

# THE ECONOMIC CLUB

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O F W A S H I N G T O N, D. C.

## **Signature Event**

**Kathy Warden**  
**Chair, Chief Executive Officer, and President**  
**Northrop Grumman Corporation**

**David M. Rubenstein**  
**Chairman**  
**The Economic Club of Washington, D.C.**

**Marriott Marquis, Washington, D.C.**  
**Wednesday, May 4, 2022**

DAVID M. RUBENSTEIN: We're very fortunate to have Kathy Warden, who is the chairman, CEO, and president of Northrop Grumman here.

Briefly, her background, she is from – I'm from – a native of Maryland, but I had never heard of, to be honest, her hometown of Smithsburg,<sup>1</sup> Maryland. Anybody know where Smithsburg is?

KATHY WARDEN: At least somebody acknowledge.

MR. RUBENSTEIN: It's near Hagerstown, right?

MS. WARDEN: It is. [Laughs.]

MR. RUBENSTEIN: OK. She's from Smithsburg, and from there, she went to James Madison University and got her MBA at George Washington. She started her career at General Electric and then went to Veridian then to General Dynamics, and then in 2008, she joined Northrop Grumman. And she worked her way up to be president and chief operating officer, and in January 2019, she became the CEO.

And in January – and in July of 2019 also added the title of chairman, and since she – and all of you will wish you had bought the stock when she became the CEO because the stock is up 84 percent since she became the CEO, and the market capitalization is up about 65 percent. The company has about – a market capitalization of about \$70 billion and about 90,000 employees and headquartered in Falls Church.

So, how many people when they heard she was going to be CEO bought the stock? How many people wish they had bought the stock?

MS. WARDEN: I told David it's not too late.

MR. RUBENSTEIN: Right? OK. [Laughter.]

MS. WARDEN: [Laughs.]

MR. RUBENSTEIN: So, recently you were banned from traveling to Russia. Has that upset you very much, and have you lost a lot of sleep out of that? Were you going to Russia a lot?

MS. WARDEN: Well, after having to replan my vacation for this summer – I'm just kidding – no, I had not planned to travel to Russia, and it hasn't upset me. As a matter of fact, it's made me proud because the reason I am banned from travel to Russia is because of the work Northrop Grumman does. And we are providing capabilities that the U.S. and our allies use to deter conflict, and when that's not successful – as it hasn't been in Ukraine – to protect people's human rights and their freedoms and way of life.

So, that's something to be very proud of, and I don't plan to go to Russia.

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<sup>1</sup> Smithsburg is a town in Washington County, Maryland, U.S., just west of the presidential retreat Camp David.

MR. RUBENSTEIN: OK. Are you surprised you were on the list, or?

MS. WARDEN: I was surprised because the sanctions against me don't really accomplish anything, but – [laughter] – it's part of the job.

MR. RUBENSTEIN: OK. So, let's talk about Russia-Ukraine. I assume that Northrop Grumman is providing some equipment to the Ukrainians. Is that true?

MS. WARDEN: It is true.

MR. RUBENSTEIN: And how does that work? Do the Ukrainians call you directly and say this is what we need? Or did the Pentagon call you and say what do you have that we could use? Or how does that work?

MS. WARDEN: Well, the Ukrainians don't have my cell phone number, so no they don't call direct. We go through the U.S. government, and the Pentagon largely is procuring on behalf of Ukraine what is being provided in aid. And that's how we do most of our foreign business, through the U.S. government.

MR. RUBENSTEIN: OK. But the government knows all the things you already have. But, like, do you ever call them up and say we have this new thing that's even better than what we had before and try to get them to buy some new things? Is that how it works?

MS. WARDEN: We do. They set requirements, but we also offer ideas on technologies that they may not be contemplating that we think would be useful to solve their challenges.

MR. RUBENSTEIN: OK. So, for the Ukrainians is there any price negotiation? Or do you say to the Pentagon, well, this is what it costs, but we'll give you a discount because it's a good cause? Or how does that work?

MS. WARDEN: No, usually prices are set well in advance of when the capabilities are used, and so, those negotiations are rigorous. And the government operates on behalf of the taxpayer to make sure they get the best deal, but that's not relative to what's happening in the environment at the moment.

MR. RUBENSTEIN: OK. So, let's suppose that the Ukrainians need certain types of weapons, do you actually have those weapons sitting in a warehouse somewhere and you ship them over there? Or how do they get over there? And you make them specifically for the Ukrainians or you already have them sitting somewhere?

MS. WARDEN: Well, my CFO's here, so I would not admit to carrying a lot of inventory. That would be a bad business move. But the U.S. government does carry inventory, and for most of what's being provided to Ukraine right now, it is coming out of U.S. stockpiles.

MR. RUBENSTEIN: OK. So, are there any things that you can talk about that maybe are being used by Ukrainians that have done well?

MS. WARDEN: Well, you read the news as I do. In terms of what the Ukrainians are using and how well they're doing, I would say the most important weapon they have is the spirit and determination of the Ukrainian people, even more so than the arms that are being provided by the U.S. and our allies.

MR. RUBENSTEIN: OK. Now, you are not banned from going to Ukraine. It seems like everybody wants to be in Ukraine these days.

MS. WARDEN: [Laughs.]

MR. RUBENSTEIN: I feel like there should be a bumper sticker that says, honk if you haven't been to Ukraine yet. [Laughter.] But have you been to Ukraine?

