



Northrop Grumman Corporation (NOC)

Updated July 23rd, 2025 by Prakash Kolli

Key Metrics

| | | | | | |
|-----------------------------|-------|--|-------------|----------------------------------|-----------------------|
| Current Price: | \$564 | 5 Year CAGR Estimate: | 2.2% | Market Cap: | \$80.78B |
| Fair Value Price: | \$428 | 5 Year Growth Estimate: | 6.0% | Ex-Dividend Date: | 09/03/25 ¹ |
| % Fair Value: | 132% | 5 Year Valuation Multiple Estimate: | -5.3% | Dividend Payment Date: | 09/18/25 |
| Dividend Yield: | 1.6% | 5 Year Price Target | \$573 | Years Of Dividend Growth: | 22 |
| Dividend Risk Score: | B | Sector: | Industrials | Rating: | Hold |

Overview & Current Events

Northrop Grumman Corporation is one of the five largest U.S. aerospace and defense contractors based on revenue. The company reports four business segments: Aeronautics Systems (aircraft and UAVs), Mission Systems (radars, sensors and systems for surveillance and targeting), Defense Systems (sustainment and modernization, directed energy, tactical weapons), and Space Systems (missile defense, space systems, hypersonics and space launchers). Northrop Grumman completed its acquisition of Orbital ATK in 2018 and divested IT Services in 2021. Northrop Grumman makes the B-2 Spirit, E-2D, E-8C, RQ-4 Global Hawk, MQ-4C Triton, MQ-8B/C Fire Scout, and B-21. The company also provides content on the F-35 and F/A-18. It won the contract for the GPI. The company had revenue of over \$41.0B in 2024.

Northrop Grumman reported results for Q2 FY 2025 on July 22nd, 2025. Companywide revenue rose 1% to \$10,351M from \$10,218M and diluted earnings per share rose 28% to \$8.15 from \$6.36 on a year-over-year basis on higher sales, margins, operating performance, and a divestiture.

Revenue for Aeronautics Systems rose 2% to \$3,114M from \$3,060M in the prior year due to higher volumes on the B-21, E-130J, but offset by restricted and F/A-18 programs. Revenue for Defense Systems grew 7% to \$1,991M from \$1,859M in comparable quarters due to higher sales in the Sentinel and ammunition programs. Revenue for Mission Systems increased 14% to \$3,157M in the quarter from \$2,773 in the prior year due to higher volumes on restricted, radar, electronic warfare self-protection, and maritime programs. Revenue for Space Systems decreased 12% to \$2,646M in Q2 2025 from \$3,002M in Q2 2024 due to the wind down of restricted space and NGI programs, and lower volumes on SDA programs.

The total backlog is ~\$89.7B at the end of the quarter of which \$37.4B is funded. The firm won \$7.4B in contract awards in the quarter including ones for restricted programs, F-35, GMLRS, and Triton.

The company updated guidance to \$42.05B to \$42.25B in sales and \$25.00 to \$25.40 earnings per share in 2025.

Growth on a Per-Share Basis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| EPS | \$10.39 | \$12.19 | \$11.47 | \$21.33 | \$21.21 | \$23.65 | \$25.63 | \$25.54 | \$23.29 | \$26.08 | \$25.20 | \$33.72 |
| DPS | \$3.10 | \$3.50 | \$3.90 | \$4.70 | \$5.16 | \$5.67 | \$6.28 | \$6.76 | \$7.34 | \$8.05 | \$9.24 | \$12.37 |
| Shares ² | 192 | 181 | 176 | 175 | 170 | 168 | 161 | 156 | 152 | 147 | 144 | 131 |

Northrop Grumman’s earnings have increased substantially over time driven by top line growth from contract wins, modernization and upgrades, services, and acquisitions. A significant reduction in the share count has helped drive earnings per share gains as well. Looking forward, the company will achieve both revenue and EPS growth through its involvement in the F-35, B-2, E2-2D, B-21, GPI, and space platforms. We previously reduced our estimate of average annual EPS growth to 6% out to 2030 due to slowing growth and higher costs. Northrop Grumman has paid a growing dividend for 21 years. However, we have set our expected growth rate to 6%, matching that of EPS.

¹ Estimated based on prior years. Northrop Grumman has not yet announced the next quarterly dividend.

² Share count in millions.

