



NYSE: HII

Huntington Ingalls Industries, Inc.

Fundamental Analysis



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Introduction

GICS Sector: Industrials

Sub-industry: Aerospace & Defense



CEO: Chris Kastner

Tenure: 1.8 years

Huntington Ingalls Industries, Inc.'s management team has an average tenure of **2.8 years**. It is considered experienced.

Business Overview:

- Huntington Ingalls Industries, Inc. engages in designing, building, overhauling, and repairing military ships in the United States.
- The company has three segments: Ingalls, Newport News, and Mission Technologies
- In the Ingalls segment, the company designs and constructs non-nuclear ships for the U.S. Navy and U.S. Coast Guard.
- The core operations in Newport News are the engineering, design, and construction of U.S. Navy nuclear aircraft carriers ("CVN").
- The Mission Technologies segment focuses on solving national security challenges including intelligence, surveillance, reconnaissance, and cyber operations.
- Visit my website to learn more.



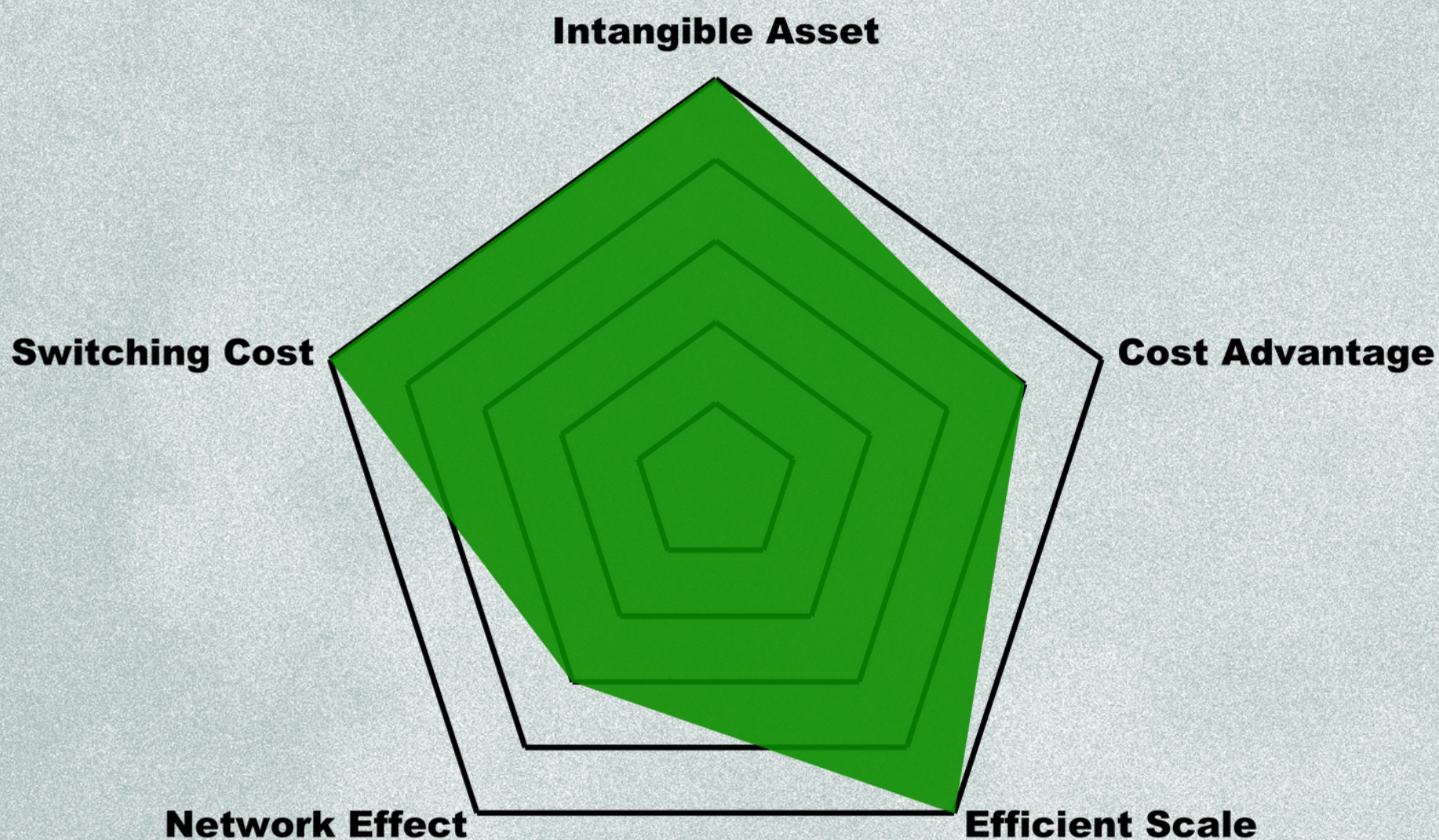
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Economic Moat



