2024 vs. 2023	
($ in millions)	**2024**	**2023**	**Dollars**	**Percent**
Sales and service revenues	**$ 2,805**	$ 2,674	$ 131	5 %

Cost of product sales and service revenues	**2,430**	2,324	106	5 %
Income from operating investments, net	**12**	12	—	— %
Other income and gains (losses), net	**(1)**	(1)	—	— %
General and administrative expenses	**232**	220	12	5 %
Operating income	**154**	141	13	9 %
Other income (expense)				
Interest expense	**(21)**	(24)	3	13 %
Non-operating retirement benefit	**44**	37	7	19 %
Other, net	**7**	9	(2)	(22)%
Federal and foreign income taxes	**31**	34	(3)	(9)%
Net earnings	**$ 153**	$ 129	$ 24	19 %

Operating Performance Assessment and Reporting

We manage and assess the performance of our business based on our performance on individual contracts and programs using the financial measures referred to below, with consideration given to the Critical Accounting Policies, Estimates, and Judgments referred to in this section. Our portfolio of long-term contracts is largely flexibly-priced. Therefore, sales tend to fluctuate in concert with costs across our large portfolio of active contracts, with operating income being a critical measure of operating performance. Under FAR rules that govern our business with the U.S. Government, most types of costs are allowable, and we do not focus on individual cost groupings, such as cost of sales or general and administrative expenses, as much as we do on total contract costs, which are a key factor in determining contract operating income. As a result, in evaluating our operating performance, we look primarily at changes in sales and service revenues, as well as operating income, including the effects of significant changes in operating income resulting from as a result of changes in contract financial estimates and the use of the cumulative catch-up method of accounting in accordance with GAAP. This approach is consistent with the long-term life cycle of our contracts, as management assesses the bidding of each contract by focusing on net sales and operating profit and monitors performance in a similar manner through contract completion. Consequently, our discussion of business segment performance focuses on net sales and operating profit, consistent with our approach for managing our business.

Table of Contents

Key Financial Measures

The following table presents selected financial highlights:

	Three Months Ended September 30		2023 vs. 2022		Nine Months Ended September 30		2023 vs. 2022	
($ in millions)	**2023**	**2022**	**Dollars**	**Percent**	**2023**	**2022**	**Dollars**	**Percent**
Sales and service revenues	**$ 2,816**	$ 2,626	$ 190	7 %	**$ 8,277**	$ 7,864	$ 413	5 %
Cost of product sales and service revenues	**2,400**	2,264	136	6 %	**7,122**	6,763	359	5 %
Income from operating investments, net	**9**	13	(4)	(31)%	**25**	47	(22)	(47)%
General and administrative expenses	**253**	244	9	4 %	**711**	688	23	3 %
Operating income	**172**	131	41	31 %	**469**	460	9	2 %
Other income (expense)								
Interest expense	**(22)**	(27)	5	19 %	**(70)**	(79)	9	11 %
Non-operating retirement benefit	**37**	71	(34)	(48)%	**111**	209	(98)	(47)%
Other, net	**2**	(13)	15	115 %	**11**	(30)	41	137 %
Federal and foreign income taxes	**41**	24	17	71 %	**114**	104	10	10 %
Net earnings	**$ 148**	$ 138	$ 10	7 %	**$ 407**	$ 456	$ (49)	(11)%

Sales and Service Revenues

Period-to-period revenues reflect performance under new and ongoing contracts. Changes in sales and service revenues are typically expressed in terms of volume. Unless otherwise described, volume generally refers to increases (or decreases) in reported revenues due to varying production activity levels, delivery rates, or service levels on individual contracts. Volume changes will typically carry a corresponding income change based on the profit margin rate for a particular contract.

Sales and service revenues for the three months ended September 30, 2023 March 31, 2024, increased $190 million, or 7%, compared to the same period in 2022, primarily due to higher volumes at Mission Technologies and Ingalls. Sales and service revenues for the nine months ended September 30, 2023, increased $413 million $131 million, or 5%, compared to the same period in 2022, 2023, primarily due to higher volumes at Newport News and Mission Technologies.

Table of Contents

Cost of Sales and Service Revenues

Cost of sales for both product sales and service revenues consists of materials, labor, and subcontracting costs, as well as an allocation of indirect costs for overhead. We manage the type and amount of costs at the contract level, which is the basis for estimating our total costs at completion of each contract. our contracts. Unusual fluctuations in operating performance driven by changes in a specific cost element across multiple contracts are described in our analysis.

Refer to "Segment Operating Results" and "Product and Service Revenues and Cost Analysis" in this section for details related to cost of sales for both product sales and service revenues.

Income from Operating Investments, Net

The activities of our operating investments are closely aligned with the operations of the segments holding the investments. We therefore record income related to earnings from equity method investments in our operating income.

Refer to "Segment Operating Results" in this section for details related to income from operating investments.

General and Administrative Expenses

In accordance with industry practice and the regulations that govern the cost accounting requirements for government contracts, most general and administrative expenses are considered allowable and allocable costs on government contracts. These costs are allocated to contracts in progress on a systematic basis, and contract performance factors include this cost component as an element of cost.

Table of Contents

General and administrative expenses for the three and nine months ended September 30, 2023 March 31, 2024, increased $9 million and $23 million, respectively, $12 million from the same periods period in 2022, 2023, primarily due to higher overhead costs and state income taxes. costs.

Operating Income

We consider operating income an important measure for evaluating our operating performance, and, consistent with industry practice, we define operating income as revenues less the related costs of producing the revenues and general and administrative expenses.

We internally manage our operations by reference to "segment operating income," which is defined as operating income before the Operating FAS/CAS Adjustment and non-current state income taxes, neither of which affects contract performance. Segment operating income is not a recognized measure under GAAP. When analyzing our operating performance, investors should use segment operating income in addition to, and not as an alternative for, operating income or any other performance measure presented in accordance with GAAP. It is a measure we use to evaluate our core operating performance. We believe segment operating income reflects an additional way of viewing aspects of our operations that, when viewed with our GAAP results, provides a more complete understanding of factors and trends affecting our business. We believe the measure is used by investors and is 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. Refer to
"Segment Operating Results" in this section for details related to segment operating income, as well as activity within each segment.

The following table reconciles operating income to segment operating income:

		Three Months Ended March 31 Three Months Ended March 31		Three Months Ended March 31					
		Three Months Ended September 30		2023 vs. 2022		Nine Months Ended September 30		2023 vs. 2022	
($ in millions)	($ in millions)	2023	2022	Dollars	Percent	2023	2022	Dollars	Percent
($ in millions) ($ in millions)									
Operating income Operating income									
Operating income	Operating income	**$ 172**	$ 131	$ 41	31 %	**$ 469**	$ 460	$ 9	2 %
Operating FAS/CAS	Operating FAS/CAS	**19**	36	(17)	(47) %	**55**	108	(53)	(49) %

Adjustment Adjustment

Operating FAS/CAS Adjustment
Operating FAS/CAS Adjustment
Non-current state income taxes
Non-current state income taxes

Non-current state income taxes	**(4)**	(1)	(3)	(300) %	**(12)**	(1)	(11)	(1,100) %
Segment operating income	**$ 187**	$ 166	$ 21	13 %	**$ 512**	$ 567	$ (55)	(10) %

Segment operating income
Segment operating income

Operating income for the three months ended September 30, 2023, increased $41 million compared with the same period in 2022, primarily due to higher segment operating income, favorable changes in the Operating FAS/CAS Adjustment, and non-current state income taxes. Operating income for the nine months ended September 30, 2023, increased $9 million compared with the same period in 2022, primarily due to favorable changes in the Operating FAS/CAS Adjustment and non-current state income taxes, partially offset by lower segment operating income.

Table of Contents

FAS/CAS Adjustment and Operating FAS/CAS Adjustment

17

The FAS/CAS Adjustment reflects the difference between expenses for pension and other postretirement benefits determined in accordance with U.S. GAAP Financial Accounting Standards ("FAS") and the expenses for these items included in segment operating income in accordance with U.S. Government Cost Accounting Standards ("CAS"). The Operating FAS/CAS Adjustment excludes the following components of net periodic benefit costs: interest cost, expected return on plan assets, amortization of prior service cost (credit) and actuarial loss (gain), and settlement and curtailment effects.

Table of Contents

The components of the Operating FAS/CAS Adjustment were as follows:

Three Months Ended March 31
Three Months Ended March 31
Three Months Ended March 31

	Three Months Ended September 30		**2023 vs. 2022**		**Nine Months Ended September 30**		**2023 vs. 2022**	
($ in millions)	**2023**	**2022**	**Dollars**	**Percent**	**2023**	**2022**	**Dollars**	**Percent**
FAS benefit	**$ 8**	$ 24	$ (16)	(67) %	**$ 23**	$ 67	$ (44)	(66) %
CAS cost	**10**	11	(1)	(9) %	**33**	34	(1)	(3) %
FAS/CAS Adjustment	**18**	35	(17)	(49) %	**56**	101	(45)	(45) %

($ in millions)
($ in millions)
($ in millions)
FAS benefit
FAS benefit
FAS benefit
CAS cost
CAS cost
CAS cost
FAS/CAS Adjustment
FAS/CAS Adjustment
FAS/CAS Adjustment

Non-operating Non-operating

Non-operating retirement benefit	Non-operating retirement benefit		(37)		(71)		34	48	%		(111)		(209)		98	47	%
	Operating FAS/CAS Adjustment	$	(19)	$	(36)	$	17	47	%	$	(55)	$	(108)	$	53	49	%

Non-operating retirement benefit
Non-operating retirement benefit
Operating FAS/CAS Adjustment expense
Operating FAS/CAS Adjustment expense
Operating FAS/CAS Adjustment expense

The Operating FAS/CAS Adjustment was a net expense of $19 million $17 million and $36 million $19 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively. The Operating FAS/CAS Adjustment was a net expense of $55 million and $108 million for the nine months ended September 30, 2023 and 2022, 2023, respectively. The favorable changes in the Operating FAS/CAS Adjustment of $17 million and $53 million for the three and nine months ended September 30, 2023, respectively, were change was primarily driven by the more immediate recognition of higher demographic assumptions, offset by lower interest rates under FAS.

