Northrop Grumman Corporation (NOC)

Updated February 1st, 2026 by Prakash Kolli

Key Metrics

Current Price:	$692	**5 Year CAGR Estimate:**	0.8%	**Market Cap:**	$98.25B
Fair Value Price:	$498	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	03/03/26[1]
% Fair Value:	139%	**5 Year Valuation Multiple Estimate:**	-6.4%	**Dividend Payment Date:**	03/19/26
Dividend Yield:	1.3%	**5 Year Price Target**	$666	**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 $42.0B in 2025.

Northrop Grumman reported results for Q4 FY 2025 on January 27th, 2025. Companywide revenue rose 10% to $11,712M from $10,686M and diluted earnings per share rose 13% to $7.23 from $6.39 on a year-over-year basis on higher sales in all four segments, greater operating margins, and pension gains.

Revenue for Aeronautics Systems rose 18% to $3,922M from $3,331M in the prior year due to higher volumes on the F-35, E-130J TACAMO, B-21, and E-2 programs. Revenue for Defense Systems grew 7% to $2,147M from $2,003M in comparable quarters due to higher sales in the Sentinel, IBCS, armament, and ammunition programs, offset by divestment of the training program. Revenue for Mission Systems increased 10% to $3,449M in the quarter from $3,144 in the prior year due to higher volumes on restricted airborne and ground-based radar, F-35, and SEWIP, offset by lower advanced microelectronic programs. Revenue for Space Systems increased 5% to $2,859M in Q4 2025 from $2,710M in Q4 2024 due to gains in GEM 63, new space programs, HALO, offset by the wind down of the NGI program.

The total backlog reached a record of ~$95.7B at the end of the quarter of which $43.5B is funded. The firm won $15.9B in contract awards in the quarter with a book-to-bill ratios of 1.1X.

The company set guidance at $43.5B to $44.0B in sales and $27.40 to $27.90 adjusted earnings per share in 2026.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$12.19	$11.47	$21.33	$21.21	$23.65	$25.63	$25.54	$23.29	$26.08	$26.34	***$27.65***	***$37.00***
DPS	$3.50	$3.90	$4.70	$5.16	$5.67	$6.28	$6.76	$7.34	$8.05	$8.99	***$9.24***	***$12.37***
Shares[2]	181	176	175	170	168	161	156	152	147	144	***141***	***127***

Northrop Grumman's earnings have increased substantially over time driven by top line growth from contract wins, modernization and upgrades, services, and acquisitions. A roughly 2% annual 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 2031 due to slowing growth and higher costs. Northrop Grumman has paid a growing dividend for 22 years. However, we have set our expected growth rate to 6%, matching that of EPS.

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1 Estimated based on prior years. Northrop Grumman has not yet announced the next quarterly dividend.
2 Share count in millions.
Disclosure: This analyst is long NOC.

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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	17.4	23.0	16.8	17.9	13.8	13.6	18.3	20.1	18.0	21.6	***25.0***	***18.0***
Avg. Yld.	1.6%	1.5%	1.7%	1.7%	1.7%	1.8%	1.4%	1.6%	1.7%	1.6%	***1.3%***	***1.9%***

Northrop Grumman's stock price is up significantly again since our last report on beating. We set our 2026 earnings estimate to the mid-point of guidance. We raised our fair value multiple of 18X due to sound operational execution and to align with the trailing 10-year average. Our current fair value is $498. Our current 5-year price target is $666.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	29%	34%	25%	24%	24%	25%	26%	32%	31%	34%	***33%***	***33%***