Economic moat: **Wide**

There are many ways to identify a company's economic moat, but I focus on the above 5 types. The rating is purely subjective, and it is based on my in-depth understanding and analysis of the company.



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Performance

	Yes	Inconsistent	No
Revenue growing YoY for the past 5 years consistently?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Net income growing YoY for the past 5 years consistently?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Cash flow from operating activities growing YoY for the past 5 years consistently?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Free cash flow is positive for the past 5 years?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gross margin % is consistent/growing for the past 5 years?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
EPS growing for the past 5 years?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

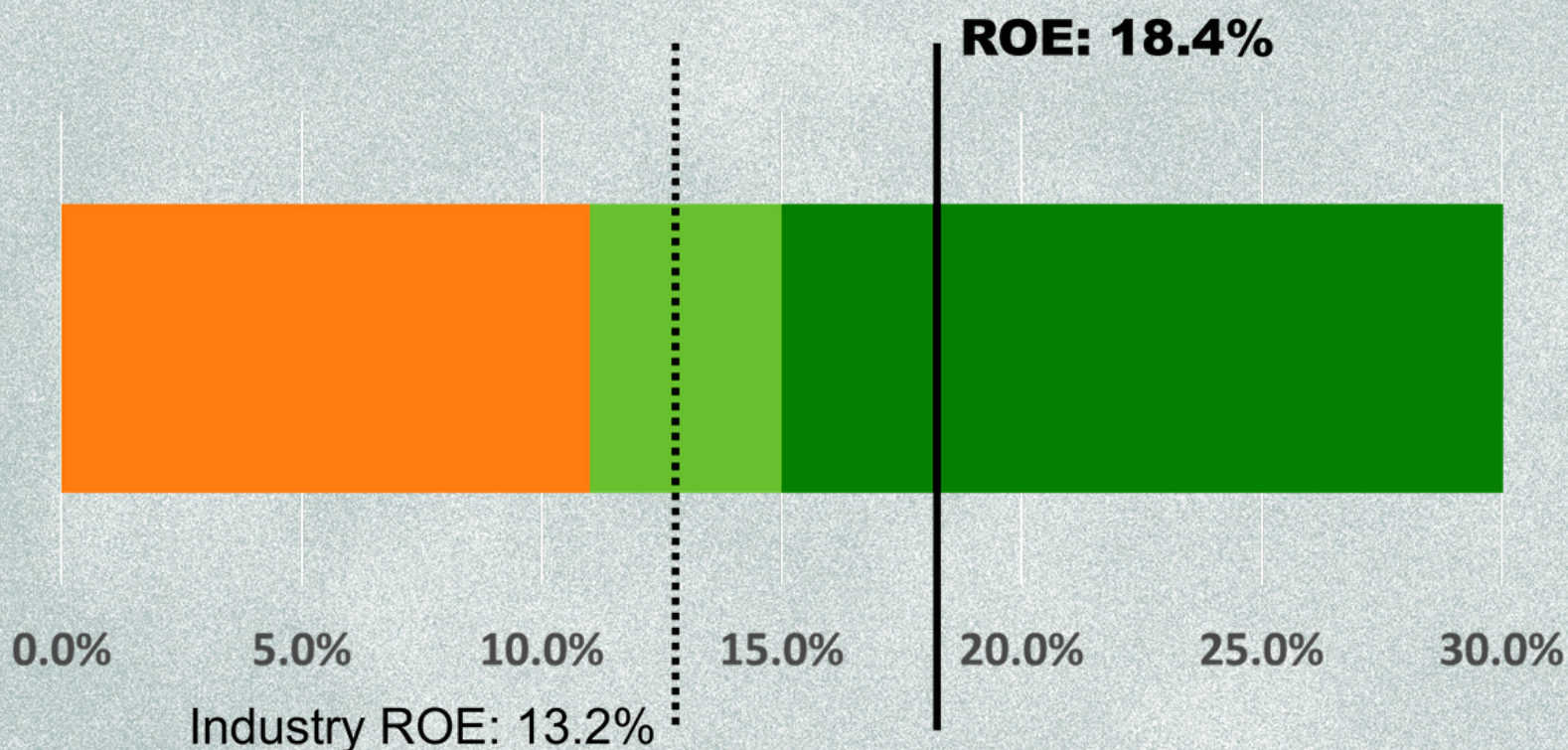




Management Effectiveness

Yes Inconsistent No

ROE is consistently at 12%-15%
YoY for the past 5 years?



ROIC is consistently at 12%-15%
YoY for the past 5 years?



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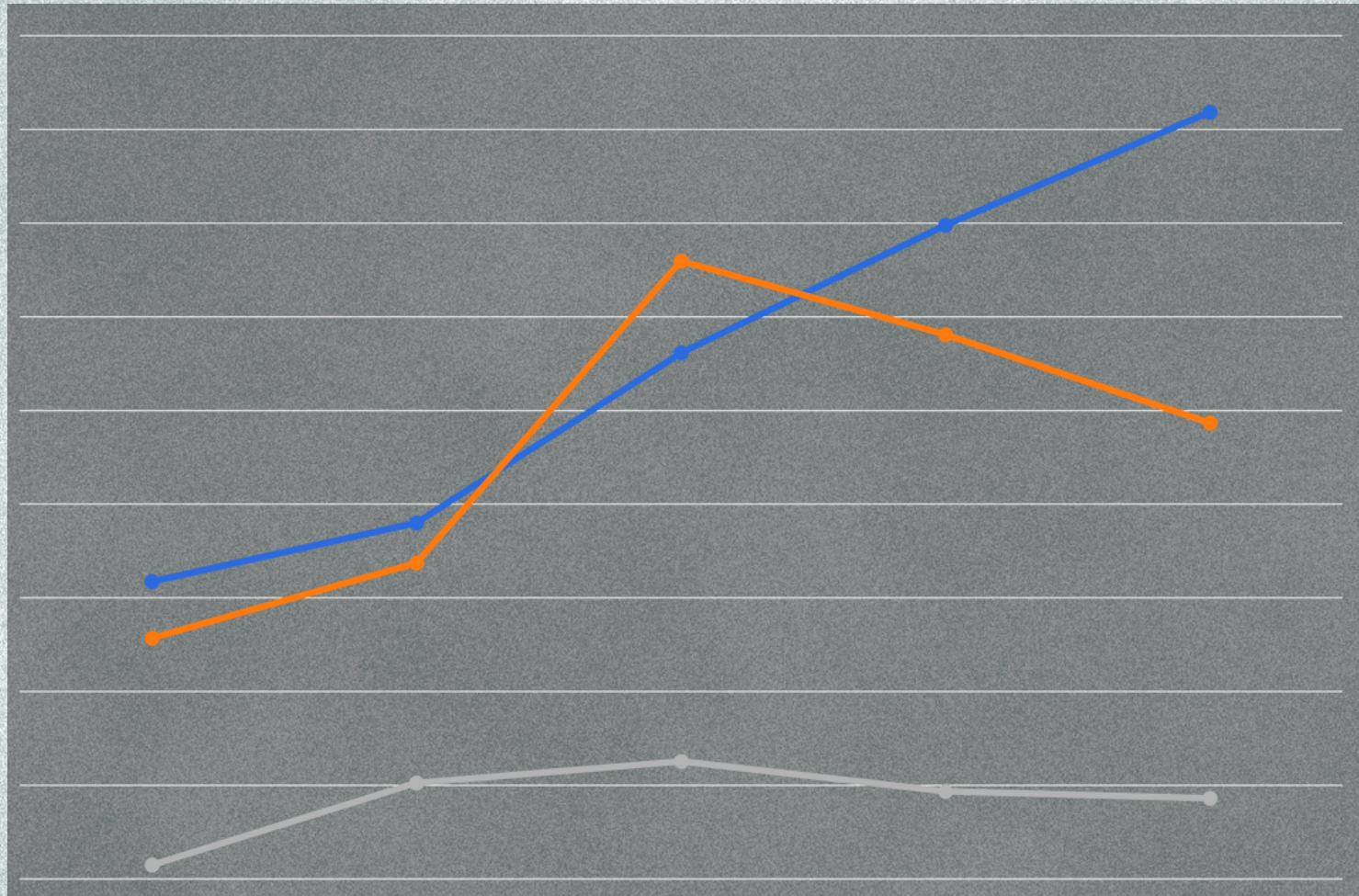
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Financial Health

