



Sept. 7, 2021 Podcast Transcript

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Announcer: Welcome to HII Talking Points. A Huntington Ingalls Industries podcast. Twice a quarter, we'll sit down with HII leaders to discuss topics of interest in our company and industry.

Phoebe Richards: Hello, welcome to HII Talking Points, your source for HII news and updates. I'm Phoebe Richards, and with me today to discuss the latest company news is our President and CEO Mike Petters. Mr. Petters, as always, thanks for joining.

Mike Petters: Thanks Phoebe. It's good to see you again.

Phoebe Richards: 2021 has been a busy year so far. In the past few months alone, HII participated in, Sea Air Space, the largest maritime expo in the U.S., we reported second quarter earnings, and we closed on the acquisition of Alion Science and Technology. The company also continues to respond to the ever-changing COVID-19 pandemic and advocates for vaccinations. With all these efforts, I'd like to get your perspective on the state of HII and where you see us going in the future. So to start, let's talk about COVID-19, we've seen the news regarding rising cases and the spread of the delta variant. So looking at the numbers, do you see the company's posture changing in terms of the COVID-19 response?

Mike Petters: Well, thanks, Phoebe. You know, the things that you see in your communities are the things that we see in our business. If the number of cases are rising in the community, that means they're rising in the business as well. If you go back to last year in 2020, in April and May, we took a lot of steps to give employees flexibility. A lot of that was because schools were closed, and they needed the flexibility to deal with their family situations. We're not in that same place now. We're in a place right now where every single one of our employees has access to a vaccine, and the schools in most of the communities where we are in are going to be open. So from our standpoint, from my standpoint, the single most important thing you can do is go get your shots, if you haven't gotten them. But recognize that, if you haven't gotten your shots and you find yourself in a quarantine situation or something like that, we're not going to have the flexibility and latitude that we had last year in April and May. So go get your shots. That's the solution to any sort of perturbations in the business right now.

Phoebe Richards: I'm thinking when we spoke last time earlier in the summer, we talked about being in a recovery mode. Do you still see us like that? Or do you think that's stalled a bit?

Mike Petters: No, I don't think it's stalled. I think we've got some places where we've had maybe a few more cases, isolated or localized in a particular area of the business than we would like to, and that's probably causing some local perturbations, but overall, the business itself, we're accelerating out of this. You mentioned the Sea Air Space expo. I mean, that's the first conference that we really, the first major

conference that we've really participated in, or that anybody participated in, in 18 months. Being there and being present, with all of the safety protocols that Navy League put in place, m, by large, it was a very successful show. I have no idea what the percentage of people that had been vaccinated. I don't know how that worked out, but what I do know is that we haven't seen that turn into a big super spreader event. So that means that safety protocols were followed and people had their shots. And so that's, to me, is a bellwether for, if we go ahead and get our shots and we continue to follow the safety protocols, we're going to be able to successfully accelerate out of this. And I, I think that's kind of the way I'm looking at it.

Phoebe Richards: Right. And speaking of shots, the Pfizer COVID-19 vaccine was recently granted full FDA approval. In your thoughts, what does this mean for industry and our communities in terms of people getting vaccinated?

Mike Petters: Well, number one, I hope that, for those people who were kind of holding out for this, there's now one less reason not to get a shot. I mean, personally, I don't think there's any reason not to get it, but I can get that people might have created some reasons for themselves. This should get rid of one of the big ones.

Phoebe Richards: Uh, switching gears, HII reported at second quarter earnings in early August. Can you give a summary and talk about any impacts from COVID-19?

Mike Petters: Well, frankly, it's been a year where, in the second quarter of last year, we had some pretty dramatic impacts in our risk registers due to COVID-19. And we took all that into account. We reset our risk registers, and now we've had four quarters in a row of executing inside the parameters of the risk registers that we've laid out, which is the name of the game right now. You can predict where you're going to be, tell people what you're going to do, and then go and do what you said you were going to do, and, building a track record of being able to do that is something that we take a lot of pride in. We work very hard at it. I mean, I know, you know, all 42,000 employees worked very hard at that. So, being able to actually deliver on your promises and your commitments is a big deal. And the fact that we were able to do that for the fourth quarter and rose -- great, great move. So we're very happy about that.

Phoebe Richards: Great. Switching gears to Alion, HII recently closed on the acquisition, and we're excited to welcome them into the HII family, so that 42,000 will grow a bit. How does Alion fit into HII in its strategy for the future?

Mike Petters: Well, that's a great your question. And we could talk about that all afternoon because Alion is just a fabulous company. Just welcome to all of those great folks who do that great work. Welcome aboard, as we'd say. It is a set of technologies -- let me back up. People will think of this sometimes as we're just adding another company to our portfolio, and it's kind of a portfolio management kind of play. And at the scale that Alion brings, I could see why people would think that, but the way I think about this is this is really another technology investment. Alion has real strengths in the areas of artificial intelligence and machine learning. They have real strengths in the area of networking and simulation-based training for simulation-based training environments.

