



NYSE: NOC	Current Price: 566.76	52 wk H/L: 426.24 – 640.90
Target Price: 642 (avg)	Stop Loss: 482 (-15%)	Market Cap: 80.1B
P/E: 20.09	Div Yield: 1.56 (5-yr avg)	Vol/Avg: 331.0/729.2K
EPS: 28.34	Credit Rating: BBB+	Beta: 0.06

Information as of close 11/18/2025

COMPANY BACKGROUND

Northrop Grumman Corporation (“Northrop”) is an Aerospace and Defense Company that designs and manufactures systems for aeronautics, defense, missions, and space, which are its four (4) segments. It is the 5th largest contractor. Northrop’s Aeronautics Systems includes the design, development, production, integration, sustainment and modernization of military aircraft systems for the U.S. Air Force, the U.S. Navy, other U.S. agencies, and international customers. The Defense Systems segment designs, engineers, develops, integrates, and produces strategic deterrent systems, advanced tactical weapons, missile defense solutions, and provides sustainment, modernization and training services for manned and unmanned aircraft and electronics systems for the U.S. military and a broad range of international customers. The Company’s Mission Systems segment provides advanced mission solutions and multifunction systems, primarily for the U.S. defense and intelligence community, and international customers. Finally, Space Systems designs, develops, integrates, produces, and operates space, missile defense, and launch systems for national security, civil government, commercial and international customers.

Source: Annual 2024 10-K

INVESTMENT THESIS

Northrop is one of the top Aerospace and Defense Companies in the world. As noted under the Background section above, it engages in a comprehensive set of businesses including aeronautics, defense, mission systems, and space. During a time when the U.S. defense budget is ever increasing and given that there is significant global turmoil, Northrop’s presence is very critical. It has demonstrated the ability to develop new technologies and products, as detailed under the Industry Outlook/Catalyst & Drivers section. Analysts look to have a positive opinion on Northrop currently, most notably Morningstar maintaining a fair value estimate of \$630 and referring to the Company as “wide-moat.” While the Company is subject to significant risks, there aren’t any particular unusual risks noted in review of the Notes to Financial Statements of the Annual 2024 10-K and most recent 10-Q for the quarter-ended 9/30/2025. Finally, based on the DCF model, utilizing a conservative Free Cash Flow growth rate (equal to the CAGR of FCF in the past 8 years), the conclusion is that Northrop’s stock is currently undervalued. Hence, it is recommended that the UConn SMF take a minimum position of 5% in Northrop with a long-term focus. It’s latest operating results for the 9 months ending 9/30/2025 indicate stable revenues and margins. There are no significant fluctuations in terms of the financial position as of the quarter-end.

INDUSTRY OUTLOOK/CATALYST & DRIVERS

There is wide moat across all of Northrop's segments and in the industry in general. The products are sophisticated and being sold to only one buyer for the most part and are extremely complex with a high amount of intangible assets. Hence, it is very cumbersome for potential new market entrants to make entry. Additionally, for the customer to switch to another supplier would require extraordinary time and resources. There are significant research and work that goes into the development and manufacturing of these products. There are high barriers to entry.

The Government awards the right to develop a particular product after an intense bidding process that involves prototypes. During the early stages of development, cost-plus contracts are used that shift cost overruns in this industry and this can benefit the Company. The Government usually does not switch contractors once this process starts.

The main goal of the products is really the fulfillment of the mission of the customer. The military should succeed at its various strategic objectives. It is more likely to work with the existing contractor on any types of issues instead of switching because of all the work that has already been done towards developing that relationship.

All of Northrop's segments have wide moat. For instance, within the Aeronautics segment, the technology is difficult to replicate. Additionally, Northrop is the single-source provider for the fuselage of Lockheed's F-35. It is also the prime contractor of the B-21 bomber. Under Space Systems, there is increased militarization noted. The U.S. Government now has a space force. There is also an increased need of satellites to be launched into space to provide new and advanced capabilities.

Northrop's current key strengths and differentiators indicating an exciting future include the fact that it is undertaking new and high technology projects such as the IBCS integrated battle control system and Sentinel Missile product under the Defense segment. There's increased demand for its 2 semiconductor foundries under the Mission Systems segment. Under its Aeronautics segment, Northrop is developing a new low-cost drone called "Lumberjack." The Company is expected to be chosen over Boeing to build the new 6th generation carrier-based fighter for the U.S. Navy, dubbed the F/A-XX. With regards to the B-21 program, Northrop is currently in talks with the Air Force to speed up production. In July 2025, Congress passed the budget reconciliation, which provided for \$4.5B to accelerate production of the stealth bomber.