USD Millions

4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0



12/31/2019

12/31/2020

12/31/2021

12/31/2022

12/31/2023

— Total Equity

— Total Debt

— Cash & Short Term Investments



Current Ratio: 0.9



Debt-to-EBITDA: 2.1



Interest Coverage: 7.8



Debt Servicing Ratio: 9.2%



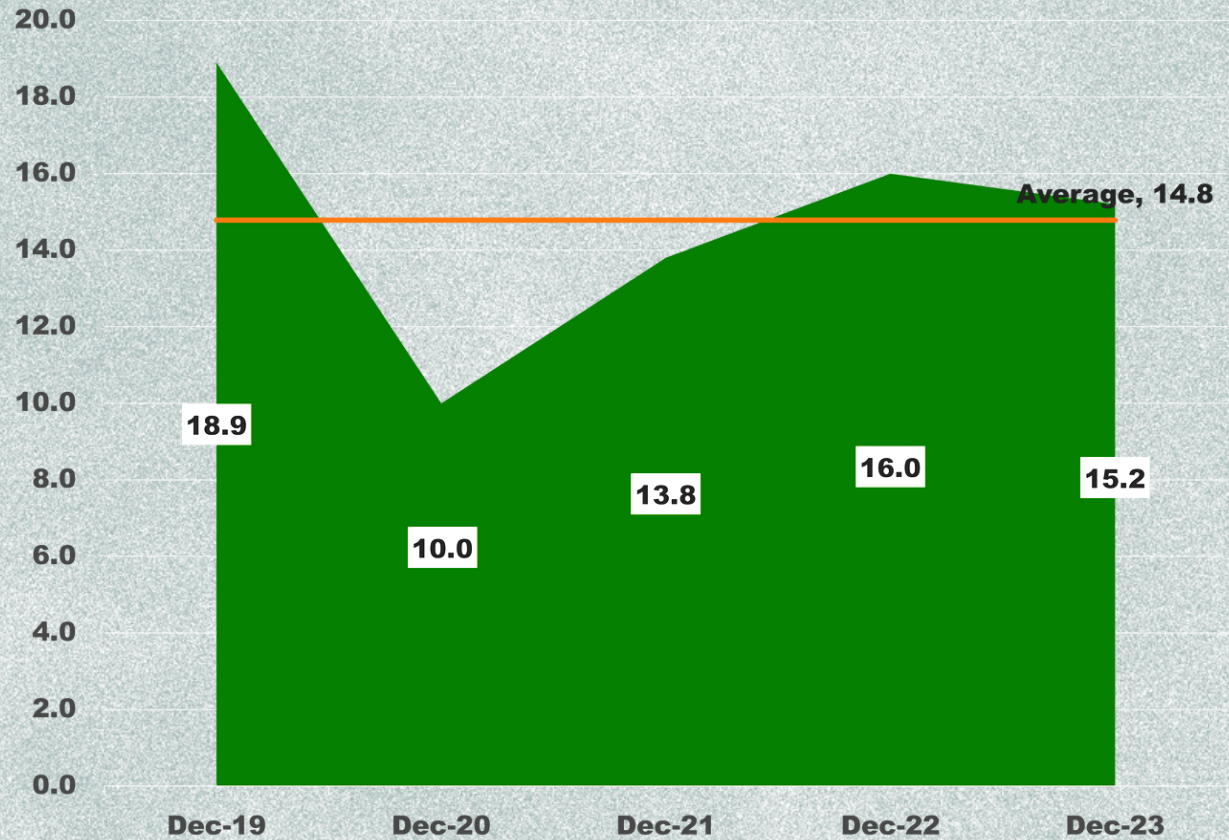
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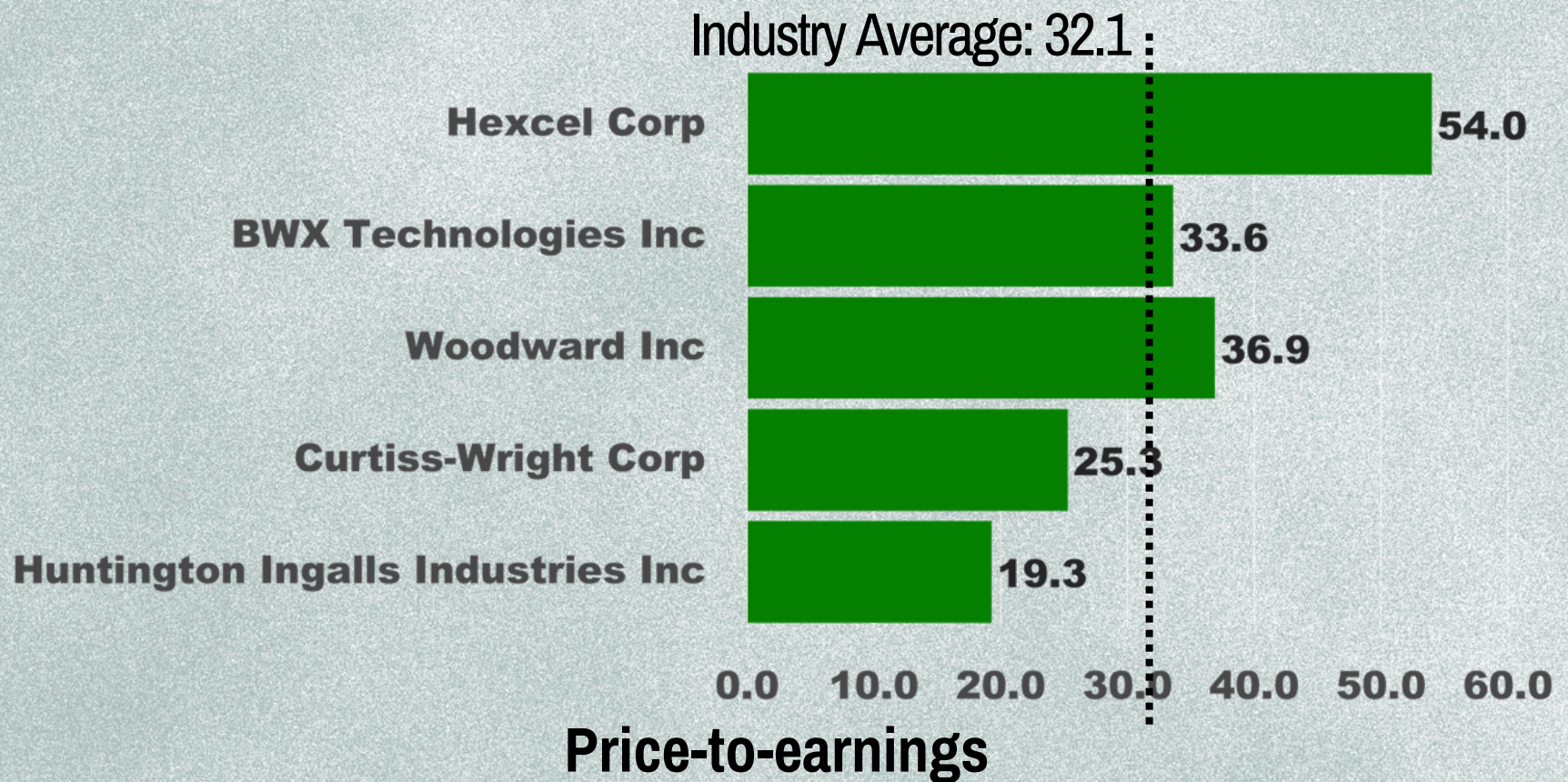
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Relative Valuation



Historical Price-to-earnings



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Intrinsic Valuation

Estimated intrinsic value: **\$271.92**

Value is calculated using discounted cash flow method (taking into account their cash and debt) and scenario planning.