MS. WARDEN: I have not.

MR. RUBENSTEIN: OK.

MS. WARDEN: Now's not the time to go, though.

MR. RUBENSTEIN: Not to go, OK.

So, right now what was your assessment – you're obviously not in the military, but you must talk to people in it. What is your assessment of the likelihood that this war or special military operation is going to continue for quite some time?

MS. WARDEN: I don't know if I'm the best person to suggest what's going to happen next. I wouldn't have thought that Russia would invade Ukraine. Once it happened, I would have thought that it would have been weeks before some peaceful resolution would have been reached.

It does look like now this conflict is going to endure, unfortunately, and it largely is being driven by, again, the will of the Ukraine people to protect their freedoms.

MR. RUBENSTEIN: Now, the defense contractors – and you're a defense contractor. Some people would call you that. Some would say aerospace defense company. What's the preferred terminology?

MS. WARDEN: Aerospace and defense is our industry, but Northrop Grumman is predominantly defense.

MR. RUBENSTEIN: OK. So, do the defense companies – the other ones, Lockheed Martin and General Dynamics – do you get together and say these are the weapons we ought to try to have

the Ukrainians use? Or you can't for antitrust reasons get together so each of you deal with the Pentagon separately?

MS. WARDEN: We absolutely collaborate under the direction, often, of the U.S. government, and there are forums where we come together with the government to talk about how we can work together to either scale – right now it's a question of how do we scale production to backfill stockpiles. We also work together on new technology development.

It's a rare industry in that competitors often team together because no one company has all the skills and technologies available to them to deliver on the government's tough requirements. So, quite a bit of collaboration in our industry.

MR. RUBENSTEIN: So, Congress very often promotes certain aerospace defense projects and so forth. In this particular case, is Congress promoting certain weapons or certain products you have? Or is it just coming from the Pentagon in terms of what you're going to be selling to the Ukrainians?

MS. WARDEN: Well, I wouldn't say they promote as much as they support through appropriations and making prioritization decisions about what systems are most necessary for national security means. In the case of our international partners, our Congress also engages in CODELS<sup>2</sup> that help to promote U.S. industry as a source because we'd always like our allies to have systems that can interoperate with the U.S., and that we are providing.

MR. RUBENSTEIN: So, when the Pentagon says we need certain systems and weapons for the Ukrainians, do they – and it's an emergency – do they pay you before you actually deliver the systems, or do you have to – do you insist on getting paid first or you can trust the government's credit?

MS. WARDEN: We trust the government's credit. We rarely in the U.S. get paid first.

MR. RUBENSTEIN: Oh, you don't get paid first? And so, are they pretty reliable? They pay you in three months or –

MS. WARDEN: [Laughs.] They pay us on time.

MR. RUBENSTEIN: On time, OK. [Laughter.]

MS. WARDEN: Usually. [Laughter.]

MR. RUBENSTEIN: Usually.

MS. WARDEN: [Laughs.] Except during continuing resolutions. [Laughs.]

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<sup>2</sup> A congressional delegation taking a trip abroad, designed to give lawmakers first-hand knowledge of matters relevant to their legislation.

MR. RUBENSTEIN: OK. So, right now – for a while there were – three of the largest aerospace defense companies were led by women. Marilyn Hewson was running Lockheed Martin. Phebe Novakovic was running General Dynamics, and you're running Northrop Grumman.

So, is there a discrimination against men that try to run these companies? [Laughter.] Or what about affirmative action for men?

MS. WARDEN: Well, I think in all of our cases we were the first women in company histories of nearly a hundred years, so we have some catching up to do still.

MR. RUBENSTEIN: OK. And do you get tired of getting asked every day what's it like to be a woman heading an aerospace defense company? And if not, can I ask that question? [Laughter.] What's it like to be a woman heading up an aerospace defense company?

MS. WARDEN: I had a feeling you'd ask anyway.

MR. RUBENSTEIN: OK.

MS. WARDEN: You know, I don't think of myself as a woman running the company. I think of myself as a leader with a tremendous amount of responsibility to the people that I support. [Applause.]

MR. RUBENSTEIN: OK. All right.

Well, let's talk about how you became a leader. I didn't want to make fun of Smithsburg. I assume it's a great city –

MS. WARDEN: [Laughs.]

MR. RUBENSTEIN: – but I've actually never –

MS. WARDEN: Town.

MR. RUBENSTEIN: Town.

MS. WARDEN: [Laughs.]

MR. RUBENSTEIN: Where is it, actually?

MS. WARDEN: It's just outside of Hagerstown in the hills – I would not call them mountains – that you cross over as you head into western Maryland.

MR. RUBENSTEIN: And how did your family get there, not that it's not a good place to be, but?

MS. WARDEN: [Laughs.] Well, my father came from an even smaller town called Middletown because it's positioned between Frederick and Hagerstown, and my mother came from an even smaller town called Clear Spring, Maryland.

MR. RUBENSTEIN: So, they love small towns.

MS. WARDEN: They love small towns.

MR. RUBENSTEIN: All right. So, what did your father and mother do in Smithsburg?

MS. WARDEN: So, neither of them had a college degree. So, my mother worked in a sewing factory, and my father was a surveyor for the county government.

MR. RUBENSTEIN: OK, and so, you grew up there and you went to high school there?

MS. WARDEN: Mm hmm.

