

NORTHROP GRUMMAN CORP /DE/
Form DEF 14A
April 06, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to §240.14a-12

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Northrop Grumman Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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- (1) Title of each class of securities to which the transaction applies:
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Fee paid previously with preliminary materials.

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- (1) Amount Previously Paid:
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April 6, 2012

On behalf of the Board of Directors and management team, we cordially invite you to attend Northrop Grumman Corporation's 2012 Annual Meeting of Shareholders. This year's meeting will be held Wednesday, May 16, 2012 at our principal executive office located at 2980 Fairview Park Drive, Falls Church, Virginia, 22042 beginning at 8:00 a.m. Eastern Daylight Time.

We look forward to meeting those of you who are able to attend the meeting, which will be our first annual meeting held in our new corporate headquarters. For those who are unable to attend, live coverage of the meeting will be available on the Northrop Grumman Web site at www.northropgrumman.com.

At this meeting, shareholders will vote on matters set forth in the accompanying Notice of Annual Meeting and Proxy Statement. We will also provide a report on our Company and will entertain questions of general interest to the shareholders.

Your vote is important. Your proxy or voting instruction card includes specific information regarding the several ways to vote your shares. We encourage you to vote as soon as possible, even if you plan to attend the meeting. You may vote over the internet, by telephone or by mailing a proxy or voting instruction card.

Thank you for your continued interest in Northrop Grumman Corporation.

Wes Bush

Chairman, Chief Executive Officer and President

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS AND 2012 PROXY STATEMENT | 1

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of Northrop Grumman Corporation will be held on Wednesday, May 16, 2012 at 8:00 a.m. Eastern Daylight Time at our principal executive office located at 2980 Fairview Park Drive, Falls Church, Virginia 22042.

Shareholders of record at the close of business on March 20, 2012 are entitled to vote at the Annual Meeting. The following items are on the agenda:

- (1) The election of the thirteen nominees named in the attached Proxy Statement as directors to hold office until the 2013 Annual Meeting of Shareholders;
- (2) A proposal to approve, on an advisory basis, the compensation of our named executive officers;
- (3) A proposal to ratify the appointment of Deloitte & Touche LLP as our independent auditor for the year ending December 31, 2012;
- (4) A proposal to approve an amendment to the Certificate of Incorporation of Titan II, Inc. (now a wholly-owned subsidiary of Huntington Ingalls, Inc.), to eliminate the provision requiring our shareholders to approve certain actions by or involving Titan II, Inc.;
- (5) A proposal to approve an amendment and restatement of our Certificate of Incorporation to provide additional rights for holders of the Company's common stock to act by written consent subject to various provisions;
- (6) One shareholder proposal included and discussed in the accompanying Proxy Statement; and
- (7) Other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

All shareholders are invited to attend the Annual Meeting. To be admitted you will need a form of photo identification. If your broker holds your shares in street name, you will also need proof of beneficial ownership of Northrop Grumman common stock.

By order of the Board of Directors,

Jennifer C. McGarey

Corporate Vice President and Secretary

2980 Fairview Park Drive

Falls Church, Virginia 22042

April 6, 2012

IMPORTANT

Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to be held on May 16, 2012:

The Proxy Statement for the 2012 Annual Meeting of Shareholders and the Annual Report for the year ended December 31, 2011 are available at: www.edocumentview.com/noc.

You may submit a proxy by telephone or over the internet. For instructions on submitting an electronic proxy please see the section entitled *Questions and Answers About the Annual Meeting* in this Proxy Statement or the proxy card.

If you receive a proxy card, please sign, date and return the proxy card for which a return envelope is provided. No postage is required if mailed in the United States.

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SUMMARY INFORMATION

This summary provides Business, Compensation and Corporate Governance Highlights from our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (our 2011 Form 10-K) as filed with the SEC on February 8, 2012 and elsewhere in this Proxy Statement and is provided to assist you in reviewing the Company's 2011 performance. The information contained below is only a summary. For additional information about these topics, please refer to the more fulsome discussions contained in this Proxy Statement and in our 2011 Form 10-K.

BUSINESS HIGHLIGHTS

Our strong 2011 financial results demonstrate our progress in achieving superior operating performance and our effective cash deployment. We achieved higher operating income, earnings and cash flow in a challenging federal budget environment, while continuing to align our portfolio with our customers' emphasis on affordability and in markets such as Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR), unmanned systems, cybersecurity and logistics. Our 2011 results continue a record of improving performance aimed at value creation for our shareholders, customers and employees.

Portfolio Highlights In March 2011, we completed the spin-off of our former shipbuilding business. In the spin-off, our shareholders received shares of the new shipbuilding company, Huntington Ingalls Industries, Inc. (HII), which represented equity value of \$1.8 billion at the time of the spin-off. We also refined our portfolio by divesting or de-emphasizing certain non-core and underperforming businesses. These actions improved our financial performance and sharpened our focus on four core areas: C4ISR, manned and unmanned systems, cybersecurity and logistics.

Performance Highlights 2011 earnings from continuing operations increased 10% to \$2.1 billion from \$1.9 billion in 2010. Earnings per share from continuing operations increased 17% to \$7.41 from \$6.32. This increase resulted from improved performance from our businesses, more favorable pension expense, lower interest expense and fewer shares outstanding as a result of our substantial share repurchases. These positive trends more than offset lower sales and higher taxes in 2011. Segment operating income generated by our businesses rose during the year and as a percentage of sales increased to 11.6%. Total operating income increased 16% and as a percent of sales increased to 12.4%.

We also generated higher cash from operations and higher free cash flow in 2011.* Cash provided by operations before our discretionary after-tax pension contributions (CPO) totaled approximately \$3 billion, and free cash flow before discretionary after-tax pension contributions (FCF) totaled \$2.5 billion.*

Cash Deployment Our strong cash generation in 2011 and the \$1.4 billion cash contribution from the HII spin-off allowed us to repurchase 40.2 million shares for \$2.3 billion. We also raised our quarterly dividend 6.4% to an annualized rate of \$2.00 per share, our eighth consecutive annual dividend increase. Cash returned to shareholders through dividends and share repurchases totaled \$2.8 billion in 2011.

* Cash from operations and free cash flow presented are before discretionary after-tax pension contributions of \$648 million in 2011 and \$539 million in 2010. The information presented is a non-GAAP metric. For more information, see Miscellaneous Use of Non-GAAP Financial Measures on page 71 of

this Proxy Statement.

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SUMMARY INFORMATION *(continued)*

2011 COMPENSATION HIGHLIGHTS

i The compensation earned in 2011 by our Chief Executive Officer (CEO) and the other named executive officers (NEOs), as described in the Compensation Discussion and Analysis section of this Proxy Statement, reflect our Company's strong financial performance, achievement of the performance targets established by the Compensation Committee of the