Non-current State Income Taxes

Non-current state income taxes include 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 unrecognized tax benefits 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.

Non-current state income tax benefit was $4 million $1 million and $1 million $4 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively. Non-current state income tax benefit was $12 million and $1 million for the nine months ended September 30, 2023 and 2022, 2023, respectively. The favorable unfavorable change in non-current state income taxes for each period was driven by a decrease an increase in deferred state income tax expense, primarily attributable to a change in net capitalized research and development expenditures and the timing of long-term contract income for tax purposes.

Table of Contents

SEGMENT OPERATING RESULTS

Our discussion of business segment performance focuses on sales and service revenues and operating income,
consistent with our approach for managing our business. We are aligned into three reportable segments: Ingalls, Newport News, and Mission Technologies.

Table of Contents

The following table presents segment sales and segment operating results:

		Three Months Ended March 31 / Three Months Ended March 31 / Three Months Ended September 30		Three Months Ended March 31 / 2023 vs. 2022		Nine Months Ended September 30		2023 vs. 2022	
($ in millions)	($ in millions)	2023	2022	Dollars	Percent	2023	2022	Dollars	Percent
($ in millions)									
($ in millions)									
Sales and Service Revenues									
Sales and Service Revenues									
Sales and Service Revenues	**Sales and Service Revenues**								

Ingalls	Ingalls	**$ 711**	$ 623	$ 88	14 %	**$ 1,952**	$ 1,912	$ 40	2 %
Ingalls									
Ingalls									
Newport News									
Newport News									
Newport News	Newport News	**1,453**	1,445	8	1 %	**4,468**	4,268	200	5 %
Mission Technologies	Mission Technologies	**685**	595	90	15 %	**1,954**	1,785	169	9 %
Mission Technologies									
Mission Technologies									
Intersegment eliminations									
Intersegment eliminations									
Intersegment eliminations	Intersegment eliminations	**(33)**	(37)	4	11 %	**(97)**	(101)	4	4 %
Sales and service revenues	Sales and service revenues	**$ 2,816**	$ 2,626	$ 190	7 %	**$ 8,277**	$ 7,864	$ 413	5 %
Sales and service revenues									
Sales and service revenues									
Operating Income									
Operating Income									
Operating Income	**Operating Income**								
Ingalls	Ingalls	**$ 73**	$ 50	$ 23	46 %	**$ 193**	$ 242	$ (49)	(20) %
Ingalls									
Ingalls									
Newport News									
Newport News									
Newport News	Newport News	**90**	102	(12)	(12) %	**269**	277	(8)	(3) %
Mission Technologies	Mission Technologies	**24**	14	10	71 %	**50**	48	2	4 %
Mission Technologies									
Mission Technologies									
Segment operating income									
Segment operating income									
Segment operating income	Segment operating income	**187**	166	21	13 %	**512**	567	(55)	(10) %
Non-segment factors affecting operating income	Non-segment factors affecting operating income								
Non-segment factors affecting operating income									
Non-segment factors affecting operating income									
Operating FAS/CAS Adjustment									
Operating FAS/CAS Adjustment									
Operating FAS/CAS Adjustment	Operating FAS/CAS Adjustment	**(19)**	(36)	17	47 %	**(55)**	(108)	53	49 %
Non-current state income taxes	Non-current state income taxes	**4**	1	3	300 %	**12**	1	11	1,100 %

Non-current state income taxes

Non-current state income taxes

Operating income	Operating income	$ 172	$ 131	$ 41	31 %	$ 469	$ 460	$ 9	2 %

Operating income

Operating income

Segment Operating Income

Segment operating income reflects the aggregate performance results of contracts within a segment. Excluded from this measure are certain costs not directly associated with contract performance, such as the Operating FAS/CAS Adjustment and non-current state income taxes. Changes in segment operating income are typically expressed in terms of volume, as discussed above, or performance. Performance refers to changes in contract profit margin rates. These changes typically relate to profit recognition associated with revisions to estimated costs at completion ("EAC") on a contract, which reflect improved or deteriorated operating performance on that contract. Operating income changes are accounted for on a cumulative to date basis at the time an EAC change is recorded. Segment operating income may also be affected by, among other things, contract performance, the effects of workforce stoppages, the effects of natural disasters such as hurricanes, resolution of disputed items with the customer, recovery of insurance proceeds, and other discrete events. At the completion of a long-term contract, any originally estimated costs not incurred or reserves not fully utilized, such as warranty reserves, could also impact contract earnings. Where such items have occurred and the effects are material, a separate description is provided.

Net Cumulative Catch-up Revenue Adjustments

For the three and nine months ended September 30, March 31, 2024 and 2023, and 2022, favorable and unfavorable cumulative catch-up revenue adjustments were as follows:

		Three Months Ended March 31 Three Months Ended March 31		Three Months Ended March 31	
		Three Months Ended September 30		Nine Months Ended September 30	
($ in millions)	($ in millions)	2023	2022	2023	2022
($ in millions)					
($ in millions)					
Gross favorable adjustments					
Gross favorable adjustments					
Gross favorable adjustments	Gross favorable adjustments	**$ 62**	$ 84	**$ 198**	$ 297
Gross unfavorable adjustments	Gross unfavorable adjustments	**(41)**	(57)	**(148)**	(157)
Gross unfavorable adjustments					
Gross unfavorable adjustments					
Net adjustments	Net adjustments	**$ 21**	$ 27	**$ 50**	$ 140
Net adjustments					
Net adjustments					

Table of Contents

For the three and nine months ended September 30, March 31, 2024 and 2023, and 2022, net cumulative catch-up revenue adjustments by segment were as follows:

		Three Months Ended March 31 Three Months Ended March 31		Three Months Ended March 31	
		Three Months Ended September 30		Nine Months Ended September 30	
($ in millions)	($ in millions)	2023	2022	2023	2022
($ in millions)					

($ in millions)									
Ingalls									
Ingalls									
Ingalls	Ingalls	**$**	**23**	$	7	**$**	**54**	$	104
Newport News	Newport News		**(6)**		13		**(15)**		22
Newport News									
Newport News									
Mission Technologies									
Mission Technologies									
Mission Technologies	Mission Technologies		**4**		7		**11**		14
Net adjustments	Net adjustments	**$**	**21**	$	27	**$**	**50**	$	140
Net adjustments									
Net adjustments									

Ingalls

		Three Months Ended March 31		**Three Months Ended March 31**					
		Three Months Ended March 31							
		Three Months Ended September 30		**2023 vs. 2022**		**Nine Months Ended September 30**		**2023 vs. 2022**	
($ in millions)	**($ in millions)**	**2023**	**2022**	**Dollars**	**Percent**	**2023**	**2022**	**Dollars**	**Percent**
($ in millions)									
($ in millions)									
Sales and service revenues									
Sales and service revenues									
Sales and service revenues	Sales and service revenues	**$ 711**	$ 623	$ 88	14 %	**$ 1,952**	$ 1,912	$ 40	2 %
Segment operating income	Segment operating income	**73**	50	23	46 %	**193**	242	(49)	(20) %
Segment operating income									
Segment operating income									
As a percentage of segment sales	*As a percentage of segment sales*	***10.3 %***	*8.0 %*			***9.9 %***	*12.7 %*		
As a percentage of segment sales									
As a percentage of segment sales									

Sales and Service Revenues

Ingalls revenues, including intersegment sales, for the three months ended September 30, 2023 March 31, 2024, increased $88 million $78 million, or 14%, from the same period in 2022, primarily driven by higher volumes in amphibious assault ships and surface combatants.

Ingalls revenues, including intersegment sales, for the nine months ended September 30, 2023, increased $40 million, or 2%, from the same period in 2022, 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 (“NSC” ("NSC") program.

Segment Operating Income

Ingalls segment operating income for the three months ended September 30, 2023 March 31, 2024, was $73 million $60 million, compared to segment operating income of $50 million $55 million for the same period in 2022. 2023. The increase was primarily driven by higher volumes described above and favorable the changes in contract estimates from facilities capital and economic price adjustment clauses.

Ingalls segment operating income for the nine months ended September 30, 2023, was $193 million, compared to segment operating income of $242 million for the same period in 2022. The decrease was primarily driven by lower risk retirement on USS *Fort Lauderdale* (LPD 28), delivered in 2022, and *Harrisburg* (LPD 30).volume described above.