MR. RUBENSTEIN: And were you president of student government or were you head of the aerospace defense club or something? [Laughter.]

MS. WARDEN: I don't think we knew how to spell aerospace and defense in Smithsburg.

I was active in my school, both in sports and extracurricular activities, but nothing that would prepare me for my career.

MR. RUBENSTEIN: OK. All right, so if you're a student – if you grew up in Maryland and your parents were not wealthy, you can get, I guess, some state discount if you go to college in Maryland, but you went to college in Virginia.

So, why did you pick Virginia, and why did you pick James Madison? Did you admire his work on the Constitution? Or how did you happen to pick James Madison University?

MS. WARDEN: [Laughs.] Well, it was pre-internet, so I was somewhat limited not having parents who knew the college scene, and coming from a small school, where the guidance counselor didn't send many people to college at all to get a four-year degree. So, I had just done my own research and found James Madison to be the kind of culture that I wanted in a university.

It was very oriented toward teaching and still is today, and I value the education I got there because the organization was not focused on research and corporate partnerships. It was focused on the student.

MR. RUBENSTEIN: OK. So, after you graduated, did you work right away, or did you get your MBA later?

MS. WARDEN: I went to work and about two years into my career went to get my MBA.

MR. RUBENSTEIN: So, you went to General Electric initially?

MS. WARDEN: I did.

MR. RUBENSTEIN: And did you ever think that your company would be more valuable than General Electric would be?

MS. WARDEN: [Laughs.] No, I did not think that.

MR. RUBENSTEIN: OK. So, you worked for General Electric then how did you wind your way to get to Northrop Grumman?

MS. WARDEN: So, I left GE a little less than a decade into my career there to go to a small start-up, and it was around the time of the internet boom. And I wanted to use my technology skills to help companies figure out how to monetize the internet, and that's what we were doing.

9/11 hit, and I had a team working in New York City in the financial district. And really, our whole company was touched by that experience. We, fortunately, didn't lose anyone in the 9/11 terrorist attacks, but our world was turned upside down.

And so, I was asked if I would in the company that I was working for go work with the Intelligence Community for a short period of time on information sharing, and I said, absolutely, I want to do my part. And I thought I'd do it for 18 months, two years, and then go back to what I was doing, what I knew.

And the rest is history. Twenty years later, I'm still in the industry because I believe and I have a passion for the work we do.

MR. RUBENSTEIN: OK. So, to have a job – well, let's finish up. So, you joined Northrop Grumman, and did you say, I'm going to be the CEO of this company someday, or?

MS. WARDEN: No, I never set – I set goals for myself. I wanted to have increasingly significant impact in the companies in which I worked, but I never said I need to be CEO one day.

MR. RUBENSTEIN: All right. But you weren't surprised when you were picked as president and chief operating officer?

MS. WARDEN: The writing was on the wall at that point.

MR. RUBENSTEIN: OK. All right so, when you became the CEO then all of a sudden you had to get all these security clearances, right? You have all the clearances you could possibly get, I guess, by now, right?



MS. WARDEN: I had a lot before I became CEO, but yes, it does feel like they just keep coming.

MR. RUBENSTEIN: And the government goes back and investigates everybody you've known since the third grade and all that?

MS. WARDEN: Yes.

MR. RUBENSTEIN: And there were no scandals, no skeletons, it was perfect?

MS. WARDEN: Not that they could find, no. [Laughter.]

MR. RUBENSTEIN: Right. OK.

MS. WARDEN: And none that I'm aware of. [Laughs.]

MR. RUBENSTEIN: OK. All right, so, let's talk about your company. It has four segments, you would call them, right?

MS. WARDEN: Yes.

MR. RUBENSTEIN: First is aeronautics. What is aeronautics? What is your aeronautics segment?

MS. WARDEN: It's pretty simple. We build aircraft – both unmanned and manned aircraft.

MR. RUBENSTEIN: Unmanned, is that like a drone, or?

MS. WARDEN: Mm hmm.

And the unique aspect of what we do, there are many remotely piloted unmanned aircraft. Ours are completely autonomous – meaning, they fly themselves.

MR. RUBENSTEIN: So, sometimes I've read that autonomous kind of planes like this they actually have people that could be in any city just directing them.

So, what is to stop a foreign country from doing the same to us? They could send their equivalent drones over our airspace. Is our technology so much better that nobody else can do that right now or somebody could do that?

MS. WARDEN: Well, that's where we need good defensive systems, and so, that's another part of the business that detects and can deter or intercept if needed.

MR. RUBENSTEIN: So, what's the future of drones? I mean, we already know what they kind of can do, but what can they do in the future that you would say would be amazing?

MS. WARDEN: I think what we'll see more of in the future is unmanned and manned teaming – meaning, unmanned aircraft, where you don't want to put humans in harm's way. We'll do missions that clear the path for or collect intelligence for manned aircraft that will follow.

MR. RUBENSTEIN: OK. Now, another one of your segments is defense since the whole company is defense. But what is the segment of defense?

MS. WARDEN: It's largely our weapons business as well our command-and-control business that does the detection to support the intercept with kinetic weapons.

MR. RUBENSTEIN: So, is that, like, another way of saying cyber, or that's not?

MS. WARDEN: No, that business isn't cyber. It's more kinetic. So, the physical weapon systems that we build.

MR. RUBENSTEIN: OK. All right, now you make the B-2 bomber –

MS. WARDEN: We do.

