Company: Northrop Grumman Corp	Ticker: NOC Current Price: $575.00	Industry: Industrials Subgroup: Aerospace & Defense	
Target Price: $702.00 Stop Loss: $460 52W H/L: $640.90/$426.24	TTM P/E: 20.66x F. P/E: 20.7x EPS: $27.82	Beta: 0.40 Credit Rating: BBB+ Rating Outlook: Stable	Market Cap: $ 82.11B Avg. Vol(12M): 803.28K Dividend Yield: 1.52%

Company Background:

Northrop Grumman is a prime U.S. aerospace and defense contractor that designs, engineers, and produces next-generation platforms across air, space, missile defense, propulsion, strike, sensors, and integrated command-and-control systems. The company's portfolio spans strategic assets such as the B-21 stealth bomber, Sentinel ICBM, IBCS air-defense command network, advanced radar and electronic-warfare suites, and solid-rocket motors used across space launch and missile programs. Its business model is centered on national-priority modernization programs that move from cost-type development into fixed-price production, creating long-tail sustainment, upgrade, and recurring mission-systems revenue.

Industry Outlook:

The defense industry is entering a structural modernization cycle centered on nuclear recapitalization, resilient space architectures, advanced sensors, and integrated battle networks. International spending is rising as allies formalize higher defense allocations into baseline budgets rather than episodic replenishment, which is driving multi-year adoption of U.S. C2 and missile-tracking architectures. The procurement mix is also shifting away from bespoke platforms toward proliferated constellations, open-architecture command networks, and modular payloads that can scale in production rather than one-off development cycles. In this environment, industry winners will be those with digital engineering maturity, secure propulsion capacity, and production throughput rather than simply "more headcount." The result is a decade-long reshaping of spending toward programs where technologically differentiated primes can compound margin on learning-curve execution.

Investment Thesis:

Northrop Grumman is uniquely positioned as the lead contractor for the next generation of U.S. strategic deterrence programs. Demandis secured, funding is committed, and Wall Street continues to overlook the long-term margin expansion potential from these programs' transition into full-scale production (largely due to near-term cost and execution concerns). Missile defense, radar, SDA architectures, and strategic strike platforms (B-21, Sentinel) are funded national-priority systems, not discretionary spend. International orders are structurally rising (up 32% YTD), NATO GDP % spend mandates are increasing, and U.S. long-cycle recapitalization is locked for the remainder of the decade. The market is pricing NOC as if its largest earnings drivers are still in development, but the inflection happens when these move into repeat-lot production. (The market is also considering the high risk of execution and scaling). Unlike peers with heavier exposure to legacy airframes and near-term sustainment cycles, NOC's product mix is structurally tilted toward systems no prime can directly substitute.

Investment Risks:

- **U.S. Government Concentration:** With ~87 % of revenue tied to U.S. funding, continuing resolutions, shutdowns, or shifting budget priorities can delay contract timing and cash conversion.
- **Fixed-Price Execution Risk:** Large programs that move into fixed-price production can see margin erosion if costs escalate or late-stage design changes are required.
- **Supply Chain & Labor Constraints:** Microelectronics bottlenecks, export controls, and cleared labor shortages can slow throughput and extend development cycles.
- **Competitive Bid Pressure:** Multiple-award contracting and aggressive bidding from U.S., allied, and non-traditional defense firms can compress pricing and reduce award probability.
- **Cybersecurity Exposure:** Classified program data and defense-grade intellectual property remain high-value targets, and a breach would materially disrupt operations and invite government scrutiny.

Take aways from last Earnings Call

- **Demand visibility remains firm:** Management reiterated mid-single-digit organic growth for FY25 with international up 32 % YTD — signaling that demand is structural, not episodic.
- **Margin trajectory is intact:** Segment operating margin stepped up from ~11.5 % to ~12.3 % YoY, with management expecting continued progress as B-21 and Sentinel ramp toward LRIP/FRP.
- **Upside not in guidance:** F/A-XX is excluded, B-21 acceleration is not assumed, and additional reconciliation-bill dollars cannot yet be recognized — creating unmodeled optionality above baseline FCF ($3.1B–$3.5B FY26).
- **Execution signals are positive:** IBCS went 32-for-32 on test events, and the second B-21 flight occurred late September — both early indicators that high-value programs are tracking favorably toward production cadence.

Financial Performance	DCF and Analyst Opinions

Income Statement (in Bil, except ratios)	09/30/2025	12/2024	12/2023	12/2022	12/2021	12/2020
Revenue	40.93	41.03	39.29	36.60	35.67	36.80
Revenue Growth %	-0.14%	4.44%	7.34%	2.62%	-3.08%	8.74%
Gross Profit	7.95	8.36	6.55	7.47	7.27	7.48
Gross Profit Margin %	19.42%	20.38%	16.67%	20.42%	20.38%	20.32%
Operating Income	4.10	4.37	2.54	3.60	3.67	4.07
Operating Margin %	10.01%	10.65%	6.46%	9.84%	10.29%	11.05%
EBIT	5.53	5.64	2.89	6.34	9.49	4.32
EBIT Margin %	13.51%	13.74%	7.36%	17.33%	26.62%	11.74%
EBITDA	7.01	7.01	4.23	7.68	10.73	5.59
EBITDA Margin %	17.13%	17.08%	10.76%	20.99%	30.09%	15.19%
Net Income	4.02	4.17	2.06	4.90	7.01	3.19
Net Profit Margin %	9.82%	10.17%	5.23%	13.38%	19.64%	8.67%
Basic EPS	27.82	28.39	13.57	31.61	43.70	19.08
Diluted EPS	27.77	28.34	13.53	31.47	43.54	19.03
Normalized EPS	24.81	23.04	21.68	20.43	19.36	17.62
Total Dividends per Share	8.74	8.05	7.34	6.76	6.16	5.67

Analyst Opinion
Buy: 10
Exit EV/EBITDA 7.5x
Target $702.00;
Stop-loss -20%.

