



*DEFENSE & SECURITY SOLUTIONS*

**KRATOS**<sup>®</sup>  
FROM STRENGTH TO SUCCESS

Kratos Defense & Security Solutions, Inc.  
(NASDAQ: KTOS)

Investor Presentation

January 2016



# Notice Regarding Forward-Looking Statements



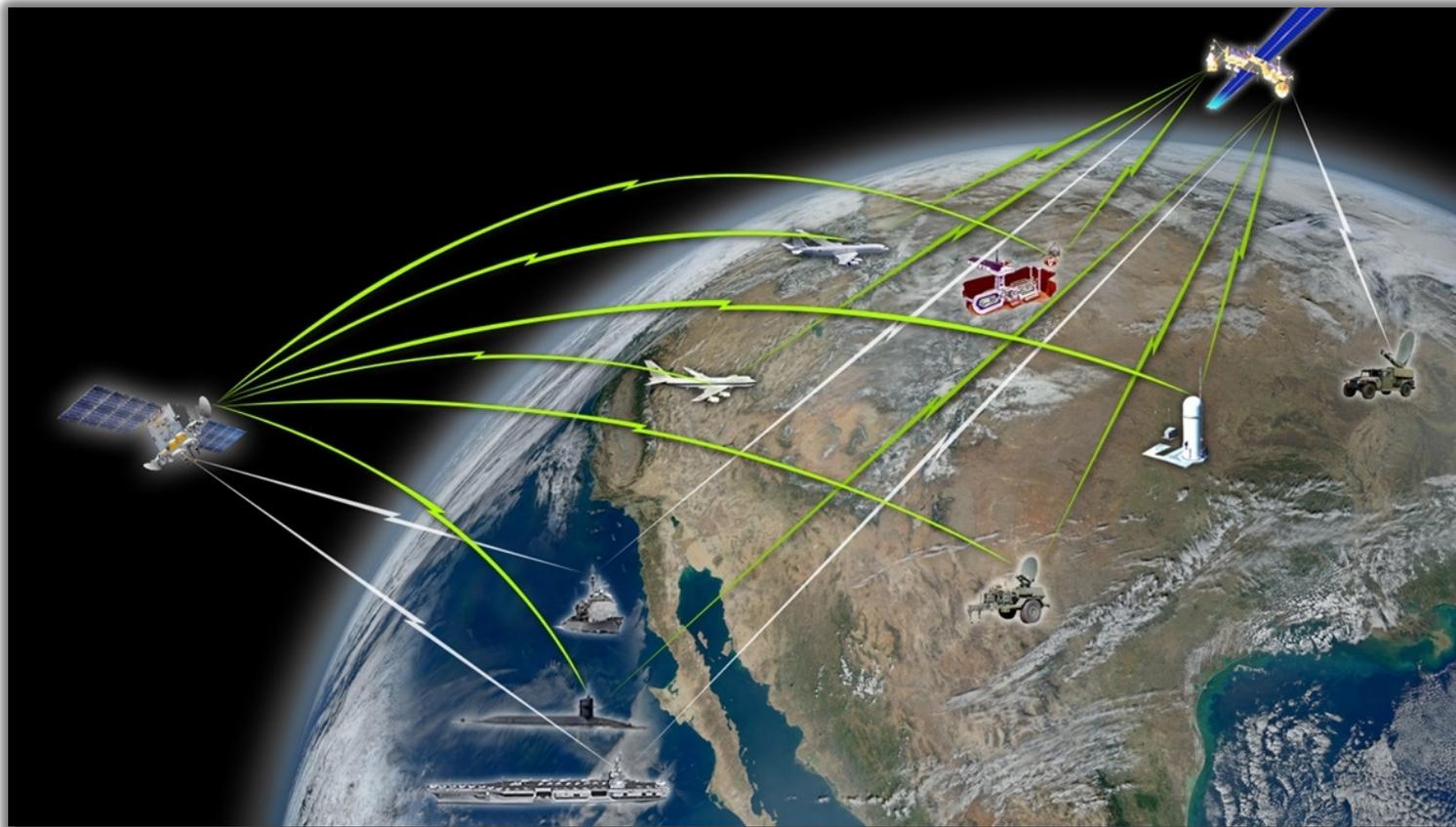
Certain statements in this presentation may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, without limitation, statements regarding our customers, programs, products, services, and financial projections. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. These forward-looking statements are made on the basis of the current beliefs, expectations and assumptions of the management of Kratos and are subject to significant risks and uncertainty. Investors are cautioned not to place undue reliance on any such forward-looking statements. All such forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update or revise these statements, whether as a result of new information, future events or otherwise. Our business, and the expectations reflected in these forward-looking statements, may be impacted by risks and uncertainties including, but not limited to, changes in the scope or timing of our projects; general economic conditions, changes or cutbacks in spending or the appropriation of funding by the federal government, including the U.S. Department of Defense, which could cause delays or cancellations of key government contracts; the timing, rescheduling or cancellation of significant customer contracts and agreements, or consolidation by or the loss of key customers; risks of adverse regulatory action or litigation; risks associated with debt leverage; failure to successfully consummate acquisitions or integrate acquired operations; competition in the marketplace, which could reduce revenues and profit margins; and risks related to security breaches, including cyber security attacks and threats or other significant disruptions to our information systems, facilities, and infrastructures. For a further discussion of risks and uncertainties that could cause actual results to differ from those expressed in these forward-looking statements, as well as risks relating to the business of Kratos in general, see the risk disclosures in the Annual Report on Form 10-K of Kratos for the year ended December 28, 2014 and in subsequent reports on Forms 10-Q and 8-K and other filings made with the SEC by Kratos.