MR. RUBENSTEIN: – and what segment is that in?

MS. WARDEN: Aero.

MR. RUBENSTEIN: That's aero, OK, but you were talking about – or it's manned by it as well.

MS. WARDEN: It's an airplane that is both conventional and nuclear armed.

MR. RUBENSTEIN: Now, the B-2 bomber is famous for being stealth.

MS. WARDEN: Yes, it is.

MR. RUBENSTEIN: But you can see it when you go look at it, right? [Laughter.]

MS. WARDEN: Yeah, it's not cloaked.

MR. RUBENSTEIN: Now, you have a contract to build a new one – I think it's a new stealthier plane, I guess, better – something. When is that going to be ready?

MS. WARDEN: Soon. We just moved the first test aircraft out of production and into test, and we have five more on the manufacturing floor.

MR. RUBENSTEIN: And without violating national secrets, what's it going to do that the other one can't do?

MS. WARDEN: [Laughs.] It'll just be more stealthy and more capable, and I can't go into details of what capable means. But if you have ever seen a B-2, you actually don't see it, you

hear it, when it does a flyover. It was at the Superbowl two years ago, and the media coverage tried to capture the B-2 flyover, but you really couldn't see a thing.

And so, that's what you'd expect with the B-21.

MR. RUBENSTEIN: Now, the B-2 bomber was pretty expensive per copy. Is this the B-21, or what?

MS. WARDEN: The B-21 is the new one –

MR. RUBENSTEIN: OK. The B-21.

MS. WARDEN: – to replace the B-2.

MR. RUBENSTEIN: So, how much is that going to cost, like \$50 million apiece?

MS. WARDEN: A little more than that.

MR. RUBENSTEIN: A little more than that? [Laughter.]

MS. WARDEN: But it's meeting its cost target.

MR. RUBENSTEIN: OK. And the government of the United States has already authorized enough of them to make it worthwhile to do it?

MS. WARDEN: The program of record is a hundred. One of the challenges with the B-2 is it went into production in the late 1980s, and of course, the U.S. government decided to buy far fewer when the Berlin Wall came down. And so, it did increase the cost on a per quantity basis of the B-2. We don't expect that to happen with B-21.

MR. RUBENSTEIN: OK. So, you're going to make a hundred of them – more or less?

MS. WARDEN: At least.

MR. RUBENSTEIN: And where do you manufacture them?

MS. WARDEN: In Palmdale, California.

MR. RUBENSTEIN: OK. All right, so another one of your divisions is your mission segment. What is that?

MS. WARDEN: That business is cyber, communications and sensing. So, think radars and detection systems.

MR. RUBENSTEIN: So, is our cyber capability as good as the Russians'?

MS. WARDEN: I'd like to think so.

MR. RUBENSTEIN: OK. And can you give us any secrets about what we do in cyber or something? [Laughter.]

MS. WARDEN: No, you might end up on that sanctions list if you keep asking me questions like this. [Laughter.]

MR. RUBENSTEIN: OK. I see. Yeah.

So, that's largely cyber. And cyber is offensive and defensive, and you do both?

MS. WARDEN: We do.

MR. RUBENSTEIN: OK. And your other segment is your – I guess it's the defense segment. What is that?

MS. WARDEN: Well, defense I talked about. The last one is space –

MR. RUBENSTEIN: Space – sorry.

MS. WARDEN: – and that one also is pretty self-explanatory. We do national security space for the U.S. Department of Defense and the new Space Force. We also work for NASA as we continue to explore the universe.

We just launched a space telescope that is now a million miles from Earth and is going to look back at the first light around the time of the Big Bang – really exciting.

MR. RUBENSTEIN: And that one is called the Webb?

MS. WARDEN: The James Webb Space Telescope.

MR. RUBENSTEIN: And it is operable yet? Is it open?

MS. WARDEN: It is. It's still calibrating to be able to see back in time, basically. That distance requires it to be cooled to very low temperatures, and so, we're still calibrating it. And we expect to see first light in the May-June time frame, so really soon.

MR. RUBENSTEIN: All right. So, why should we care what the universe looked like 5 billion years ago? How's that going to make our life better?

MS. WARDEN: Well, some scientists have dedicated their life to understanding the origins of our universe and exploring whether there are life-sustaining exoplanets other than our universe.

MR. RUBENSTEIN: Let's suppose there are. Why do we care? Does it really make a difference because we're not going to really be able to communicate with them presumably, but?

MS. WARDEN: You've studied history and –

MR. RUBENSTEIN: Right.

MS. WARDEN: – not science.

MR. RUBENSTEIN: OK.

MS. WARDEN: But if you studied science, these are the questions that'll help us re-write textbooks about science and discovery.

MR. RUBENSTEIN: OK. All right. All right, so now do you work with SpaceX?

MS. WARDEN: We do.

MR. RUBENSTEIN: And have you ever met Elon Musk?

MS. WARDEN: I have.

MR. RUBENSTEIN: And what was that experience like? [Laughter.]

MS. WARDEN: He's a brilliant man.

MR. RUBENSTEIN: Wow. OK. [Laughter.]

MS. WARDEN: [Laughs.]

MR. RUBENSTEIN: OK. So, are you surprised that a kind of start-up company like SpaceX became so big so quickly in the space business?