Newport News

		Three Months Ended March 31 **Three Months Ended March 31**		**Three Months Ended March 31**					
		Three Months Ended September 30		**2023 vs. 2022**		**Nine Months Ended September 30**		**2023 vs. 2022**	
($ in millions)	**($ in millions)**	**2023**	**2022**	**Dollars**	**Percent**	**2023**	**2022**	**Dollars**	**Percent**
($ in millions) **($ in millions)**									
Sales and service revenues Sales and service revenues									
Sales and service revenues	Sales and service revenues	**$ 1,453**	$ 1,445	$ 8	1 %	**$ 4,468**	$ 4,268	$ 200	5 %
Segment operating income	Segment operating income	**90**	102	(12)	(12) %	**269**	277	(8)	(3) %
Segment operating income Segment operating income									
As a percentage of segment sales	*As a percentage of segment sales*	***6.2 %***	*7.1 %*			***6.0 %***	*6.5 %*		
As a percentage of segment sales *As a percentage of segment sales*									

Sales and Service Revenues

Newport News revenues, including intersegment sales, for the three months ended September 30, 2023 March 31, 2024, increased $8 million, or 1%, from the same period in 2022, primarily driven by higher volumes in aircraft carrier construction, partially offset by lower volumes in aircraft carrier refueling and complex overhaul ("RCOH").

Table of Contents

Newport News revenues, including intersegment sales, for the nine months ended September 30, 2023, increased $200 million decreased $72 million, or 5%, from the same period in 2022, 2023, primarily driven by higher volumes in aircraft carrier construction, the *Columbia* class (SSBN 826) submarine program, and the *Virginia* class (SSN 774) submarine program, partially offset by lower volumes in aircraft carrier RCOH carriers and naval nuclear support services.

Segment Operating Income

Newport News segment operating income for the three months ended September 30, 2023, was $90 million, compared to segment operating income of $102 million for the same period in 2022. The decrease was primarily due to contract incentives on the *Columbia* class (SSBN 826) submarine program in 2022, partially offset by improved performance on the *Virginia* class (SSN 774) submarine program.

Segment Operating Income

Newport News segment operating income for the nine three months ended September 30, 2023 March 31, 2024, was $269 million $82 million, compared to segment operating income of $277 million $84 million for the same period in 2022. 2023. The decrease was primarily due to contract incentives on driven by the *Columbia* class (SSBN 826) submarine program changes in 2022, partially offset by higher volumes volume described above.

Table of Contents

Mission Technologies

		Three Months Ended March 31 / Three Months Ended March 31 / Three Months Ended September 30		Three Months Ended March 31 / 2023 vs. 2022		Nine Months Ended September 30		2023 vs. 2022	
($ in millions)	**($ in millions)**	**2023**	**2022**	**Dollars**	**Percent**	**2023**	**2022**	**Dollars**	**Percent**
($ in millions)									
($ in millions)									
Sales and service revenues									
Sales and service revenues									
Sales and service revenues	Sales and service revenues	**$ 685**	$ 595	$ 90	15 %	**$ 1,954**	$ 1,785	$ 169	9 %
Segment operating income	Segment operating income	**24**	14	10	71 %	**50**	48	2	4 %
Segment operating income									
Segment operating income									
As a percentage of segment sales	*As a percentage of segment sales*	***3.5 %***	*2.4 %*			***2.6 %***	*2.7 %*		
As a percentage of segment sales									
As a percentage of segment sales									

Sales and Service Revenues

Mission Technologies revenues, including intersegment sales, for the three months ended September 30, 2023 March 31, 2024, increased $90 million $126 million, or 15% 20%, from the same period in 2022, 2023, primarily due to higher volumes in mission based solutions.

Mission Technologies revenues, including intersegment sales, for the nine months ended September 30, 2023, increased $169 million, or 9%, from the same period in 2022, primarily due to higher volumes in mission based solutions. C5ISR and cyber, electronic warfare & space ("CEW&S").

Segment Operating Income

Mission Technologies segment operating income for the three months ended September 30, 2023 March 31, 2024, was $24 million $28 million, compared to segment operating income of $14 million $17 million for the same period in 2022. 2023. The increase was primarily driven by the higher volumes in mission based solutions and improved performance in unmanned systems. described above.

Mission Technologies segment operating income for the nine months ended September 30, 2023, was $50 million, compared to segment operating income of $48 million for the same period in 2022. The increase was primarily driven by higher volumes in mission based solutions, improved performance in unmanned systems, and higher equity income from nuclear and environmental joint ventures, partially offset by lower equity income from our investment in an unconsolidated ship repair and specialty fabrication joint venture, which was sold in June 2023, and lower performance in fleet sustainment.

Table of Contents

PRODUCT AND SERVICE REVENUES AND COST ANALYSIS

The following tables present table presents segment sales and service revenues and segment cost of sales and service revenues by both product and service:

	Sales and Service Revenues				Segment Cost of Product Sales and Service Revenues			
($ in millions)	Three Months Ended September 30		2023 vs. 2022		Three Months Ended September 30		2023 vs. 2022	
Segment Information	**2023**	**2022**	**Dollars**	**Percent**	**2023**	**2022**	**Dollars**	**Percent**
Ingalls								
Product	**$ 637**	$ 577	$ 60	10 %	**$ 514**	$ 482	$ 32	7 %
Service	**73**	41	32	78 %	**62**	34	28	82 %
Intersegment	**1**	5	(4)	(80) %	**1**	5	(4)	(80) %
Total Ingalls	**711**	623	88	14 %	**577**	521	56	11 %
Newport News								
Product	**1,170**	1,185	(15)	(1) %	**987**	992	(5)	(1) %
Service	**281**	259	22	8 %	**231**	216	15	7 %
Intersegment	**2**	1	1	100 %	**2**	1	1	100 %
Total Newport News	**1,453**	1,445	8	1 %	**1,220**	1,209	11	1 %
Mission Technologies								
Product	**28**	12	16	133 %	**24**	12	12	100 %
Service	**627**	552	75	14 %	**563**	492	71	14 %
Intersegment	**30**	31	(1)	(3) %	**30**	31	(1)	(3) %
Total Mission Technologies	**685**	595	90	15 %	**617**	535	82	15 %
Segment Totals								
Product	**$1,835**	$1,774	$ 61	3 %	**$1,525**	$1,486	$ 39	3 %
Service	**981**	852	129	15 %	**856**	742	114	15 %
Total Segment (1)	**$2,816**	$2,626	$ 190	7 %	**$2,381**	$2,228	$ 153	7 %

		Sales and Service Revenues						
($ in millions)		Three Months Ended March 31					2024 vs. 2023	
Segment Information		**2024**		**2023**			**Dollars**	
Ingalls								
Product								
Product								
Product	**$586**	$	$534	$		$52	10	
Service		**67**	41	41	26		26	6
Intersegment		**2**	2	2	—		—	-
Total Ingalls		**655**	577	577	78		78	1
Newport News								
Product								
Product		**1,176**		1,271			(95)	
Service		**257**	234	234	23		23	1
Intersegment		**1**	1	1	—		—	-
Total Newport News		**1,434**	1,506	1,506	(72)		(72)	
Mission Technologies								
Product								
Product								
Product	**25**	24		24	1		1	4
Service		**694**	570	570	124		124	2
Intersegment		**31**	30	30	1		1	
Total Mission Technologies		**750**	624	624	126		126	2
Segment Totals								
Product								
Product		**$1,787**		$1,829			$ (42)	
Service		**1,018**	845	845	173		173	2
Total Segment [1]		**$2,805**		$2,674			$131	

(1) [1] Operating FAS/CAS Adjustment is excluded from segment cost of product sales and service revenues.

Table of Contents

($ in millions)	Sales and Service Revenues							Segment Cost of Product Sales and Service Revenues						
	Nine Months Ended September 30				2023 vs. 2022			Nine Months Ended September 30				2023 vs. 2022		
Segment Information		**2023**		**2022**		**Dollars**	**Percent**		**2023**		**2022**		**Dollars**	**Percent**
Ingalls														
Product	**$**	**1,775**	$	1,766	$	9	1 %	**$**	**1,450**	$	1,401	$	49	3 %
Service		**171**		136		35	26 %		**145**		118		27	23 %
Intersegment		**6**		10		(4)	(40)%		**6**		10		(4)	(40)%
Total Ingalls		**1,952**		1,912		40	2 %		**1,601**		1,529		72	5 %
Newport News														
Product		**3,688**		3,496		192	5 %		**3,135**		2,959		176	6 %
Service		**777**		768		9	1 %		**651**		643		8	1 %
Intersegment		**3**		4		(1)	(25)%		**3**		4		(1)	(25)%
Total Newport News		**4,468**		4,268		200	5 %		**3,789**		3,606		183	5 %
Mission Technologies														
Product		**80**		65		15	23 %		**79**		59		20	34 %
Service		**1,786**		1,633		153	9 %		**1,607**		1,475		132	9 %
Intersegment		**88**		87		1	1 %		**88**		87		1	1 %
Total Mission Technologies		**1,954**		1,785		169	9 %		**1,774**		1,621		153	9 %
Segment Totals														
Product	**$**	**5,543**	$	5,327	$	216	4 %	**$**	**4,664**	$	4,419	$	245	6 %
Service		**2,734**		2,537		197	8 %		**2,403**		2,236		167	7 %
Total Segment (1)	**$**	**8,277**	$	7,864	$	413	5 %	**$**	**7,067**	$	6,655	$	412	6 %

(1) Operating FAS/CAS Adjustment is excluded from segment cost of product sales and service revenues.