This presentation is based on information that is generally available to the public and does not contain any material non-public information.

# Kratos - Overview



*Product and Intellectual Property Focused National Security Company*  
*Focused on Command, Control, Communications, Computing, Combat*  
*Systems, Intelligence, Surveillance & Reconnaissance (C5ISR)*



# Kratos – Overview



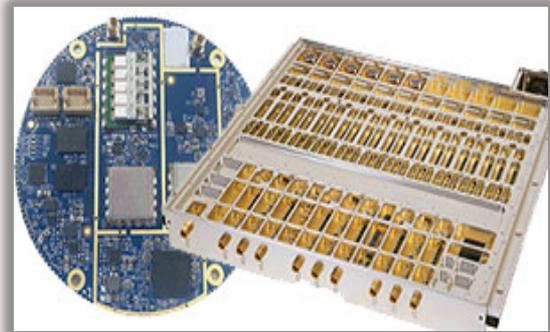
Unmanned Systems



Satellite Communications



Cyber Security



Microwave Electronics



Modular Systems



Strategic Programs



Training Systems



Public Safety



- *Highly Diversified → No Single Contract Accounts for More Than ~5% of Kratos' Revenue*
- *Backlog of ~\$1 Billion, Bid & Proposal Pipeline of ~\$7 Billion*
  - *Intellectual Property Ownership in Key Products*
- *New Programs and Contract Vehicles Provide for Organic Growth Potential Over Next Several Years*
- *Major Corporate Initiative and Significant Discretionary Investments in Tactical Unmanned Systems Area*

# Kratos – Unmanned Aerial Target Drone Systems



BQM-177



BQM-167



BQM-178

- Kratos is the Leader in Development and Production of High Performance Unmanned Aerial Drone Target Systems
- Kratos' Target Drone Systems Represent the Most Advanced Threats of Our Adversaries
- Kratos' Products Operationally Test U.S. and Allies' Weapon Systems
- Major New UAS Program Expected to Begin Production 2016
- Major Confidential Program Expected to Begin Production 2016