MS. WARDEN: I'm not surprised. There's a tremendous amount of opportunity in space, and we're just scratching the surface of it. And of course, SpaceX is very much focused on commercial exploration of space, and that part of the market is in its infancy.

MR. RUBENSTEIN: So, in your space business you bought a company in the Washington area called Orbital.

MS. WARDEN: Yes.

MR. RUBENSTEIN: Do you usually buy those kinds of companies, or you build things internally?

MS. WARDEN: We do both, but when we have the opportunity to do high-quality acquisition, as Orbital ATK was, that's a faster way to accelerate our progress in key markets like space.

MR. RUBENSTEIN: I see. Let's talk about COVID for a moment. So, when COVID hit, were you running your company from home, or how did you deal with that?

MS. WARDEN: Very briefly we asked our senior leadership team, and anyone who didn't need to be in the offices to stay home so that we could take the time to put in place safety protocols, more distancing. But the work we do really does require us to be in our facilities, either because it's classified, or we have people building product. And for national security purposes, we had not only an exemption, but a request by the U.S. government to continue doing our work.

So, we very rapidly within a matter of weeks had our senior leadership team back in the office. I have been in the office consistently since April of 2020.

MR. RUBENSTEIN: And have you – did you get COVID?

MS. WARDEN: I have, yeah.

MR. RUBENSTEIN: Oh really?

MS. WARDEN: Yes.

MR. RUBENSTEIN: And how did you get it if you were precautions?

MS. WARDEN: I don't know how I got it. I've had probably, you know, two dozen close contact situations that I'm sure many in this audience have had over time.

And I had very mild symptoms, and of course, I quarantined and stayed home.

MR. RUBENSTEIN: OK. So, going back to the workforce, are you having trouble – and others in the aerospace defense industry – getting employees to come in and work at the jobs at the wages you're paying? Is it a problem in terms of labor availability?

MS. WARDEN: The labor market is very tight right now for all skills, whether it be technicians which for us is largely high school graduates that we put through training, through engineers who have advanced degrees.

And what we are finding is that our attrition is only up slightly from pre-pandemic levels, and we're able to hire. But there is wage pressure.

MR. RUBENSTEIN: And who are the better young employees, women or men? [Laughter.]

MS. WARDEN: Well, we look for a very diverse workforce. So, we want to have our company look like our communities.

MR. RUBENSTEIN: OK. And so, today, are you asking your employees to come back to work five days a week in the office, or three days, or four days? What is your system?

MS. WARDEN: The majority are back five days because they need to be to effectively to do their work. But we do provide flexibility to people who have circumstances that make that difficult or whose work allow them to have maximum flexibility.

MR. RUBENSTEIN: So, you have insights, I presume, on the U.S. economy because you're selling things throughout the country, throughout the world. So, what is your assessment of the U.S. economy at the moment?

MS. WARDEN: Well, I expect growth will continue to slow, whether we'll technically go into recession and if so, when? I won't try to predict. What I will say is that in our industry we see a steady and increasing demand signal, so our challenges are more on the supply side – inflation, supply chain availability, and labor.

So, a little bit of slowing in the economy to get the supply and demand in balance is not a bad thing.

MR. RUBENSTEIN: But your supply chain, does it extend to countries like China? Do you buy things from China as part of your supply chain?

MS. WARDEN: We do not. Most of our contracts prohibit us from sourcing from countries like China.

MR. RUBENSTEIN: Oh. And you can't sell anything to China, I guess, without the U.S. government giving you permission?

MS. WARDEN: Right.

MR. RUBENSTEIN: So, today, the biggest challenge that you think the United States faces in the global arena is it, what? Is it cyber? Is it traditional military type of attacks? What do you think are the biggest challenges the country faces militarily?

MS. WARDEN: Certainly, the speed at which technology is advancing. I think of us less in an arms race today and more in a technology race.

So, as other nations develop capability more so than capacity, our ability to stay advanced beyond their technology is first and foremost, and that's in domains that are less advanced – cyber being one of them, space being another.

And also, working under norms that the U.S. government would want to operate under but that all nations do not operate under, and we see that with the Russian invasion of Ukraine.

So, I would say that's our largest challenge is technology race, and then standards and policies and norms that govern behavior.

MR. RUBENSTEIN: Now, in your current position you have to deal with the U.S. government. The U.S. government is your biggest customer, right?

MS. WARDEN: Mm hmm.

MR. RUBENSTEIN: Is it more than 70 percent of your sales?

MS. WARDEN: It is. It's actually more than 80.

MR. RUBENSTEIN: More than 80 percent?

MS. WARDEN: Mm hmm.

MR. RUBENSTEIN: So, I guess you have to be nice to the customer, right?

MS. WARDEN: [Laughs.] Yes.

MR. RUBENSTEIN: So, how often do you have to see the secretary of defense or the head of procurement? Do you go there every week and say, here I am and here's our new products we have?

MS. WARDEN: Not every week, but it's frequent, and particularly since the crisis in Ukraine, we've had more engagement with the Pentagon around their strategy and how we as an industrial base can be ready and supportive.

MR. RUBENSTEIN: And what about – do you deal with members of Congress? Do you find that uplifting or how is that?

MS. WARDEN: [Laughs.] I do engage with members, and I will say that I appreciate members' willingness to serve. We need good leaders in Congress, and I appreciate that it is a hard job and that we do our best to support and inform the decisions they need to make.