Product Sales and Segment Cost of Product Sales

Product sales for the three months ended September 30, 2023 March 31, 2024, increased $61 million decreased $42 million, or 3% 2%, from the same period in 2022, 2023, primarily as a result of lower volumes at Newport News in aircraft carriers and the *Virginia* class (SSN 774) submarine program, partially offset by higher volumes at Ingalls in amphibious assault ships and at Newport News in aircraft carrier construction, partially offset by lower volumes at Newport News in aircraft carrier RCOH. surface combatants.

Segment cost of product sales for the three months ended September 30, 2023 March 31, 2024, increased $39 million decreased $29 million, or 3% 2%, compared with the same period in 2022, 2023, consistent with higher product sales described above.

Product sales for the nine months ended September 30, 2023, increased $216 million, or 4%, from the same period in 2022, primarily as a result of higher volumes at Newport News in aircraft carrier construction, the *Columbia* class (SSBN 826) submarine program, and the *Virginia* class (SSN 774) submarine program, and at Ingalls in amphibious assault ships and surface combatants, partially offset by lower volumes at Newport News in aircraft carrier RCOH, and at Ingalls in the NSC program.

Segment cost of product sales for the nine months ended September 30, 2023, increased $245 million, or 6%, compared with the same period in 2022, consistent with higher product sales described above.

Service Revenues and Segment Cost of Service Revenues

Service revenues for the three months ended September 30, 2023 March 31, 2024, increased $129 million $173 million, or 15% 20%, from the same period in 2022, 2023, primarily as a result of higher volumes at Mission Technologies in mission based solutions services, at Ingalls in surface combatant services, C5ISR and at Newport News in aircraft carrier services. CEW&S.

Segment cost of service revenues for the three months ended September 30, 2023 March 31, 2024, increased $114 million $137 million, or 15% 18%, compared with the same period in 2022, 2023, consistent with higher service volumes described above.

Service revenues for the nine months ended September 30, 2023, increased $197 million, or 8%, from the same period in 2022, primarily as a result of higher volumes at Mission Technologies in mission based solutions services, at Newport News in aircraft carrier services, and at Ingalls in surface combatant services, partially offset by lower volumes at Newport News in naval nuclear support services.

Segment cost of service revenues for the nine months ended September 30, 2023, increased $167 million, or 7%, compared with the same period in 2022, consistent with higher service volumes described above.

OTHER FINANCIAL INFORMATION

Interest Expense

Interest expense for the three months ended September 30, 2023 March 31, 2024, was $22 million $21 million, compared with $27 million $24 million for the same period in 2022. Interest expense for the nine months ended September 30, 2023, 2023. The decrease was $70 million, compared with $79 million for the same period in 2022. The decreases in interest expense of $5 million and $9 million for the three and nine months ended September 30, 2023, respectively, were driven by a decrease in outstanding long-term debt from the prior year periods. period.

Non-Operating Retirement Benefit

The non-operating retirement benefit includes the following components of net periodic benefit costs: interest cost, expected return on plan assets, amortization of prior service cost (credit) and actuarial loss (gain), and settlement and curtailment effects.

For the three months ended September 30, 2023 March 31, 2024, the non-operating retirement benefit was $37 million $44 million, compared with $71 million $37 million for the same period in 2022. For the nine months ended September 30, 2023, the non-operating retirement benefit 2023. The favorable change was $111 million, compared with $209 million for the same period in 2022. The unfavorable changes in the non-operating retirement benefit of $34 million and $98 million for the three and nine months ended September 30, 2023, respectively, were primarily driven by lower 2022 higher 2023 returns on plan assets.

Other, Net

Other, net income for the three months ended September 30, 2023 March 31, 2024, was $2 million $7 million, compared with other, net expense income of $13 million $9 million for the same period in 2022. Other, net income for the nine months ended September 30, 2023, 2023. The decrease was $11 million, compared with other, net expense of $30 million for the same period in 2022. The increases in other, net of $15 million and $41 million for the three and nine months ended September 30, 2023, respectively, were primarily driven by lower unrealized net gains in investments.

Federal and Foreign Income Taxes

Our effective income tax rates on earnings from operations for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, were 21.7% 16.8% and 14.8%, respectively. For the nine months ended September 30, 2023 and 2022, our effective income tax rates on earnings from operations were 21.9% and 18.6% 20.9%, respectively. The higher lower effective tax rate for the three months ended September 30, 2023, was primarily attributable to prior period research and development tax credits recorded in 2022. The higher effective tax rate for the nine months ended September 30, 2023, was primarily attributable to prior period research and development tax credits recorded in 2022 and to a tax gain associated with the sale of our interest in an unconsolidated ship repair and specialty fabrication joint venture.

For the three months ended September 30, 2023, our effective income tax rate differed from the federal statutory corporate income tax rate primarily as a result of expenses that are not deductible 21% for income tax purposes. For the nine three months ended September 30, 2023 March 31, 2024, our effective income tax rate differed from the federal statutory corporate income tax rate primarily as a result of tax gain associated with the sale of our interest in an unconsolidated ship repair and specialty fabrication joint venture. For the three and nine months ended September 30, 2022, our effective income tax rate differed from the federal statutory rate primarily as a result of due to research and development tax credits for prior periods. and income tax benefits associated with stock award settlement activity.

BACKLOG

Total backlog as of September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023, was $49.4 billion $48.4 billion and $47.1 billion $48.1 billion, respectively. Total backlog includes both funded backlog (firm orders for which funding is contractually obligated by the customer) and unfunded backlog (firm orders for which funding is not currently contractually obligated by the customer).

Table of Contents

Backlog excludes unexercised contract options and unfunded Indefinite Delivery/Indefinite Quantity orders. For contracts having no stated contract values, backlog includes only the amounts committed by the customer.

The following table presents funded and unfunded backlog by segment as of September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023:

		September 30, 2023			December 31, 2022				March 31, 2024			December 31, 2023		
($ in millions)	**($ in millions)**	**Funded**	**Unfunded**	**Total Backlog**	**Funded**	**Unfunded**	**Total Backlog**	**($ in millions)**	**Funded**	**Unfunded**	**Total Backlog**	**Funded**	**Unfunded**	**Total Backlog**
Ingalls	Ingalls	**$13,100**	**$ 2,968**	**$16,068**	$ 9,231	$ 3,546	$12,777							
Newport News	Newport News	**11,931**	**16,012**	**27,943**	11,665	17,742	29,407							
Mission Technologies	Mission Technologies	**1,905**	**3,499**	**5,404**	1,317	3,622	4,939							
Total backlog	Total backlog	**$26,936**	**$ 22,479**	**$49,415**	$22,213	$ 24,910	$47,123							

We expect approximately 20% 22% of the $47.1 billion $48.1 billion total backlog as of December 31, 2022 December 31, 2023, to be converted into sales in 2023. 2024. U.S. Government orders comprised substantially all of the backlog as of September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023.

Contract Awards

The value of new contract awards during the nine three months ended September 30, 2023 March 31, 2024, was $10.6 billion $3.1 billion, including a funded award for the construction of two *Arleigh Burke* class (DDG 51) destroyers, an award for the Joint Network Engineering maintenance and Emerging Operations task order, overhaul of USS *Boise* (SSN 764) and an award modification advanced planning contract for the detail design refueling and construction complex overhaul ("RCOH") of USS *Philadelphia* (LPD 32), an award modification for long-lead-time material and advance construction activities on the *Columbia* class (SSBN 826) submarine program, an award modification to the construction contract for *John F. Kennedy* *Harry S. Truman* (CVN 79), and an award modification for long-lead-time material for additional Block V boats of the *Virginia* class (SSN 774) submarine program. 75).

LIQUIDITY AND CAPITAL RESOURCES

We seek to efficiently convert operating results into cash for deployment in operating our businesses, executing implementing our business strategy, and maximizing stockholder value. We use various financial measures to inform our capital deployment strategy, including net cash provided by operating activities and free cash flow. We believe these measures are useful to investors in assessing our financial performance.

The following table summarizes key components of cash flow provided by operating activities:

		Three Months Ended March 31		
		Three Months Ended March 31	**Three Months Ended March 31**	
($ in millions)			**Nine Months Ended September 30**	**2023 vs. 2022**
($ in millions)				
($ in millions)	**($ in millions)**	**Nine Months Ended September 30**		**2023 vs. 2022**
Net earnings	Net earnings	**$407**	$456	$ (49)
Net earnings				
Net earnings				
Depreciation and amortization	Depreciation and amortization	**265**	269	(4)

Provision for doubtful accounts		—	(7)	7
Depreciation and amortization				
Depreciation and amortization				
Provision for expected credit losses				
Provision for expected credit losses				
Provision for expected credit losses				
Stock-based compensation	Stock-based compensation	**27**	28	(1)
Stock-based compensation				
Stock-based compensation				
Deferred income taxes				
Deferred income taxes				
Deferred income taxes	Deferred income taxes	**(81)**	(14)	(67)
Loss (gain) on investments in marketable securities	Loss (gain) on investments in marketable securities	**(10)**	34	(44)
Loss (gain) on investments in marketable securities				
Loss (gain) on investments in marketable securities				
Retiree benefits				
Retiree benefits				
Retiree benefits	Retiree benefits	**(55)**	(99)	44
Trade working capital increase	Trade working capital increase	**(145)**	(502)	357
Net cash provided by operating activities		**$408**	$165	$ 243
Trade working capital increase				
Trade working capital increase				
Net cash used in operating activities				
Net cash used in operating activities				
Net cash used in operating activities				

We have historically maintained a capital structure comprised of a mix of equity and debt financing. We vary our leverage both to optimize our equity return and to pursue acquisitions. We expect to meet our current debt obligations as they come due through internally generated funds from current levels of operations and/or through refinancing in the debt markets prior to the maturity dates of our debt.