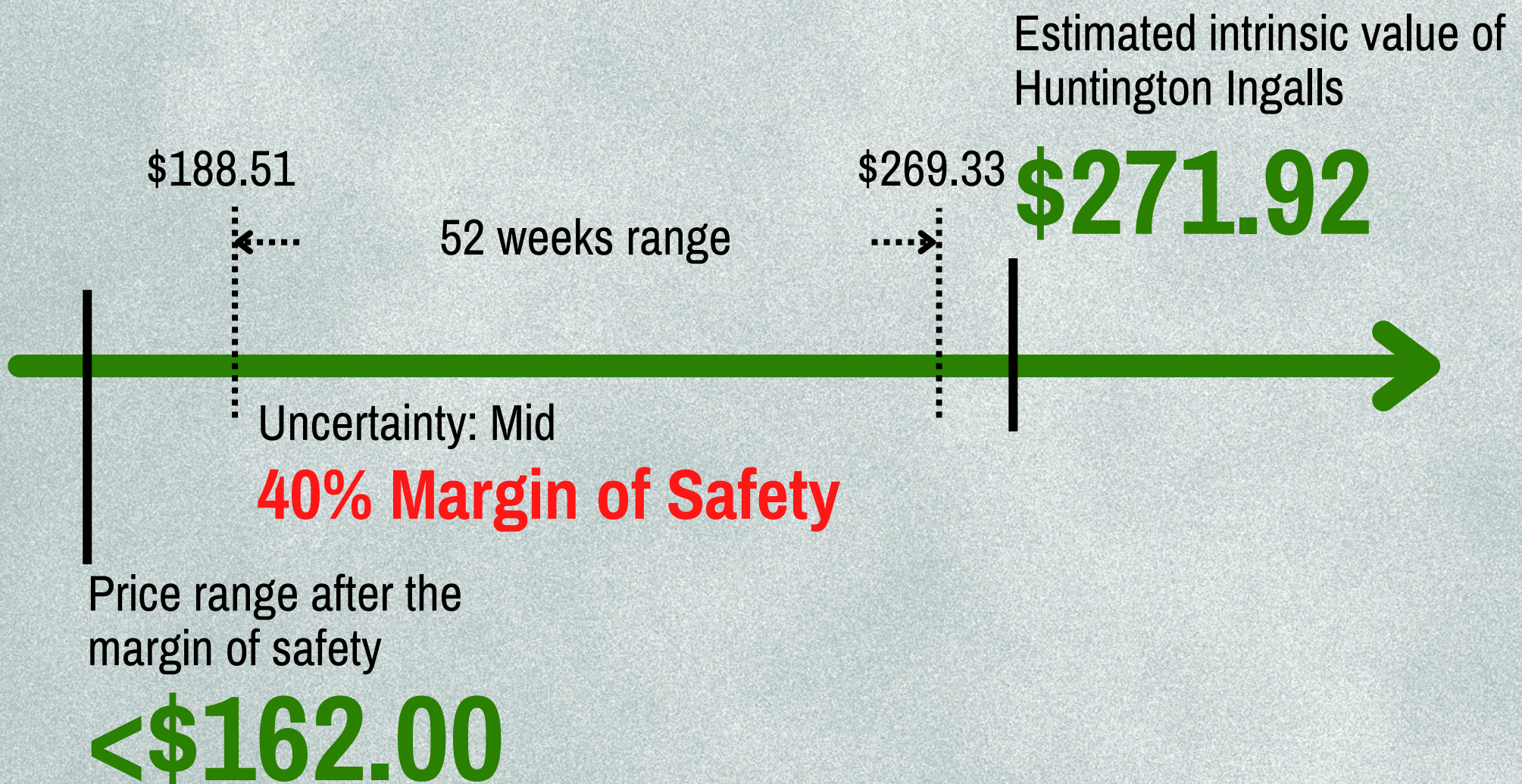
Average free cash flow used: USD\$580M

Projected growth rate: 8%

Beta: 0.6

Discount rate: 6.0%

Date of calculation: 2 Feb 2024



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