MR. RUBENSTEIN: Some people say that aerospace – not that aerospace – the defense budget's very high and maybe it's too high. I assume you don't agree with that?

MS. WARDEN: Well, I don't because if you look at historical trends, the percentage of GDP that we're spending on defense has actually come down significantly over the last several decades, and in particular, the amount that government spends on research and development in this country is about half of what it used to be.

Now, fortunately, companies – ours being part of that – but tech companies and other aerospace and defense companies have made up the gap by increasing R&D spending during that time. But it's important that our government be behind research and development that provides the asymmetric capability that we need to stay ahead of competitors.

MR. RUBENSTEIN: Now, suppose the president of the United States called you and said, we've never had a woman serve as Secretary of Defense and at some point, I'd like to appoint a woman to be Secretary of Defense, and I'd like you to be that person, what would you say?



MS. WARDEN: I would applaud his efforts, give him some suggestions, and let him know that I'm busy right now. [Laughter.]

MR. RUBENSTEIN: So, you wouldn't be interested, OK.

And why do you think it is that, you know, there are some industries that are not that popular. Some might say pharmaceuticals aren't that popular. Some might say my industry, private equity, is not that popular. But some people also say aerospace defense is not that popular. Why is that?

MS. WARDEN: I think it's a misunderstanding of the industry. When you look at an aerospace and defense company, if you want to see a company that would profit off of conflict, I can see where that would be a negative perception. It's not at all what our company seeks to do.

We and the countries we work with are seeking to deter conflict, and projecting strength is necessary to deter aggressive behavior. And so, I'm very proud of the work that we do in that regard, and I think if more people understood that they'd have a different point of view of the necessity, the intent, and the nobility of our industry and our work.

MR. RUBENSTEIN: OK. So, as you look at your product base, you would like to sell more products, I assume, to people overseas that are friends of the United States. Is that a major effort to try to sell products to other friendly countries, or is that hard to do?

MS. WARDEN: It is because it's important for other countries to do their part in the collective defense globally and securing democracies, but it's also important that they are able to defend themselves. And so, we see that as an important part of our work.

We often, though, in Northrop Grumman are working on some of the more classified, more sophisticated capabilities that the U.S. government does not allow export. So, we're not going to have 30-plus percent of our portfolio exported. We're at about 15 percent, and that's probably where we'll stay for the foreseeable future.

It doesn't mean that we aren't supportive of our allies, we absolutely are – and there's a good bit of our product that can benefit them – but we also want to make sure that the U.S. has capabilities that are unique to our country.

MR. RUBENSTEIN: So, can you tell us about some futuristic kind of defense capabilities we might have? For example, will we actually develop a hypersonic missile ourselves? I guess the Chinese have one and maybe the Russians have one and maybe even the North Koreans have one. So, how come we don't have one, and is that something we should be having?

MS. WARDEN: Well, we are working toward hypersonic capability, and I think it's a difference in concept of operation more so than a technology limiter. We have the technology to build a hypersonic weapon, and to the extent that the U.S. determines that that's going to be a priority, we will have the ability to scale and build more of them.

MR. RUBENSTEIN: Well, sometimes people say that the aerospace defense industry makes products, but they take a long time to actually get those products to market. Is that a fair criticism? Or do you think it's just a misunderstanding of how difficult it is?

MS. WARDEN: We can move quickly when we need to. I am reminded of our history. In World War II, we went from design of an aircraft to production for the F-6 in 18 months. So, yes, today that process would take seven to eight years, but if we had the will to accelerate, we absolutely have the capability as an industry to do so.

MR. RUBENSTEIN: So, if some young person is coming out of college, and they have a choice to go into, let's say, private equity or aerospace defense, why would you recommend aerospace defense?

MS. WARDEN: Well, private equity is a very noble calling.

MR. RUBENSTEIN: Of course. [Laughter.]

MS. WARDEN: I do think that the work we do –

MR. RUBENSTEIN: Well, you were in it, weren't you? Weren't you in the venture business at one point?

MS. WARDEN: [Laughs.] For a short period.

MR. RUBENSTEIN: You were a little bit.

MS. WARDEN: I didn't – I wasn't as successful as you, so I had to go and try something else.

MR. RUBENSTEIN: Well, you were in – but I thought you were in venture, I thought, no?

MS. WARDEN: [Laughs.] I was for a short period.

MR. RUBENSTEIN: And so, you support carried interest, I assume?

MS. WARDEN: [Laughs.] I do, yes, very much so. (Laughter, applause.)

MR. RUBENSTEIN: OK. So, all right, so why should somebody want to be in the aerospace defense industry?

MS. WARDEN: [Laughs.] Well, I'll tell you why I'm in it, and I wasn't for the first, you know, 10-plus years of my career. But when I came into this industry, I realized that there was more to my work than working for returns, and it was about doing work that would make a difference in the world.

And I'm not naïve. I know that the difference may be small and particularly when I first started in this industry, the impact that I was able to have. But I wanted to leave this world a better place for my children, and thought if I can do that through my work, not just through philanthropy, or work that I can do in the community, that would really be meaningful to me.

So, that's why I'm in the industry.

MR. RUBENSTEIN: OK. So, you're a role model for many women and maybe others as well, men as well, but certainly women, who say you wrote – you've risen up to be the CEO of one the biggest companies in the United States.

Do you take that responsibility seriously, and do you speak to young women's groups to try to encourage them to come into your industry? And what's the challenge of being a role model – you can't make any mistakes, and you can't, you know, curse at somebody, or something like that?