Table of Contents

Cash Flows

We discuss below our significant operating, investing, and financing activities affecting cash flows for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, as classified on in our unaudited condensed consolidated statements of cash flows.

Table of Contents

Operating Activities

Cash provided by used in operating activities for the nine three months ended September 30, 2023 March 31, 2024, was $408 million $202 million, compared with $165 million provided by $9 million used in operating activities for the same period in 2022. 2023. The favorable unfavorable change in operating cash flow was primarily due to a favorable an unfavorable change in trade working capital partially offset by higher payments for income taxes. The change in trade working capital was primarily driven by the timing of receipts of accounts receivable. receivable and payments of accounts payable.

We expect cash generated from operations in combination with our current cash and cash equivalents, as well as existing borrowing facilities, to be sufficient to service debt and retiree benefit plans, meet contractual obligations, and fund capital expenditures for at least the next 12 calendar months beginning October 1, 2023 April 1, 2024, and beyond such 12-month period based on our current business plans.

Investing Activities

Cash used in investing activities for the nine three months ended September 30, 2023 March 31, 2024, was $111 million $71 million, compared with $178 million $60 million used in investing activities for the same period in 2022. 2023. The change in investing cash was primarily driven by the sale of an unconsolidated ship repair and specialty fabrication joint venture, increase in capital expenditures, partially offset by increased additional investment in one of our unconsolidated nuclear and environmental joint ventures. ventures in 2023.

For 2023, 2024, we expect our capital expenditures for maintenance and sustainment to be approximately 1.0% 1.5% to 2.0% of annual revenues and our discretionary capital expenditures to be approximately 2.0% 2.5% to 3.5% of annual revenues. We expect our capital expenditures to increase from the past few years due to investments to expand our shipbuilding capacity.

Financing Activities

Cash used in financing activities for the nine three months ended September 30, 2023 March 31, 2024, was $655 million $147 million, compared with $497 million $80 million used in financing activities for the same period in 2022. 2023. The change in cash used in financing activities was primarily due to the repayment of $400 million of senior notes, a $135 million increase in repayments on a term loan, a $53 million increase in common stock repurchases, and a $13 million increase in employee taxes on certain share-based payment arrangements, partially offset by a $245 million decrease $117 million increase in prepayments of proceeds from our Term Loan. commercial paper program and a $22 million increase in net proceeds from revolving credit facility borrowings.

Free Cash Flow

Free cash flow represents cash provided by (used in) operating activities less capital expenditures net of related grant proceeds. 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 by operating activities as a measure of our liquidity. We believe free cash flow is an important liquidity 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.

The following table reconciles net cash provided by used in operating activities to free cash flow:

		Three Nine Months Ended March September 31 30	2023 vs. 2022		Three Months Ended March 31	2024 vs. 2023
($ in millions)	($ in millions)		Nine Months Ended September 30	2023 vs. 2022		
Net cash provided by operating activities		**$408**	$165	$ 243		
($ in millions)						

($ in millions)		2024	2023	Dollars
Net cash used in operating activities				
Less capital expenditures:	Less capital expenditures:			
Capital expenditure additions				
Capital expenditure additions				
Capital expenditure additions	Capital expenditure additions	**(164)**	(179)	15
Grant proceeds for capital expenditures	Grant proceeds for capital expenditures	**14**	—	14
Free cash flow	Free cash flow	**$258**	$ (14)	$ 272

Free cash flow for the three months ended March 31, 2024, decreased $225 million from the same period in 2023, primarily due to an unfavorable change in trade working capital and higher capital expenditures.

Table of Contents

Free cash flow for the nine months ended September 30, 2023, increased $272 million from the same period in 2022, primarily due to a favorable change in trade working capital and lower capital expenditures, partially offset by higher payments for income taxes.

Governmental Regulation and Supervision

The U.S. Government has the ability, pursuant to regulations relating to contractor business systems, to decrease or withhold contract payments if it determines significant deficiencies exist in one or more such systems. As of September 30, 2023 March 31, 2024 and 2022, 2023, the cumulative amounts of payments withheld by the U.S. Government under our contracts subject to these regulations were not material to our liquidity or cash flows.

Off-Balance Sheet Arrangements

In the ordinary course of business, we use letters of credit issued by commercial banks to support certain leases, insurance policies, and contractual performance obligations, as well as surety bonds issued by insurance companies principally to support our self-insured workers' compensation plans. As of September 30, 2023 March 31, 2024, $12 million in letters of credit were issued but undrawn and $360 million of surety bonds were outstanding. As of September 30, 2023 March 31, 2024, we had no other significant off-balance sheet arrangements.

ACCOUNTING STANDARDS UPDATES

See Note 3: Accounting Standards Updates in Part I, Item 1 for information related to accounting standards updates.

FORWARD-LOOKING STATEMENTS AND PROJECTIONS

Statements in this Quarterly Report on Form 10-Q 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. You In some cases, you can generally 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 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 our ability to estimate our future contract costs, including cost increases due to inflation, and perform our contracts effectively;
- Changes changes in procurement processes and government regulations and our ability to comply with such requirements;
- Our our ability to deliver our products and services at an affordable life cycle cost and compete within our markets;
- Natural natural and environmental disasters and political instability;
- Our our ability to execute our strategic plan, including with respect to share repurchases, dividends, capital expenditures, and strategic acquisitions;
- Adverse adverse economic conditions in the United States and globally;
- Health health epidemics, pandemics, and similar outbreaks;
- Our our ability to attract, train, retain, and retain train a qualified workforce;
- Disruptions disruptions impacting global supply, including those resulting from the ongoing conflict between Russia and Ukraine; Ukraine and in the Middle East;
- Changes changes in key estimates and assumptions regarding our pension and retiree health care costs;
- Security security threats, including cyber security threats, and related disruptions; and
- Other other risk factors discussed herein and in our other filings with the SEC.

Table of Contents

Additional factors include those described in our 2022 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

Table of Contents

“Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and in our subsequent filings with the Securities and Exchange Commission. 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 forward-looking statements that we may make.

Table of Contents

GLOSSARY OF PROGRAMS

Included below are brief descriptions of some of the programs discussed in this Quarterly Report on Form 10-Q.

Program Name	Program Description
Aircraft carrier RCOH	Perform refueling and complex overhaul ("RCOH") of nuclear-powered aircraft carriers, which is required at the mid-point of their 50-year life cycle. USS *John C. Stennis* (CVN 74) arrived at Newport News for the start of its RCOH in May 2021, and USS *George Washington* (CVN 73) was redelivered to the U.S. Navy in May 2023.
America class (LHA 6) amphibious assault ships	Design and build large deck amphibious assault ships that provide forward presence and power projection as an integral part of joint, interagency and multinational maritime expeditionary forces. The *America* class (LHA 6) ships, together with the *Wasp* class (LHD 1) ships, are the successors to the decommissioned *Tarawa* class (LHA 1) ships. The *America* class (LHA 6) ships optimize aviation operations and support capabilities. We are currently constructing *Bougainville* (LHA 8) and *Fallujah* (LHA 9). In 2023, we were awarded a long-lead-time material contract for LHA 10 (unnamed).
Arleigh Burke class (DDG 51) destroyers	Build guided missile destroyers designed for conducting anti-air, anti-submarine, anti-surface, and strike operations. The Aegis-equipped *Arleigh Burke* class (DDG 51) destroyers are the U.S. Navy's primary surface combatant, and have been constructed in variants, allowing technological advances during construction. We delivered USS *Frank E. Petersen Jr.* (DDG 121), USS *Lenah H. Sutcliffe Higbee* (DDG 123), and *Jack H. Lucas* (DDG 125) in 2021, 2022, and 2023, respectively. We have contracts to construct the following *Arleigh Burke* class (DDG 51) destroyers: *Ted Stevens* (DDG 128), *Jeremiah Denton* (DDG 129), *George M. Neal* (DDG 131), *Sam Nunn* (DDG 133), *Thad Cochran* (DDG 135), *John F. Lehman* (DDG 137), *Telesforo Trinidad* (DDG 139), DDG 141 (unnamed)*Ernest E. Evans* (DDG 141), and DDG 142 (unnamed)*Charles J. French* (DDG 142).
Columbia class (SSBN 826) submarines	Design and construct modules for *Columbia* class (SSBN 826) nuclear ballistic missile submarines ("SSBNs") as a subcontractor to Electric Boat. SSBNs are the most secure and survivable of our nation's nuclear deterrent triad. *Columbia* class SSBNs will carry approximately 70 percent of the nation's nuclear arsenal. The *Columbia* class (SSBN 826) program plan of record is to construct 12 new SSBNs to replace the current aging *Ohio* class. We have a teaming agreement with Electric Boat to build modules for the entire *Columbia* class (SSBN 826) submarine program that leverages our *Virginia* class (SSN 774) experience. We have been awarded contracts from Electric Boat for integrated product and process development, providing long–lead–time material and advance construction, and construction of the first two boats of the *Columbia* class (SSBN 826) submarine program. Construction of the first *Columbia* class (SSBN 826) submarine began in 2020. In 2023, we received an award modification for long-lead-time material and advance construction for the next five boats.
Fleet sustainment	Maintains and modernizes a significant majority of the U.S. Navy fleet, from small watercraft to submarines, combatants, and aircraft carriers, our systems and maintenance experts help the Navy maintain a high state of readiness. Ensures effective system operation and sustainment by actively supporting design and decision–making processes through studies, analyses, and reviews of program documents, and provides a wide range of logistics products.