And if you step up and you listened to our customers, you know, we have a very intimate relationship with the Navy, and they're talking about the Navy of the future and the things that they're going to

need. They're going to need a Navy that is more distributed and more lethal. Well, how do you get a Navy that's more distributed and more lethal? Well, you distribute it by having some of the Navy being manned, and some of it being unmanned. You rely on artificial intelligence, you rely on networks, you rely on machine learning and you harvest the savings that will come. And the experience that will come from your simulation-based training. Well, that's exactly what Alion does. And so the marriage of what Alion does with the platforms that we provide is a really strong technology investment for us.

Mike Petters: And so we're very excited about that. What I also think is really interesting, and what Alion shows us in their business portfolio is that, yes, these are things that are going to be very important to the Navy of the future. But frankly, these are all things that are going to be very important to our overall security posture with all of the other customers that are out there. And so that gives us a great opportunity to create more access for customers to our capabilities, you know, channels of access. We've talked about that here before. But now we have channels of access to even more customers across a broad array of security issues that are out there. And the way that shows up in our businesses that our employees get to do a lot of new things and neat things and, and really be on the front edge of stuff that matters.

Mike Petters: Um, it shows up in our customer relationships because you become the partner of choice when they've got a tough problem. And they say, who has the tool set to solve problem? We do. And even financially it shows up because as your customers create more demand and your employees have more engagement and, and excitement about what they're doing, they're creating more value and your growth rates go up and your returns get better. So, you know, there's, there's no downside to this. And to me, I think this, again, highlights the fact that we can think about our business as being more than a 90-day business. We can think about where this business is going to be in five or 10 or 15 years. I don't think there's a corporation in America that if they actually think about where they're going to be in 15 years, they're not actually thinking about artificial intelligence, machine learning, simulation-based training networks, robotics and unmanned, augmentation of their workforce. I don't think there's anybody that's not thinking about that. So bringing that in and making that part of our core capability and toolset, to me, that's a very exciting day for us. And now it's up to us to deliver on that, but I'm very excited about that.

Phoebe Richards: Right. And some of the capabilities that you mentioned with Alion, they sound very complimentary to what Technical Solutions does now. So in, you know, in your mind, how does, how does it, Alion, fit into what Technical Solutions already offer?

Mike Petters: Well, I mean, it's very strong. You know, we have, in the course of the creation and growth and maturation of Technical Solutions, we've settled in on some things that really we had organically figured out we were good at, like ISR, just to pick one or unmanned – just to pick those two examples. And the training piece, I guess, would be a good one too. When you turn around and you bring someone like Alion on, the fact is that they're the ones with more scale than we have. So what's, what's more likely to be happening is that we're going to be moving some of our stuff towards Alion's approach to things to create more scale so that we can go after bigger ISR projects or bigger training projects. Not unlike what we did with Hydroid and unmanned. We made a small technology investment in unmanned. We did a little bit of work in unmanned, but then we brought Hydroid in, and we brought all that other stuff into Hydroid. Well the same thing, I think you'll see us, by and large doing with Alion.

You know, we, now we brought Alion in, so that'll we'll take the stuff that we've been doing and kind of fade it into Alion.

Phoebe Richards: Right. So switching, looking forward now we're getting ready to enter the fourth quarter of 2021, and then into 2022, if you can believe it. Where do you see the company going in the year ahead?

Mike Petters: Well, first of all, we're going to be continuing to deliver on our commitments to our employees, our commitments to our customers and our commitments to our shareholders. I think that there's a very special place for folks who do what they say they're going to do. We're not terribly interested in telling folks we're going to hit a 12-foot basket and then settling for 10. If we're going to hit a 10 foot basket, let's tell people we're going to go do it, and then go do it, right. And so I think there's a very special place for that. I think we're going to be like society. The surge in cases right now is going to continue to affect everybody.

The sooner our employees can get their shots and get on with that, the better it's going to be for the whole company. It's going to be better for our workplace. And so I think that's going to be very important. But I think a year from now, what you're going to see is you're going to see Alion integrated into the rest of our business. And you're going to be able to see more clearly, you're going to see why this makes so much sense for us to do, to bring that kind of technology into our business. And you're going to start to see it showing up in our products, and you're going to start seeing it show up in our workplaces.

Phoebe Richards: Well, Mr. Petters, thank you for sharing your insight today and thank you to our listeners for tuning in.

Mike Petters: Phoebe. It's always great to be with you. It's good to be with you in person this time.

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Announcer: Thanks for listening to HII Talking Points. This podcast was produced by Huntington Ingalls Industries corporate communications team. We welcome your feedback and ideas for future podcasts at www.huntingtoningalls.com/podcast.

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