MS. WARDEN: Well, there is a lot of responsibility, and I'm humbled and honored to be thought of as a role model. I don't think of myself in that way, but if I can inspire someone to believe in themselves and pursue a dream, I'm, you know, just thrilled that I can have that impact on someone.

I think it's important for all of us to realize that we can through small acts really have an impact on the world, and so, I do try to be a role model. But to your point, you're going to make mistakes along the way, and you can't be afraid to make mistakes along the way. And I think that, too, is part of being a role model – how you respond when you do and pick yourself up and move forward.

MR. RUBENSTEIN: OK. So, in your spare time when you're no longer able to travel to Russia and you therefore have more time, what do you? Are you an exerciser? Are you a golfer, or a tennis player? What do you do?

MS. WARDEN: Well, I'm trying to brush off my golf game. After I had kids, I put that on the backburner. But my husband's playing more golf, and I love to do that with him.

I also like to cook, and I've found it's important to instill that skill into my family. My husband is learning to cook, and he's improving every day. It's not something he ever spent time doing, but he actually enjoys it now so it's something we can also do together.

MR. RUBENSTEIN: OK. Have you ever heard of Uber Eats or something? [Laughter.]

MS. WARDEN: I have. I have. And honestly, my cooking happens usually on Sunday afternoons, but it's just a nice distraction.

MR. RUBENSTEIN: OK. Isn't it getting late for him to learn how to cook? I mean, after all these years to learn how to cook?

MS. WARDEN: He's enjoying it.

MR. RUBENSTEIN: OK. [Laughter.] And so, are you a scratch –

MS. WARDEN: Don't deter him! [Laughs.]

MR. RUBENSTEIN: OK. I won't. So, are you a scratch golfer, or are you anything like that?

MS. WARDEN: No, no. Maybe once I retire and I can play every day. Right now, I'm, you know, playing twice a month so it's not like my skill is refined.

MR. RUBENSTEIN: Well, there's some people who would say the lower the handicap of the CEO, the lower the stock price is. [Laughter.]

MS. WARDEN: Well – and that's not a goal I aspire to, right?

MR. RUBENSTEIN: Right. Right. [Laughter.]

MS. WARDEN: I don't want a low handicap.

MR. RUBENSTEIN: OK. So, keep your handicap high.

MS. WARDEN: It's high, trust me. [Laughs.]

MR. RUBENSTEIN: So, your company was based in Los Angeles for a long time after it merged with Grumman, and then you moved to the Washington area like a lot of other aerospace defense companies. What's the advantage of being here?

MS. WARDEN: Well, you spend far less time on an airplane because our customer is here – in the Pentagon, on the Hill – and I value spending time with them. And you need to be here in this community, and Washington is a fantastic community.

So, to the extent that we're working with customers who are based here, I think it's important that we be here and be immersed in the community as well.

MR. RUBENSTEIN: So, you live in Northern Virginia?

MS. WARDEN: I do.

MR. RUBENSTEIN: So, when you – you don't go back to visit Smithsburg that much, no, right?

MS. WARDEN: No, I don't.

MR. RUBENSTEIN: But I mean, I assume you're the most famous graduate of Smithsburg High or something like that?

MS. WARDEN: [Laughs.] I'm guessing, but I don't know that they keep those records.

MR. RUBENSTEIN: OK. So, when you go do you go shop? Can you have time to go shopping? If you go to Tysons Corner shopping, do people know who you are? Do you have a big phalanx of security people trailing you, or you just show up at the Whole Foods and buy and stand in line with everybody else?

MS. WARDEN: Yeah, I do the latter and low profile, low profile.

MR. RUBENSTEIN: Really? I mean, does anybody come up to you and ask for a job or a weapon or something? [Laughter.]

MS. WARDEN: Every once and a while a job or a photograph, but no – [laughs] – never a weapon.

MR. RUBENSTEIN: OK.

MS. WARDEN: We're not exactly a household name because no one buys our product other than the government. [Laughs.]

MR. RUBENSTEIN: OK. You don't want to make any consumer products, right, for people like me to buy?

MS. WARDEN: No, no, no.

MR. RUBENSTEIN: What about – you don't make little drones for small people?

MS. WARDEN: No, no. Although, I offered David to buy a Northrop Grumman aircraft because I'm quite jealous he buys GD aircraft. And so, I thought maybe I'd make a sale – he wasn't biting. [Laughter.]

MR. RUBENSTEIN: Well, I don't know. Maybe I could have been a pilot that could fly one of your B-2 bombers. [Laughter.]

MS. WARDEN: I don't think we could put you in one of those, but we have unmanned aircraft that fly themselves.

MR. RUBENSTEIN: Oh, you do?

MS. WARDEN: I mean, what more could you ask for?

MR. RUBENSTEIN: I could probably do that. If it's unmanned, I could probably do that.

MS. WARDEN: [Laughs.]

MR. RUBENSTEIN: So, what is the greatest thrill you get out of the current job you have? Is it serving the country, running a big company, being a role model, dealing with people like me when they interview you? What is the biggest thrill you're getting?

MS. WARDEN: Well, this interview is up there, but I will say it's serving the country. It's why I came into this work. It's what motivated me to stay with this work, and it's what will keep me moving forward.