USS *Gerald R. Ford* class (CVN 78) aircraft carriers	Design and construction for the *Ford* class program, which is the aircraft carrier replacement program for the decommissioned *Enterprise* (CVN 65) and *Nimitz* class (CVN 68) aircraft carriers. USS *Gerald R. Ford* (CVN 78), the first ship of the *Ford* class, was delivered to the U.S. Navy in the second quarter of 2017. In June 2015, we were awarded a contract for the detail design and construction of *John F. Kennedy* (CVN 79), following several years of engineering, advance construction, and purchase of long-lead-time components and material. In addition, we have received awards for detail design and construction of *Enterprise* (CVN 80) and *Doris Miller* (CVN 81). This category also includes the class' non-recurring engineering. The class is expected to bring improved warfighting capability, quality of life improvements for sailors, and reduced life cycle costs.

Legend class National Security Cutter	Design and build the U.S. Coast Guard's National Security Cutters ("NSCs"), the largest and most technically advanced class of cutter in the U.S. Coast Guard. The NSC is equipped to carry out maritime homeland security, maritime safety, protection of natural resources, maritime mobility, and national defense missions. The plan is There were 11 ships planned for a total of 11 ships, this program, of which the first ten ships have been delivered. delivered, and *Friedman* (NSC 11) is currently under construction.
Mission based solutions	Develops integrated solutions that enable today's connected, all–domain force. Capabilities include: command, control, computers, communications, cyber, intelligence, surveillance, and reconnaissance ("C5ISR") systems and operations; the application of artificial intelligence and machine learning to battlefield decisions; defensive and offensive cyberspace strategies and electronic warfare ("CEWS"); and live, virtual, and constructive ("LVC") solutions.
Naval nuclear support services	Provide services to and in support of the U.S. Navy, ranging from services supporting the Navy's carrier and submarine fleets to maintenance services at U.S. Navy training facilities. Naval nuclear support services include design, construction, maintenance, and disposal activities for in-service U.S. Navy nuclear ships worldwide through mobile and in-house capabilities. Services include maintenance services on nuclear reactor prototypes.
Nuclear and environmental services	Supports the national security mission of the Department of Energy ("DoE") through the management and operation of DOE DoE sites, as well as the safe cleanup of legacy waste across the country. We meet our clients' toughest nuclear and environmental challenges and are positioned to serve the growing commercial nuclear power plant decommissioning market. We participate in several joint ventures, including Newport News Nuclear BWXT Los Alamos, LLC (" N3B"), Mission Support and Test Services, LLC ("MSTS"), and Savannah River Nuclear Solutions, LLC ("SRNS"), and we are an integrated subcontractor to Triad National Security. N3B was awarded the Los Alamos Legacy Cleanup Contract at the DoE/National Nuclear Security Administration's Los Alamos National Laboratory. MSTS was awarded a contract for site management and operations at the Nevada National Security Site. SRNS provides site management and operations at the DoE's Savannah River Site near Aiken, South Carolina. Triad provides site management and operations at the DoE's Los Alamos National Laboratory.

Table of Contents

*San Antoni*o class (LPD 17) amphibious transport dock ships	Design and build amphibious transport dock ships, which are warships that embark, transport, and land elements of a landing force for a variety of expeditionary warfare missions, and also serve as the secondary aviation platform for Amphibious Readiness Groups. The *San Antonio* class (LPD 17) is the newest addition to the U.S. Navy's 21st century amphibious assault force, and these ships are a key element of the U.S. Navy's seabase transformation. In 2022, we delivered USS *Fort Lauderdale* (LPD 28), and we were awarded a long-lead-time material contract for *Philadelphia* (LPD 32). In 2023, we received an award modification for the detail design and construction of *Philadelphia* (LPD 32). We are currently constructing *Richard M. McCool Jr.* (LPD 29), *Harrisburg* (LPD 30), and *Pittsburgh* (LPD 31).
Unmanned systems	Creates advanced unmanned maritime solutions for defense, marine research, and commercial applications. Serving customers in more than 30 countries, unmanned systems provides design, autonomy, manufacturing, testing, operations, and sustainment of unmanned systems, including unmanned underwater vehicles and unmanned surface vessels.
Virginia class (SSN 774) fast attack submarines	Construct attack submarines as the principal subcontractor to Electric Boat. The *Virginia* class (SSN 774) is a post-Cold War design tailored to excel in a wide range of warfighting missions, including anti-submarine and surface ship warfare; special operation forces; strike; intelligence, surveillance, and reconnaissance; carrier and expeditionary strike group support; and mine warfare.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to certain market risks, including those relating to interest rates and inflation.

Interest Rates - Our floating rate financial instruments subject to interest rate risk include a Term Loan, a $1.5 billion Revolving Credit Facility, revolving credit facility and a $1 billion commercial paper program. As of September 30, 2023, we had $170 million outstanding on the Term Loan and no indebtedness outstanding under our Revolving Credit Facility or our commercial paper program. Based on the amounts outstanding under our Term Loan as of September 30, 2023, an An increase of 1% in interest rates on the $117 million outstanding under our commercial paper program and the $22 million outstanding under our revolving credit facility as of March 31, 2024, would increase the interest expense on our debt by approximately $2 million $1 million on an annual basis.

Inflation - Macroeconomic factors have contributed, and we expect will continue to contribute, to increasing cost inflation for raw materials, components, and supplies. We mitigate some cost inflation risk by negotiating long-term agreements with certain raw material suppliers and incorporating price escalation protection provisions in customer contracts to the extent possible. We include assumptions of anticipated cost growth in the development of our contract cost of completion estimates, but if inflationary conditions continue over the long-term, our cost assumptions may not be sufficient to cover all cost escalation or may impact the availability of resources to execute the respective contracts. Persistent cost inflation over the long-term may have an adverse impact on our financial position, results of operations, or cash flows.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of September 30, 2023 March 31, 2024. Based on that evaluation, the Company's Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer) concluded that, as of September 30, 2023 March 31, 2024, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in reports the Company files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) accumulated and communicated to management to allow their timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred in the quarterly period covered by this report that materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We have provided information about legal proceedings in which we are involved in the unaudited condensed consolidated financial statements in Part I, Item 1, which is incorporated herein by reference. In addition to the matters disclosed in Part I, Item 1, we are a party to various investigations, lawsuits, claims, and other legal proceedings that arise in the ordinary course of our business. Based on information available to us, we do not believe at this time that any of such other matters will individually, or in the aggregate, have a material adverse effect on our financial condition, results of operations, or cash flows. For further information on the risks we face from existing and future investigations, lawsuits, claims, and other legal proceedings, please see "Risk Factors" in Item 1A below.

Consistent with the requirements of SEC Regulation S-K, Item 103, our threshold for disclosing any environmental legal proceeding involving a governmental authority is potential monetary sanctions, exclusive of interest and costs, that our management believes will exceed $1 million.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10–Q, carefully consider the factors discussed in Part I, Item 1A Risk Factors in the 2022 2023 Annual Report on Form 10–K, which could materially affect our business, financial condition, or future results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds and Issuer Purchases of Securities

Repurchases under our stock repurchase program are made from time to time at management's discretion in accordance with applicable federal securities laws. All repurchases of HII common stock have been recorded as treasury stock. The following table summarizes information relating to purchases made by or on behalf of the Company of shares of the Company's common stock during the quarter ended September 30, 2023 March 31, 2024.

Period	Total Number of Shares Purchased[1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (in millions)[2,3]

July 1, 2023 to July 31, 2023	4,684	$ 228.75	4,684	$ 971.8
August 1, 2023 to August 31, 2023	36,620	222.22	31,554	964.7
September 1, 2023 to September 30, 2023	63,491	211.26	63,468	951.3
Total	104,795	$ 215.87	99,706	$ 951.3

Period	Total Number of Shares Purchased[1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (in millions)[2,3]
January 1, 2024 to January 31, 2024	45,159	$ 254.77	45,159	$ 1,503.1
February 1, 2024 to February 29, 2024	137,506	281.16	52,119	1,489.0
March 1, 2024 to March 31, 2024	126,378	290.96	126,051	1,452.4
Total	309,043	$ 281.31	223,329	$ 1,452.4

[1] We purchased an aggregate of 99,706 223,329 shares of our common stock in the open market pursuant to our repurchase program, and 5,089 85,714 shares were transferred to us from employees in satisfaction of minimum tax withholding obligations associated with the vesting of restricted stock rights during the period.

[2] From the stock repurchase program's inception through September 30, 2023 March 31, 2024, we have purchased 13,815,416 14,200,197 shares at an average price of $162.77 $165.32 per share for a total of $2.2 billion $2.3 billion.