Avg Revenue Growth(5YR CAGR)	5%
EBITDA Margin(FY25)	17.13%
Net Income Margin(LTM)	9.82%
Debt/Equity	18.9%
FCF Margin (FY25)	3.1%
Cost of Debt	4.68%
Tax Rate	16.8%
Cost of Equity	5.51%
WACC	5.25%
Perpetuity Growth Rate	2%

Relative Valuation

Company Name	Description	Market Cap(Bn)	EV(Bn)	EBITDA	EV/EBITDA	P/E TTM	5YR Avg. ROIC	Gross Margin	Net Margin	5Yr Beta	Credit Rating
NORTHROP GRUMMAN CORPORATION (XNYS:NOC)	Northrop Grumman is a diversified aerospace and defense company headquartered in Virginia whose four business segments—Aeronautics Systems, Defense Systems, Mission Systems and Space Systems—produce and support aircraft, missiles, command and control electronics, satellites and related services. It designs and maintains manned and unmanned aircraft, strategic deterrence systems, precision weapons, advanced sensors, microelectronics, and space vehicles for the U.S. government, NASA and allied countries. A backlog of long term government contracts provides multi year revenue visibility.	83.27	99.02	6.83	14.50	20.82	14.19%	19.42%	9.82%	0.40	BBB+
LOCKHEED MARTIN CORPORATION (XNYS:LMT)	Lockheed Martin, based in Maryland, is a major defense contractor organized into Aeronautics, Missiles and Fire Control, Rotary and Mission Systems, and Space segments. The company researches, designs, builds and supports combat aircraft, tactical missiles, missile defense systems, military and commercial helicopters, naval ships, radar systems, cybersecurity solutions and satellites. Most of its business comes from the U.S. government, but it also serves international clients.	113.82	131.02	7.69	17.04	27.28	18.71%	8.16%	5.73%	0.27	A-
THE BOEING COMPANY (XNYS:BA)	Lockheed Martin, based in Maryland, is a major defense contractor organized into Aeronautics, Missiles and Fire Control, Rotary and Mission Systems, and Space segments. The company researches, designs, builds and supports combat aircraft, tactical missiles, missile defense systems, military and commercial helicopters, naval ships, radar systems, cybersecurity solutions and satellites. Most of its business comes from the U.S. government, but it also serves international clients.	152.79	199.23	(6.02)	-33.09	-	-	(0.32%)	(14.18%)	1.47	BBB-
GENERAL DYNAMICS CORPORATION (XNYS:GD)	Boeing is a global aerospace manufacturer that designs, builds and services commercial jetliners and military products through three divisions: Commercial Airplanes, Defense, Space & Security, and Global Services. Its commercial unit produces passenger and cargo aircraft and provides aftermarket support, while the defense segment develops military aircraft, satellites, missile defense systems and space exploration vehicles. Global Services offers supply chain management, maintenance, training, spare parts and digital solutions for airlines and defense customers.	93.16	100.14	6.31	15.87	22.35	12.32%	15.33%	8.18%	0.48	A
GENERAL ELECTRIC COMPANY (XNYS:GE)	General Dynamics operates worldwide via four segments—Aerospace, Marine Systems, Combat Systems and Technologies. Its Aerospace unit manufactures Gulfstream business jets and provides flight support services; Marine Systems builds nuclear powered submarines, surface combatants and auxiliary ships; and Combat Systems produces armored vehicles, main battle tanks and munitions. The Technologies segment delivers mission critical IT and communications services, cybersecurity, artificial intelligence and unmanned undersea vehicles.	325.88	339.04	10.78	31.45	41.43	20.82%	37.73%	18.27%	1.49	A-

NOC:
EV/EBITDA: 17.3x
P/E(TTM): 14.04x
ROIC: 14.19%

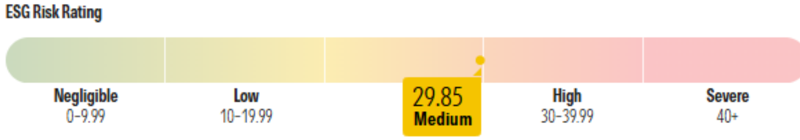
Comps Avg.
EV/EBITDA: 21.45x
P/E (TTM): 27.80x

Spread:
ROIC vs. WACC
14.19% vs. 5.25% → 8.94%

Relative Performance	YTD	1yr
NOC	+21.82%	+13.24%
Industrial Sector (XLI)	+15.09%	+13.88%
S&P 500	+16.88%	+19.92%

ESG Risk Rating Assessment

ESG Risk Rating



Highest Controversy Level (1 = Low, 5 = Severe)

2 Moderate

Incidents: Operations, Business Ethics, Employee, Customer

Top Material ESG Issues

Product Governance
Overall

Business Ethics
Overall

Data Privacy & Cybersecurity
Overall

ESG Risk Rating is as of Sep 03, 2025. Highest Controversy Level is as of Oct 08, 2025. Sustainalytics Subindustry: Aerospace and Defence. Sustainalytics provides Morningstar with company ESG ratings and metrics on a monthly basis and as such, the ratings in Morningstar may not necessarily reflect current Sustainalytics' scores for the company. For the most up to date rating and more information, please visit: sustainalytics.com/esg-ratings/ .