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Valuation Analysis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Now | 2030 |
|-----------|------|------|------|------|------|------|------|------|------|------|------|------|
| Avg. P/E | 16.1 | 17.4 | 23.0 | 16.8 | 17.9 | 13.8 | 13.6 | 18.3 | 20.1 | 18.0 | 22.4 | 17.0 |
| Avg. Yld. | 1.9% | 1.6% | 1.5% | 1.7% | 1.7% | 1.7% | 1.8% | 1.4% | 1.6% | 1.7% | 1.6% | 2.2% |

Northrop Grumman's stock price is up appreciably since our last report on strong results and raising guidance. We updated our 2025 earnings estimate to the mid-point of guidance. The stock trades higher than our fair value multiple of 17X, slightly below the trailing 10-year average. Our current fair value is now \$428. Our current 5-year price target is now \$573.

Safety, Quality, Competitive Advantage, & Recession Resiliency

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|--------|------|------|------|------|------|------|------|------|------|------|------|------|
| Payout | 30% | 29% | 34% | 25% | 24% | 24% | 25% | 26% | 32% | 31% | 37% | 37% |

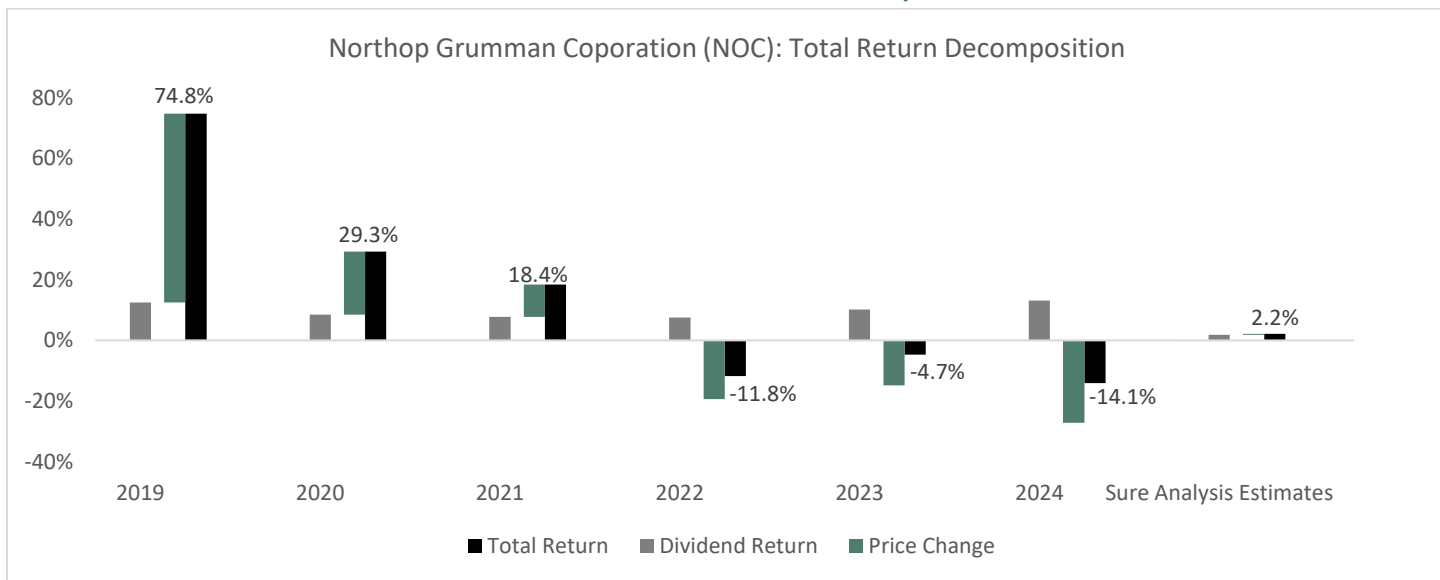
As a prime U.S. defense contractor, Northrop Grumman has an entrenched position in many of its end markets. Of note are the B-2, B-21, E-2D, E-8C, Global Hawk and Triton platforms. Few companies have the technical expertise and classified workforce to build these platforms. In addition, these platforms have decades long life cycles and Northrop Grumman has the expertise and experience to perform sustainment and modernization. These characteristics lead to a good degree of recession resistance. However, the company does face risks in program cuts and changing administrations that could lead to revenue declines caused by new priorities to the defense budget.

Debt increased due to the Orbital ATK acquisition, which the company is paying down. Long-term debt is now at \$15,160M offset by \$1,899M in cash and equivalents. Interest coverage is 8.81X and the leverage ratio is 1.87X.