[3] In October November 2012, we commenced announced the establishment of our stock repurchase program. In November 2019, we announced January 2024, our board of directors authorized an increase in the stock repurchase program to $3.2 3.8 billion and an extension of the term to October 31, 2024 December 31, 2028.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Table of Contents

Item 5. Other Information

(c) Adoption or Termination of Trading Arrangements

None of our directors or officers (as defined in Rule 16a-1(f)) adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K) during the quarterly period covered by this report.

Table of Contents

Item 6. Exhibits

3.1	Restated Certificate of Incorporation of Huntington Ingalls Industries, Inc., filed March 30, 2011 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 4, 2011).
3.2	Certificate of Amendment to the Restated Certificate of Incorporation of Huntington Ingalls Industries, Inc., dated May 28, 2014 (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q filed on August 7, 2014).
3.3	Certificate of Amendment to the Restated Certificate of Incorporation of Huntington Ingalls Industries, Inc., dated May 21, 2015 (incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q filed on August 6, 2015).
3.4	Certificate of Amendment to the Restated Certificate of Incorporation of Huntington Ingalls Industries, Inc., dated May 12, 2021 (incorporated by reference to Annex B to the Proxy Statement filed on March 19, 2021).
3.5	Restated Bylaws of Huntington Ingalls Industries, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on November 8, 2022).
10.1	Terms and Conditions Applicable to Non-Employee Director Stock Grants Under the 2022 Long-Term Incentive Stock Plan, as amended.
10.2	Terms and Conditions Applicable to Non-Employee Director Stock Units Granted Under the 2022 Long-Term Incentive Stock Plan.
31.1	Certification of the Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certificate of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certificate of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information for the Company, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations and Comprehensive Income, (ii) the Condensed Consolidated Statements of Financial Position, (iii) the Condensed Consolidated Statements of Cash Flows, (iv) the Condensed Consolidated Statements of Changes in Equity, and (v) the Notes to Condensed Consolidated Financial Statements.
104	The cover page from the Company's Quarterly Report on Form 10-Q, formatted in Inline XBRL and contained in Exhibit 101.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date:	November May 2, 2023 2024	Huntington Ingalls Industries, Inc.	
		(Registrant)	
		By:	/s/ Nicolas Schuck
			Nicolas Schuck
			Corporate Vice President, Controller and Chief Accounting Officer
			(Duly Authorized Officer and Principal Accounting Officer)

Exhibit 10.1

HUNTINGTON INGALLS INDUSTRIES, INC.

TERMS AND CONDITIONS APPLICABLE TO NON-EMPLOYEE DIRECTOR STOCK GRANT UNDER THE 2022 LONG-TERM INCENTIVE STOCK PLAN (“Plan”)

These Terms and Conditions (“Terms”) apply to Shares of the Company’s common stock granted by Huntington Ingalls Industries, Inc. (the “Company”) to its directors who are not employed by the Company or one of its subsidiaries. The grants are made pursuant to the terms of the Directors’ Compensation Policy. The date of grant of the Shares of common stock (the “Grant Date”) and the number of shares applicable to your award are set forth in the electronic stock plan award recordkeeping system (“Stock Plan System”) maintained by the Company or its designee. These Terms apply only with respect to the Shares of common stock referred to above that is granted pursuant to the Directors’ Compensation Policy. If you are entitled to grants of such Shares of common stock, you are referred to as the “Director” with respect to your award. Capitalized terms are generally defined in the Plan, unless defined in Section 7 below or otherwise defined herein.

The Share award is subject to all of the terms and conditions set forth in these Terms, and is further subject to all of the terms and conditions of the Plan, as it may be amended from time to time, and any rules adopted by the Board, as such rules are in effect from time to time.

1. Vested Status; Payment of Shares.

The Shares subject to your award shall be one hundred percent (100%) vested as of the Grant Date. The Shares shall be paid to the Director on or after each quarterly Grant Date under the Directors’ Compensation Policy.

2. Transferability.

The award is non-transferable and shall not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge. The foregoing transfer restrictions shall not apply to: (a) transfers to the Company; (b) transfers pursuant to a qualified domestic relations order (as defined in the Code); or (c) subject to the last sentence of this paragraph, transfers to members of the non-employee Director’s family, charitable institutions or trusts or other entities whose beneficiaries or beneficial owners are members of the non-employee Director’s family and/or charitable institutions, or to such other persons or entities as may be expressly approved by the Compensation Committee of the Board. Notwithstanding the foregoing, the Company may honor any transfer required pursuant to the terms of a court order in a divorce or similar domestic relations matter to the extent that such transfer does not adversely affect the Company’s ability to register the offer and sale of the underlying shares on a Form S-8 Registration Statement and such transfer is otherwise in compliance with all applicable legal, regulatory and listing requirements. The Company may honor any transfer in “(c)” above, provided the Compensation Committee receives evidence satisfactory to it that any such proposed transfer: (i) is being made for estate and/or tax planning purposes and on a basis consistent with the Company’s lawful issue of securities, and (ii) such transfer will not change the “time and form of payment” of the award and/or trigger excise taxes under Section 409A of the Internal Revenue Code and the rules thereunder

Upon issuance, the Shares shall not be subject to any restrictions on transferability, other than compliance with the ownership guidelines under the Directors’ Compensation Policy.

3. Compliance with Laws; No Stockholder Rights Prior to Issuance; Dividend Rights.

3.1 *Compliance with Laws*. The Company’s obligation to issue any shares with respect to the award is subject to full compliance with all then applicable requirements of law, the Securities and Exchange Commission or other regulatory agencies having jurisdiction over the Company and its shares, and of any exchange upon which stock of the Company may be listed.

3.2 *Rights Associated with Shares*. The Director shall have all the rights and privileges of a stockholder, including without limitation the right to vote or receive dividends, for any shares upon issuance.

4. Adjustments.

The Shares are subject to adjustment upon the occurrence of events such as stock splits, stock dividends and other changes in capitalization consistent with all other issued and outstanding shares of common stock, as specified in the Plan.

5. Tax Matters.

5.1 *Tax Withholding*. The Company shall be entitled to require, as a condition of making any payments or issuing any shares upon payment of the Stock Units, that the Director or other person entitled to such shares or other payment pay any sums required to be withheld by federal, state, local or other applicable tax law with respect to such payment. Alternatively, the Company, in its discretion, may make such provisions for the withholding of taxes (if any such withholding is required) as it deems appropriate (including, without limitation, withholding the taxes due from compensation otherwise payable to the Director or reducing the number of shares otherwise deliverable with respect to the award (valued at their then Fair Market Value) by the amount necessary to satisfy any such withholding obligations at the flat percentage rates applicable to supplemental wages).

5.2 ***Transfer Taxes***. The Company will pay all federal and state transfer taxes, if any, and other fees and expenses in connection with the issuance of shares in connection with the payment of the Stock Units.

5.3 ***Compliance with Code***. The Board shall administer and construe the award, and may amend the Terms of the award, in a manner designed to comply with the Code and to avoid adverse tax consequences under Code Section 409A or otherwise.

5.4 ***Unfunded Arrangement***. The right of the Director to receive payment under the award shall be an unsecured contractual claim against the Company. As such, neither the Director nor any Successor shall have any rights in or against any specific assets of the Company based on the award. Awards shall at all times be considered entirely unfunded for tax purposes.

6. Plan; Amendment.

This award is governed by, and the Director's rights are subject to, all of the terms and conditions of the Plan and any other rules adopted by the Board, as the foregoing may be amended from time to time. The Director shall have no rights with respect to any amendment of these Terms or the Plan unless such amendment is in writing and signed by a duly authorized officer of the Company. In the event of a conflict between the provisions of the Stock Plan System and the provisions of these Terms and/or the Plan, the provisions of these Terms and/or the Plan, as applicable, shall govern.

7. Definitions.

Whenever used in these Terms, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is

"Directors' Compensation Policy" means the Company's Amended and Restated Directors' Compensation Policy, as it may be amended from time to time.

"**Successor**" means the person acquiring a Director's rights to a grant under the Plan by will or by the laws of descent or distribution.

Exhibit 10.2

HUNTINGTON INGALLS INDUSTRIES, INC.

TERMS AND CONDITIONS APPLICABLE TO
NON-EMPLOYEE DIRECTOR STOCK UNITS
GRANTED UNDER THE 2022 LONG-TERM INCENTIVE STOCK PLAN ("Plan")

These Terms and Conditions ("Terms") apply to stock units ("Stock Units") granted by Huntington Ingalls Industries, Inc. (the "Company") to its directors who are not employed by the Company or one of its subsidiaries. The date of grant of the Stock Units (the "Grant Date") and the number of Stock Units applicable to your award are set forth in the electronic stock plan award recordkeeping system ("Stock Plan System") maintained by the Company or its designee. These Terms apply only with respect to the stock units referred to above that are granted pursuant to the Company's compensation program for its directors. If you were granted such stock units, you are referred to as the "Director" with respect to your award. Capitalized terms are generally defined in the Plan, unless defined in Section 7 below otherwise defined herein.

Each Stock Unit represents a right to receive one Share of the Company's common stock, or cash of equivalent value as provided herein. As used herein, the term "stock unit" means a non-voting unit of measurement which is deemed for bookkeeping purposes to be equivalent to one outstanding Share of the Company's common stock. The number of Stock Units subject to your award is subject to adjustment as provided herein. The Stock Unit award is subject to all of the terms and conditions set forth in these Terms, and is further subject to all of the terms and conditions of the Plan, as it may be amended from time to time, and any rules adopted by the Board, as such rules are in effect from time to time.