MR. RUBENSTEIN: And today, you would say that the aerospace defense industry is in pretty good shape relative to the needs of the country, and you're not really thinking the aerospace defense is under attack, or being challenged?

MS. WARDEN: I think our industrial base is the healthiest in the world. It has consolidated over time because defense spending has come down as a percent of GDP, and that consolidation has been a reflection of those conditions. So, I think as we look forward strong bipartisan support and a recognition that national security is a constitutional right for our people is important.

MR. RUBENSTEIN: And inflation – is inflation bothering your company? Are you able to increase your prices a bit, or you can't do that too much because you have one customer and that one customer doesn't like that?

MS. WARDEN: We're really trying not to increase our prices because that reduces the buying power of the government and increases the burden to the taxpayer. So, we have tools available to keep inflationary pressures at bay, but we can't offset all of them. So, there is some price increase necessary.

MR. RUBENSTEIN: And when you're running a publicly traded company, the analysts often care about only what you did the previous quarter. I guess you know that phenomena.

MS. WARDEN: I have come to learn that.

MR. RUBENSTEIN: Right. So, how do you deal with that? I mean, you're trying to build up for the long term and you have to worry about every quarter. So, is that a pain to do that?

MS. WARDEN: Look, it's just part of how our system works, and so, you have to recognize that's the case. But always I keep the long-term view, and I have a fantastic board that gives us the flexibility to do that. We're in a long cycle industry, and if we managed the quarter, we would not have the kind of performance that you outlined.

MR. RUBENSTEIN: Now, you've got about 90,000 employees, so how diverse is your workforce, or your board, or your senior management?

MS. WARDEN: My senior management team is gender equal, 50/50. My board has strong both gender and racial representation, and we work on that every day within our company to make sure that our diversity representation mirrors our communities.

One of the challenges in technical fields is that we don't have enough women interested in and pursuing careers in STEM,<sup>3</sup> and so that's an area that our company has acted in. It's an area that my husband and I are passionate about. We're sponsoring scholarships to really help drive more interest in STEM, but particularly for women.

MR. RUBENSTEIN: And where did you meet your husband, in the aerospace defense industry?

MS. WARDEN: No, in college.

MR. RUBENSTEIN: Really?

MS. WARDEN: At James Madison.

MR. RUBENSTEIN: Wow. OK.

So, today what are you doing at your company and you personally in philanthropy? Do you have – the company have philanthropic interests that you pursue?

MS. WARDEN: We do. We have a foundation, and obviously, in recent weeks we've committed aid to Ukraine – to the Ukrainian people through the foundation. And we've also matched the gifts of our people.

And I find at times like this – whether it's a situation of humanitarian crisis in Ukraine or when we had tornados and hurricanes rip through this country last year and some of our facilities and people were impacted – our team is incredibly generous, and so, our company works to match those.

And as I mentioned, my husband and I focus more on philanthropy related to STEM education and underserved communities.

MR. RUBENSTEIN: OK. Now, your mother is still giving you advice.

MS. WARDEN: She does. My mother lives with me, and so, I don't have to go far to get advice on how to raise my kids, how to run the company, all kinds of things. [Laughter.] She's fantastic, a great idea person.

MR. RUBENSTEIN: Is she ever wrong, or she's always right about what she tells you?

MS. WARDEN: Well, never she's my mother, right?

MR. RUBENSTEIN: OK. All right. So, the final –

MS. WARDEN: But I don't have to listen to her anymore.

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<sup>3</sup> Science, Technology, Engineering, Math

MR. RUBENSTEIN: OK.

MS. WARDEN: I just take it in.

MR. RUBENSTEIN: So, finally, the main message that you would like to let people here and people watching know about Northrop Grumman, what is – if you were to summarize Northrop Grumman in a paragraph, what's the most important thing people should know about it – other than it's got a great CEO?

MS. WARDEN: We're a technology leader who is helping the U.S. and our allies stay at the forefront of capability to protect human rights and freedoms around the globe, and we're really proud of what we do.

MR. RUBENSTEIN: And you're going to be doing this for the foreseeable future? You're not going to return to the private equity or venture capital world any time soon?

MS. WARDEN: No, not in the foreseeable future.

MR. RUBENSTEIN: OK.

MS. WARDEN: Although, you did quite well, so I am somewhat inspired.

MR. RUBENSTEIN: OK. All right. Well, look, I want to thank you for what you're doing, and thank you for a very interesting conversation. Appreciate it. And thank you.

MS. WARDEN: Thank you, David. [Applause.]





**Kathy Warden**  
**Chair, Chief Executive Officer, and President**  
**Northrop Grumman Corporation**

Kathy Warden has served as Chair, Chief Executive Officer and President of Northrop Grumman Corporation since 2019. She was elected to the company's Board of Directors in 2018. Prior to becoming CEO and President, Ms. Warden served as President and Chief Operating Officer.

Prior to joining Northrop Grumman, she held leadership roles at General Dynamics and Veridian Corporation. She was a Principal in a venture internet firm and also spent nearly a decade with

General Electric Company.

She currently serves on the Boards of Merck & Co., Inc., Catalyst, and James Madison University Board of Visitors. She also serves as the Chair of the Aerospace Industries Association and the Vice Chair of the Greater Washington Partnership. She is a member of the Business Roundtable and The Economic Club of Washington, D.C. Ms. Warden earned a bachelor's degree from James Madison University and a master's degree in business administration from George Washington University.