# Kratos – Unmanned Vehicle Command & Control Systems, Avionics & Electronics

**KRATOS**  
FROM STRENGTH TO SUCCESS



# Kratos – UCAS Solution → UTAP-22



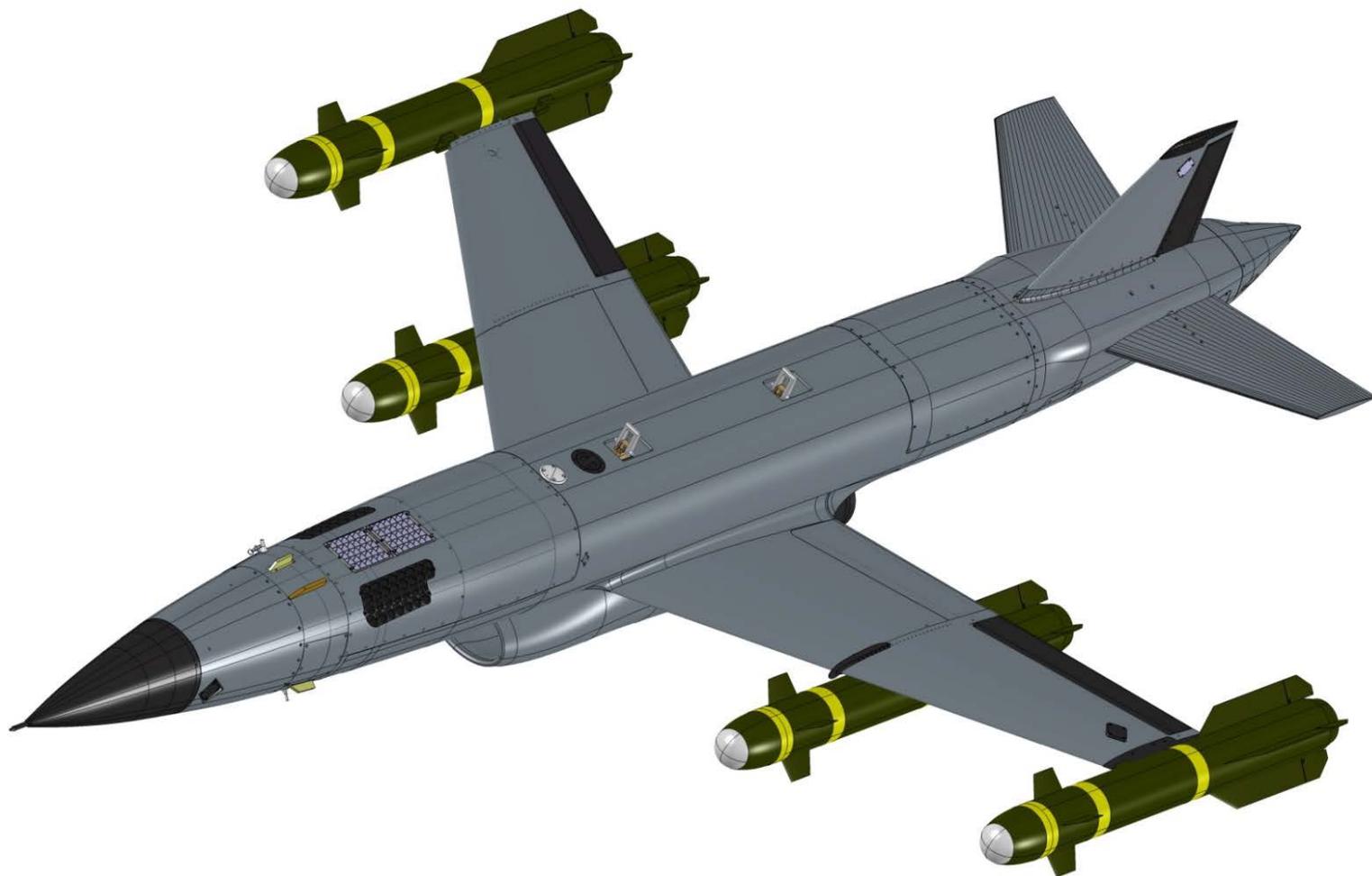
**Kratos  
UCAS  
Solution**



**Airspeed**



# Kratos – UCAV “Tornado”



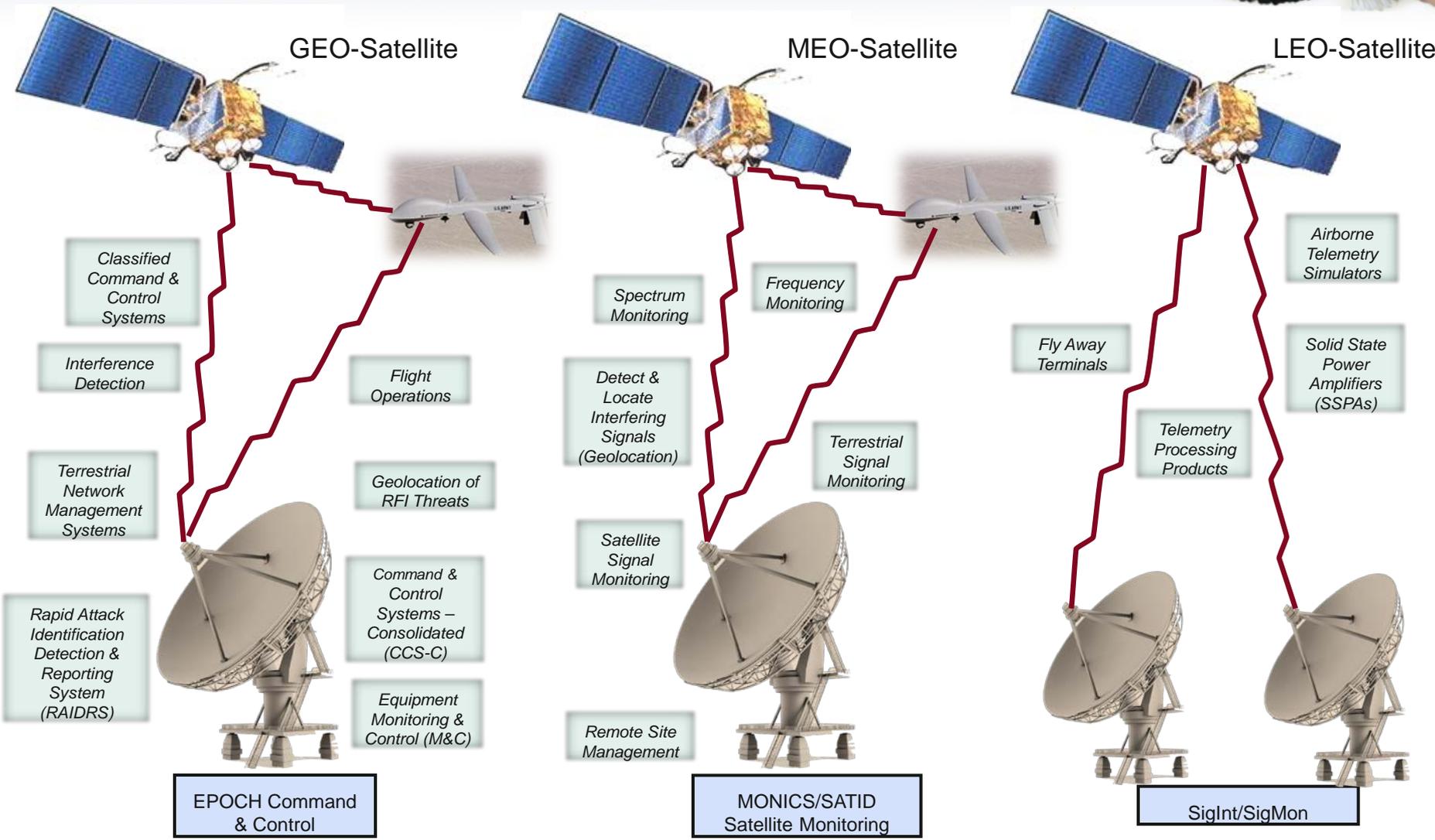
# Kratos - UCAS



# Kratos – Satellite Command & Control, Signal Monitoring, Communications and Signal Interference Detection Systems



Maintaining, Sustaining and Protecting ~80% of U.S. Satellite Systems Today





- *Kratos is a Leader in Satellite Command & Control, Signal Monitoring, Communications, Signal Processing and Signal Interference Detection Systems*
- *Russian and Chinese Threats to U.S. Space Based Assets Driving Demand for Next Generation, Secure/Protected Products*
- *New NANO, CUBE and Small SAT Satellite Constellations Driving Demand for New Ground C<sup>2</sup>/RFID Infrastructure Product Suite*
- *Unmanned Aerial System - C<sup>2</sup>, ISR, Bandwidth Demand, Etc., Driving Increased Satellite Requirements*