1. Vested Status; Payment of Stock Units.

The Stock Units subject to your award shall be one hundred percent (100%) vested as of the Grant Date (subject to adjustment as provided in Section 4).

Except as otherwise provided below, all Stock Units shall be paid by the Company on or within 30 days following the Director's Separation from Service. The Company shall pay such Stock Units in either an equivalent number of Shares of common stock, or, in the discretion of the Board, in cash or in a combination of Shares of common stock and cash. In the event of a cash payment, the amount of the payment for the Stock Units to be paid in cash (subject to any applicable tax withholding as provided in Section 5 below) will equal the Fair Market Value (as defined below) of a Share of common stock as of the date that such Stock Units became payable. No fractional shares will be issued.

Notwithstanding anything contained herein to the contrary, if the Director is a Key Employee as of the Director's Separation from Service, any payment triggered by the such Separation from Service shall be made on the first day of the seventh month following the date of such Separation from Service (or, if earlier, the date of the Director's death). For the avoidance of doubt, the Director shall remain eligible to receive additional credits of Stock Units as dividend equivalents pursuant to Section 3 during any period of time payment of the Director's Stock Units is delayed pursuant to this Section.

2. Non-Transferability and Other Restrictions.

2.1 ***Non-Transferability***. The award, as well as the Stock Units subject to the award, are non-transferable and shall not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge. The foregoing transfer restrictions shall not apply to: (a) transfers to the Company; (b) transfers pursuant to a qualified domestic relations order (as defined in the Code); or (c) subject to the last sentence of this paragraph, transfers to members of the non-employee Director's family, charitable institutions or trusts or other entities whose beneficiaries or beneficial owners are members of the non-employee Director's family and/or charitable institutions, or to such other persons or entities as may be expressly approved by the Compensation Committee of the Board. Notwithstanding the foregoing, the Company may honor any transfer required pursuant to the terms of a court order in a divorce or similar domestic relations matter to the extent that such transfer does not adversely affect the Company's ability to register the offer and sale of the underlying shares on a Form S-8 Registration Statement and such transfer is otherwise in compliance with all applicable legal, regulatory and listing requirements. The Company may honor any transfer in "(c)" above, provided the Compensation Committee receives evidence satisfactory to it that any such proposed transfer: (i) is being made for estate and/or tax planning purposes and on a basis consistent with the Company's lawful issue of securities, and (ii) such transfer will not change the "time and form of payment" of the award and/or trigger excise taxes under Section 409A of the Internal Revenue Code and the rules thereunder.

Upon issuance, the Shares shall not be subject to any restrictions on transferability, other than compliance with the ownership guidelines under the Company's Directors' Compensation Policy.

2.2 ***Recoupment of Awards***. Any payments or issuances of Shares with respect to the award are subject to recoupment pursuant to the Company's Policy Regarding the Recoupment of Certain Performance-Based Compensation Payments as in effect from time to time, as well as any recoupment or similar provisions of applicable law, and the Director shall promptly make any reimbursement requested by the Board pursuant to such policy or applicable law with respect to the award.

Exhibit 10.2

Further, the Director agrees, by accepting the award, that the Company and its Affiliates may deduct from any amounts it may owe the Director from time to time (such as other compensation) to the extent of any amounts the Director is required to reimburse the Company pursuant to such policy or applicable law with respect to the award.

3. Compliance with Laws; No Stockholder Rights Prior to Issuance; Dividend Rights.

3.1 ***Compliance with Laws***.The Company's obligation to make any payments or issue any shares with respect to the award is subject to full compliance with all then applicable requirements of law, the Securities and Exchange Commission or other regulatory agencies having jurisdiction over the Company and its shares, and of any exchange upon which stock of the Company may be listed.

3.2 ***Limitations on Rights Associated with Units***.The Director shall not have the rights and privileges of a stockholder, including without limitation the right to vote or receive dividends (except as expressly provided in Section 3.3), with respect to any Shares which may be issued in respect of the Stock Units until the date appearing on the certificate(s) for such Shares (or, in the case of Shares entered in book entry form, the date that the Shares are actually recorded in such form for the benefit of the Director), if such Shares become deliverable.

3.3 ***Dividend Equivalent Rights Distributions***. Not later than 60 days following each date that the Company pays an ordinary cash dividend on its Common Stock (if any), the Company shall credit the Director with an additional number of Stock Units equal to (i) the per share cash dividend paid by the Company on its Common Stock on such date, multiplied by (ii) the total number of Stock Units (including any dividend equivalents previously credited hereunder) (with such total number adjusted pursuant to Section 4) subject to the Stock Unit award as of the related dividend payment record date, divided by (iii) the Fair Market Value of a Share of common stock on the date of payment of such dividend. Any Stock Units credited pursuant to the foregoing provisions of this Section 3.3 shall be subject to the same vesting, payment and other terms, conditions and restrictions as the original Stock Units to which they relate. No crediting of Stock Units shall be made pursuant to this Section 3.3 with respect to any Stock Units which, as of such record date, have been paid pursuant to Section 1.

4. Adjustments.

The Stock Units are subject to adjustment upon the occurrence of events such as stock splits, stock dividends and other changes in capitalization in accordance with Section 6(a) of the Plan. In the event of any adjustment, the Company will give the Director written notice thereof which will set forth the nature of the adjustment.

5. Tax Matters.

5.1 ***Tax Withholding***.The Company shall be entitled to require, as a condition of making any payments or issuing any shares upon payment of the Stock Units, that the Director or other person entitled to such shares or other payment pay any sums required to be withheld by federal, state, local or other applicable tax law with respect to such payment. Alternatively, the Company, in its discretion, may make such provisions for the withholding of taxes (if any such withholding is required) as it deems appropriate (including, without limitation, withholding the taxes due from compensation otherwise payable to the Director or reducing the number of shares otherwise deliverable with respect to the award (valued at their then Fair Market Value) by the amount necessary to satisfy any such withholding obligations at the flat percentage rates applicable to supplemental wages).

5.2 ***Transfer Taxes***. The Company will pay all federal and state transfer taxes, if any, and other fees and expenses in connection with the issuance of shares in connection with the payment of the Stock Units.

5.3 ***Compliance with Code***. The Board shall administer and construe the award, and may amend the Terms of the award, in a manner designed to comply with the Code and to avoid adverse tax consequences under Code Section 409A or otherwise.

5.4 ***Unfunded Arrangement***. The right of the Director to receive payment under the award shall be an unsecured contractual claim against the Company. As such, neither the Director nor any Successor shall have any rights in or against any specific assets of the Company based on the award. Awards shall at all times be considered entirely unfunded for tax purposes.

6. Plan; Amendment.

The Stock Units are governed by, and the Director's rights are subject to, all of the terms and conditions of the Plan and any other rules adopted by the Board, as the foregoing may be amended from time to time. The Director shall have no rights with respect to any amendment of these Terms or the Plan unless such amendment is in writing and signed by a duly authorized officer of the Company. In the event of a conflict between the provisions of the Stock Plan System and the provisions of these Terms and/or the Plan, the provisions of these Terms and/or the Plan, as applicable, shall govern.

7. Definitions.

Whenever used in these Terms, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized:

"**Affiliated Company**" means the Company and other entity related to the Company under the rules of Code Section 414.

"**Key Employee**" means an employee treated as a "specified employee" under Code Section 409A(a)(2)(B)(i) of the Company or an Affiliate Company (i.e., a key employee (as defined in Code Section 416(i) without regard to paragraph (5) thereof))

Exhibit 10.2

if the Company's or an Affiliate Company's stock is publicly traded on an established securities market or otherwise. The Company shall determine in accordance with a uniform Company policy which participants are Key Employees as of each December 31 in accordance with IRS regulations or other guidance under Code Section 409A, provided that in determining the compensation of individuals for this purpose, the definition of compensation in Treas. Reg. § 1.415(c)-2(d)(3) shall be used. Such determination shall be effective for the 12-month period commencing on April 1 of the following year.

"**Separation from Service**" means a "separation from service" within the meaning of Code Section 409A (which Separation from Service generally will occur on the date the Director ceases to be a member of the Board).

"**Successor**" means the person acquiring a Director's rights to a grant under the Plan by will or by the laws of descent or distribution.

3 32

Exhibit 31.1

CERTIFICATION PURSUANT TO
EXCHANGE ACT RULE 13A-14(A)/15D-14(A)
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Christopher D. Kastner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Huntington Ingalls Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2023 May 2, 2024

/s/ Christopher D. Kastner

Christopher D. Kastner

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
EXCHANGE ACT RULE 13A-14(A)/15D-14(A)
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas E. Stiehle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Huntington Ingalls Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2023 May 2, 2024

/s/ Thomas E. Stiehle

Thomas E. Stiehle

Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Huntington Ingalls Industries, Inc. (the "company") on Form 10-Q for the period ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher D. Kastner, the President and Chief Executive Officer of the company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: November 2, 2023 May 2, 2024

/s/ Christopher D. Kastner

Christopher D. Kastner
President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Huntington Ingalls Industries, Inc. (the "company") on Form 10-Q for the period ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas E. Stiehle, Executive Vice President and Chief Financial Officer of the company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: November 2, 2023 May 2, 2024

/s/ Thomas E. Stiehle

Thomas E. Stiehle
Executive Vice President and Chief Financial Officer

DISCLAIMER

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