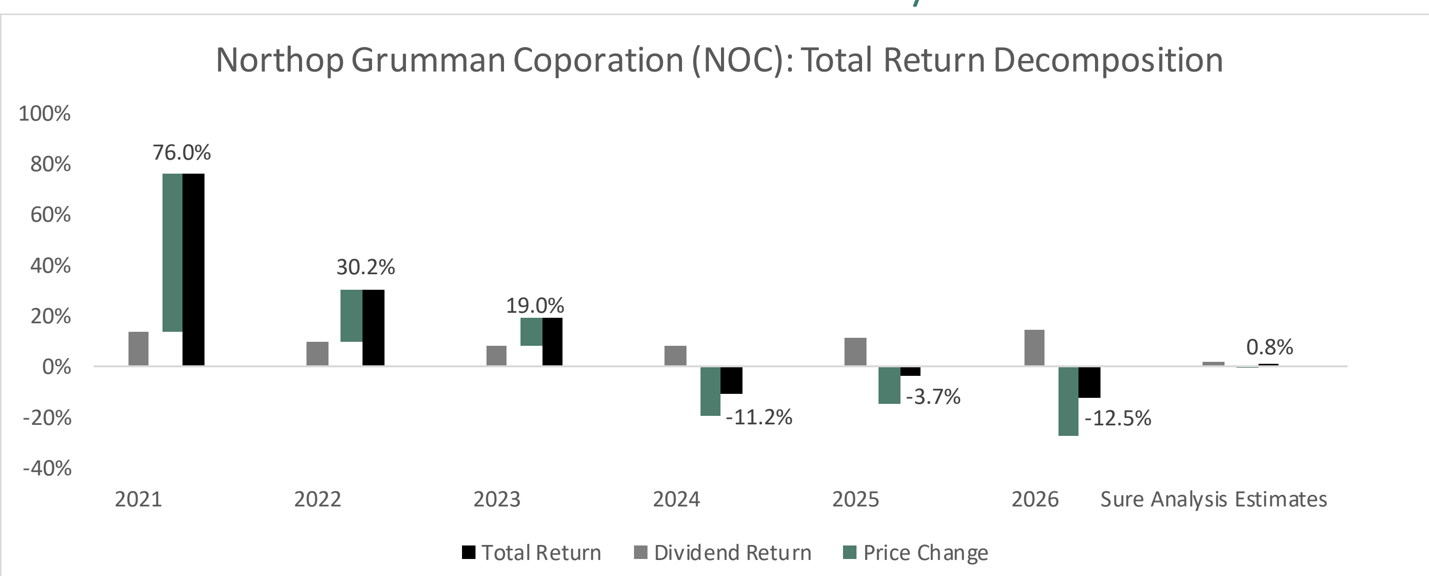
As a prime U.S. defense contractor, Northrop Grumman has an entrenched position in many of its end markets. Of note are the B-2, B-21, E-2D, E-8C, Global Hawk and Triton platforms. Few companies have the technical expertise and classified workforce to build these platforms. In addition, these platforms 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. Current debt is $534M and long-term debt is now at $15,162M offset by $4,403M in cash and equivalents. Interest coverage is 8.04X and the leverage ratio is 1.77X.

Final Thoughts & Recommendation

At present we are forecasting a 0.8% annualized total return through 2031 from a dividend yield of 1.3%, 6% EPS growth, and (-6.4%) P/E multiple contraction. The company's balance sheet is solid, and the credit rating was recently 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 and robust cash flow. 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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	24706	26004	30095	33841	36799	35667	36602	39290	41033	41954
Gross Profit	5909	5930	6791	7259	7478	7268	7474	6551	8362	8313
Gross Margin	23.9%	22.8%	22.6%	21.5%	20.3%	20.4%	20.4%	16.7%	20.4%	19.8%
SG&A Exp.	2632	2712	3011	3290	3413	3597	3873	4014	3992	4033
D&A Exp.	456	475	800	1018	1267	1239	1342	1338	1370	1472
Operating Profit	3277	3218	3780	3969	4065	3671	3601	2537	4370	4280
Op. Margin	13.3%	12.4%	12.6%	18.8%	11.0%	10.3%	9.8%	6.5%	10.6%	10.2%
Net Profit	2043	2869	3229	2248	3189	7005	4896	2056	4174	4182
Net Margin	8.3%	11.0%	10.7%	10.7%	8.7%	19.6%	13.4%	5.2%	10.2%	10.0%
Free Cash Flow	1893	1685	2578	3033	2885	2152	1466	2100	2621	3307
Income Tax	638	1360	513	300	539	1933	940	290	842	886

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	25614	35128	37653	41089	44469	42579	43755	46544	49359	51377
Cash & Equivalents	2541	11225	1579	2245	4907	3530	2577	3109	4353	4403
Acc. Receivable	3299	1054	1448	1326	1501	1467	1511	1454	1272	7919
Inventories	816	398	654	783	759	811	978	1109	1455	1309
Goodwill & Int.	12450	12507	20044	19748	18301	18090	17900	17822	17766	17645
Total Liabilities	20355	27996	29466	32270	33890	29653	28443	31749	34069	34703
Accounts Payable	1554	1661	2182	2226	1806	2197	2587	2110	2599	3240
Long-Term Debt	7058	14399	13883	12770	14261	12777	12877	13786	14692	17553
Total Equity	5259	7132	8187	8819	10579	12930	15312	14795	15290	16674
D/E Ratio	1.34	2.02	1.70	1.45	1.3	0.99	0.84	0.94	0.96	1.07

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	8.2%	9.4%	8.9%	5.7%	7.5%	16.1%	11.3%	4.6%	8.7%	8.3%
Return on Equity	37.9%	46.3%	42.2%	26.4%	32.9%	59.6%	34.7%	13.7%	27.7%	26.2%
ROIC	16.9%	17.0%	14.8%	10.3%	13.7%	27.3%	18.2%	7.4%	14.3%	12.3%
Shares Out.	175.1	174.1	170	167	168	161	156	152	147	144
Revenue/Share	136.88	148.09	172.37	199.06	219.56	221.67	235.23	258.49	278.57	291.75
FCF/Share	10.49	9.60	14.77	17.84	17.21	13.37	9.42	13.82	17.79	23.00

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