Source: Morningstar

INVESTMENT RISKS

Northrop's Annual 2024 10-K notes the following notable risk factors that the Company continues to be subject to:

- **Customer Concentration Risk** – There is heavy reliance on a single customer, the U.S. Government. Any sort of changes in its strategy, delays in appropriations, and/or unforeseen disruptions (ex. Government Shutdown on 2025) could potentially materially impact the Company's operating results.
- **Contract Accounting Uncertainties** – As there is significant judgment required in this function, there could potentially be deviations in actual contract costs due to numerous reasons that would in turn impact operating income. Half of the Company's revenues also come from fixed-price contracts, which carry higher risk of deviations in actual costs in comparison with estimated costs, especially during development work.

- **Competition** – Competitors may end up winning bids due to more advanced capabilities.
- **Global macroeconomic risks** – The Company is subject to challenges including interest rate fluctuation, operational disruption, workforce issues, supply shortages etc.
- **Legal & Regulatory risks** – Investigations, claims, enforcement actions and other legal proceedings may impact the Company materially. The Company also has to comply with various procurement requirements and laws and regulations.
- **Reputational risks** – Improper conduct by any stakeholders of the Company can impact its reputation.
- **Cybersecurity risks** – As with the industry, the Company is subject to potential breaches to its systems. Any breaches on its customers, suppliers, and/or vendors' systems could also impact the Company since the latter have significant amounts of its data.
- **Reliance on labor and raw materials** – Any disruptions in this would hinder with the Company's operations.
- **Reliance on a talented workforce** – If the Company isn't able to attract and retain top talent, it could become less competitive in the market and overall industry.
- **Execution risk** – If the Company isn't able to fully execute on its strategy and especially be successful in innovating and developing new technologies in the future, it could fall short on meeting its contractual obligations.

Source: Annual 2024 10-K

VALUATION ANALYSIS



NOC - Valuation
Analysis.xlsx

FINANCIAL PERFORMANCE AND POSITION

<i>(in millions)</i>	Year-to-date		
	9/30/2025	9/30/2024	
Revenues	\$ 30,242	\$ 30,347	0%
Cost of Revenues	24,225	23,917	1%
Gross Profit	6,017	6,430	-6%
Profit Margin	20%	21%	
Operating Expenses	2,777	3,149	-12%
Operating Income	3,240	3,281	-1%
Operating Margin	11%	11%	
Other Expense (Income)	88	184	-52%
Earnings Before Inc. Taxes	3,328	3,465	-4%
Fed & For. Income Taxes	573	555	3%
Net Income	\$ 2,755	\$ 2,910	-5%
Diluted EPS	19	20	-3%
	9/30/2025	12/31/2024	
Current Assets	\$ 14,105	\$ 14,274	-1%
Non-Current Assets	35,195	35,085	0%
Total Assets	49,300	49,359	0%
Current Liabilities	12,718	14,128	-10%
Non-Current Liabilities	20,594	19,941	3%
Total Liabilities	33,312	34,069	-2%
Total Shareholders' Equity	15,988	15,290	5%
Current Ratio	1.11	1.01	
Debt to Equity	1.06	1.08	

Source: Unaudited Financials from latest 10-Q

ANALYST OPINIONS

Morningstar has a fair value estimate of \$630 per share, representing 24 times its 2025 earnings forecast and 16.5 times enterprise value/2025 estimated EBITDA. Overall, the sentiment for Northrop is very positive as it is a heavy favorite over Boeing to win the competition to build the new 6th generation carrier-based fighter for the Navy, dubbed F/A-XX. It is also actively in talks with the Air Force to increase the speed of B-21 production.

The following is a list of additional Analyst actions per Yahoo Finance:

Maintains	Bernstein: Market Perform to Market Perform	10/23/2025
Maintains	UBS: Buy to Buy	10/22/2025
Maintains	JP Morgan: Neutral to Neutral	10/22/2025
Maintains	Susquehanna: Positive to Positive	10/22/2025
Maintains	BTIG: Buy to Buy	10/22/2025
Maintains	Bernstein: Market Perform to Market Perform	10/20/2025
Maintains	Truist Securities: Buy to Buy	10/15/2025
Maintains	Morgan Stanley: Overweight to Overweight	10/15/2025
Upgrade	Deutsche Bank: Hold to Buy	10/8/2025