Final Thoughts & Recommendation

At present we are forecasting a 2.2% annualized total return through 2030 from a dividend yield of 1.6%, 6% EPS growth, and (-5.3%) P/E multiple contraction. The company's balance sheet is solid, and the credit rating was upgraded. Global conflicts are benefitting sales volumes, and the firm was selected to produce the Glide Phase Interceptor (GPI). The dividend yield is low, but the dividend safety is high as illustrated by the modest payout ratio. We maintained our rating of this high-quality stock at a hold.

Total Return Breakdown by Year



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Income Statement Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Revenue | 23526 | 24706 | 26004 | 30095 | 33841 | 36799 | 35667 | 36602 | 39290 | 41033 |
| Gross Profit | 5642 | 5909 | 5930 | 6791 | 7259 | 7478 | 7268 | 7474 | 6551 | 8362 |
| Gross Margin | 24.0% | 23.9% | 22.8% | 22.6% | 21.5% | 20.3% | 20.4% | 20.4% | 16.7% | 20.4% |
| SG&A Exp. | 2566 | 2632 | 2712 | 3011 | 3290 | 3413 | 3597 | 3873 | 4014 | 3992 |
| D&A Exp. | 467 | 456 | 475 | 800 | 1018 | 1267 | 1239 | 1342 | 1338 | 1370 |
| Operating Profit | 3076 | 3277 | 3218 | 3780 | 3969 | 4065 | 3671 | 3601 | 2537 | 4370 |
| Op. Margin | 13.1% | 13.3% | 12.4% | 12.6% | 18.8% | 11.0% | 10.3% | 9.8% | 6.5% | 10.6% |
| Net Profit | 1990 | 2043 | 2869 | 3229 | 2248 | 3189 | 7005 | 4896 | 2056 | 4174 |
| Net Margin | 8.5% | 8.3% | 11.0% | 10.7% | 10.7% | 8.7% | 19.6% | 13.4% | 5.2% | 10.2% |
| Free Cash Flow | 1691 | 1893 | 1685 | 2578 | 3033 | 2885 | 2152 | 1466 | 2100 | 2621 |
| Income Tax | 800 | 638 | 1360 | 513 | 300 | 539 | 1933 | 940 | 290 | 842 |

Balance Sheet Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total Assets | 24424 | 25614 | 35128 | 37653 | 41089 | 44469 | 42579 | 43755 | 46544 | 49359 |
| Cash & Equivalents | 2319 | 2541 | 11225 | 1579 | 2245 | 4907 | 3530 | 2577 | 3109 | 4353 |
| Acc. Receivable | 2841 | 3299 | 1054 | 1448 | 1326 | 1501 | 1467 | 1511 | 1454 | 1272 |
| Inventories | 807 | 816 | 398 | 654 | 783 | 759 | 811 | 978 | 1109 | 1455 |
| Goodwill & Int. | 12460 | 12450 | 12507 | 20044 | 19748 | 18301 | 18090 | 17900 | 17822 | 17766 |
| Total Liabilities | 18902 | 20355 | 27996 | 29466 | 32270 | 33890 | 29653 | 28443 | 31749 | 34069 |
| Accounts Payable | 1282 | 1554 | 1661 | 2182 | 2226 | 1806 | 2197 | 2587 | 2110 | 2599 |
| Long-Term Debt | 6386 | 7058 | 14399 | 13883 | 12770 | 14261 | 12777 | 12877 | 13786 | 14692 |
| Total Equity | 5522 | 5259 | 7132 | 8187 | 8819 | 10579 | 12930 | 15312 | 14795 | 15290 |
| D/E Ratio | 1.16 | 1.34 | 2.02 | 1.70 | 1.45 | 1.3 | 0.99 | 0.84 | 0.94 | 0.96 |

Profitability & Per Share Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Return on Assets | 7.8% | 8.2% | 9.4% | 8.9% | 5.7% | 7.5% | 16.1% | 11.3% | 4.6% | 8.7% |
| Return on Equity | 31.2% | 37.9% | 46.3% | 42.2% | 26.4% | 32.9% | 59.6% | 34.7% | 13.7% | 27.7% |
| ROIC | 15.9% | 16.9% | 17.0% | 14.8% | 10.3% | 13.7% | 27.3% | 18.2% | 7.4% | 14.3% |
| Shares Out. | 181.3 | 175.1 | 174.1 | 170 | 167 | 168 | 161 | 156 | 152 | 147 |
| Revenue/Share | 122.79 | 136.88 | 148.09 | 172.37 | 199.06 | 219.56 | 221.67 | 235.23 | 258.49 | 278.57 |
| FCF/Share | 8.83 | 10.49 | 9.60 | 14.77 | 17.84 | 17.21 | 13.37 | 9.42 | 13.82 | 17.79 |

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

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