PEER ANALYSIS

	Northrop Grumman Corp NOC	Boeing Co BA	Lockheed Martin Corp LMT	Moog Inc MOG.A
Assessment	Fairly Valued	Undervalued	Undervalued	Undervalued ^Q
1-Star/5-Star Price	850.50 / 441.00	381.30 / 147.60	726.30 / 376.60	226.06 ^Q / 190.89 ^Q
ESG Risk Rating Assessment				
Economic Moat	Wide	Wide	Wide	Narrow ^Q
Capital Allocation	Exemplary	Standard	Exemplary	—
Market Capitalization	80.36 Bil	145.79 Bil	108.94 Bil	6.21 Bil
1-Day Return	0.90%	-1.39%	1.08%	-2.71%
1-Year Return	15.75%	36.82%	-9.51%	-8.14%
Enterprise Value/EBITDA	13.50	—	16.46	17.06
Price/Forward Earnings	19.11	96.15	15.83	15.09
Forward Dividend Yield	1.66%	0.00%	2.96%	0.58%
Revenue Growth (latest quarter)	4.27%	30.44%	8.80%	7.36%
Operating Margin (current)	10.01%	-10.43%	8.31%	10.42%
Analyst	Nicolas Owens, Equity Analyst	Nicolas Owens, Equity Analyst	Nicolas Owens, Equity Analyst	—

Source: Morningstar

Details	
Template:	Capital IQ Default Comps
Currency:	US Dollar
As-Of Date:	Nov-20-2025

Company Comp Set							
Company Name	LTM Gross Margin %	LTM Net Income Margin %	Market Capitalization Latest Value	Total Enterprise Value Latest	LTM Diluted EPS Excl. Extra Items	Day Close Price Latest	Shares Outstanding Latest
TransDigm Group Incorporated (NYSE:TDG)	15.3%	8.18%	75,533.9	102,813.9	32.06	1,341.19	56.3
Rocket Lab Corporation (NasdaqCM:RKL B)	8.3%	5.73%	23,299.9	22,793.6	(0.39)	43.62	534.2
Howmet Aerospace Inc. (NYSE:HWM)	25.6%	8.09%	81,240.7	83,984.7	3.56	202.06	402.1
L3Harris Technologies, Inc. (NYSE:LHX)	32.5%	18.34%	53,356.8	64,859.8	9.29	285.25	187.1
The Boeing Company (NYSE:BA)	20.1%	7.67%	141,149.7	174,580.7	(13.51)	185.7	760.1
General Dynamics Corporation (NYSE:GD)	1.2%	(12.20%)	92,528.8	99,884.8	15.44	343.06	269.7
Hexcel Corporation (NYSE:HXL)	23.0%	3.67%	5,670.3	6,336.8	0.84	71.23	79.6
RTX Corporation (NYSE:RTX)	33.3%	18.18%	232,985.9	269,607.9	4.87	173.77	1,340.8
Lockheed Martin Corporation (NYSE:LMT)	60.3%	23.49%	108,736.1	127,455.1	17.88	469.91	231.4
General Electric Company (NYSE:GE)	31.7%	(35.64%)	317,309.1	326,330.1	7.49	300.82	1,054.8
Northrop Grumman Corporation (NYSE:NOC)	19.4%	9.82%	80,636.8	95,654.8	27.81	565.0	142.7

Source: CapitalIQ

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

Sustainability

Risk Rating Assessment

Risk Rating Breakdown

ESG Risk Rating Assessment

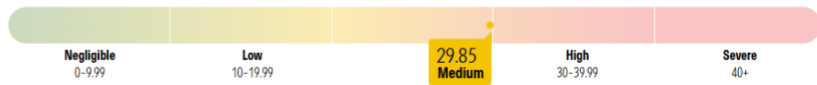


Highest Controversy Level (1 = Low, 5 = Severe)

2 Moderate

Incidents: Operations, Business Ethics, Employee, Customer

ESG Risk Rating



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 Nov 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/](https://www.sustainalytics.com/esg-ratings/).

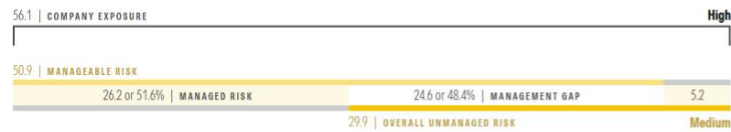
Sustainability

Risk Rating Assessment

Risk Rating Breakdown

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ESG Risk Rating Breakdown



Exposure

Exposure represents a company's vulnerability to ESG risks driven by their business model. Exposure is assessed at the subindustry level and then specified at the company level. Scoring ranges from 0-55+ with categories of low, medium, and high-risk exposure.

Management

Management measures a company's ability to manage ESG risks through its commitments and actions. Management assesses a company's efficiency on ESG programs, practices, and policies. Management score ranges from 0-100% showing how much manageable risk a company is managing.

Source: Morningstar