# Kratos – Microwave Electronics



SSPAs AND AMPLIFIERS



FREQUENCY CONVERTERS



SHR - RECEIVERS



TRANSCEIVERS/  
DATA LINKS



SOURCES



GPS IMMUNE

CONTROL COMPONENTS



INTEGRATED MICROWAVE ASSEMBLIES



MILLIMETER WAVE



BEAM FORMING MODULES



RF FRONT ENDS AND DLVAs

- Kratos is a Leader in Microwave Electronic Products, Systems and Sub Systems for Missile, Radar, Electronic Warfare, Intelligence, Surveillance & Reconnaissance and Communication Systems
- Rising Russian, Chinese, North Korean, Iranian and Other Advanced Nation State Adversarial Threats Driving Demand

# Kratos – Strategic Programs



Electromagnetic Railgun



Directed Energy Weapons



Patriot



Hypersonic Vehicles



Training Systems



Littoral Combat Ship

- Kratos' Products, Solutions and Services Support Certain of Our Nation's and Allies' Mission Critical National Security Programs

# Kratos – Ballistic Missile Defense Target Systems



ARAV-A



ARAV-B



ARAV-C

- Kratos is a Leading Provider of Ballistic Missile Defense Target Systems
- Kratos' BMD Target Systems Represent the Most Advanced Ballistic Missile Threats of Our Adversaries

# Kratos - Aviation Maintenance Training Systems



UH-60 Remove/Replace Trainer



CH-53K Maintenance Training System



CH-47 Avionics Trainer



UH-60 Landing Gear & Braking System Trainer



UH-60, CH-47 & CH-53  
Full Fidelity and Part Task  
Maintenance Trainers



UH-60 Avionics Trainer



Aviation Basic Electronics  
Trainer



UH-60 Rotor Brake Trainer



UH-60 Avionic Wiring System Trainer



UH-60 Stabilator Trainer

# Kratos – Ground Training Systems



**Abrams Hands-On Maintenance Trainer**



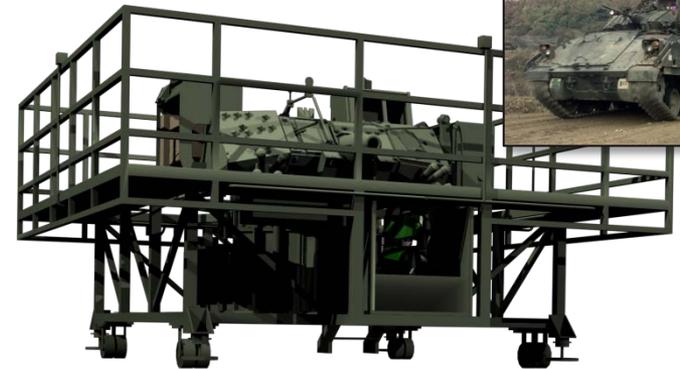
**HIMARS Hands-On Maintenance Trainer**



**SIMNET Abrams C2/Crew Trainer Upgrade**



**Bradley Hands-On Maintenance Trainer**



# Kratos – Summary Financial Information\*



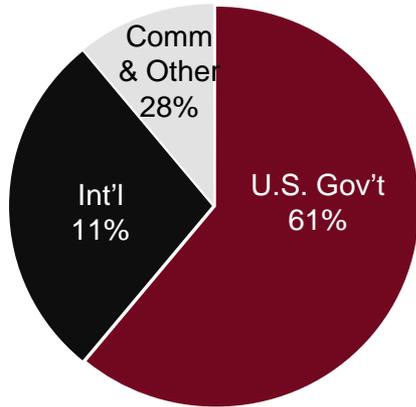
Fiscal 2014 Revenue	\$763.0M
Fiscal 2014 Adjusted EBITDA	\$60.7M
% Revenues	8.0%
Internal Research & Development FY2014	\$18.6M
% Revenues	2.4%
Capital Expenditures FY2014	\$11.7M
U.S. Government/DoD Revenue FY2014	\$437.4M
% Revenues	~57%
Commercial, State & Local Government Revenue FY2014	\$236.6M
% Revenues	~31%
International Revenue FY2014	\$89.1M
% Revenues	~12%
Funded Backlog @ 9/27/15	\$552M
Unfunded Backlog @ 9/27/15	\$409M
Total Backlog @ 9/27/15	\$961M
Bid & Proposal Pipeline @ 9/27/15	\$7.3B

\*Recast to reflect U.S. & U.K. Electronic Products Businesses as discontinued operations

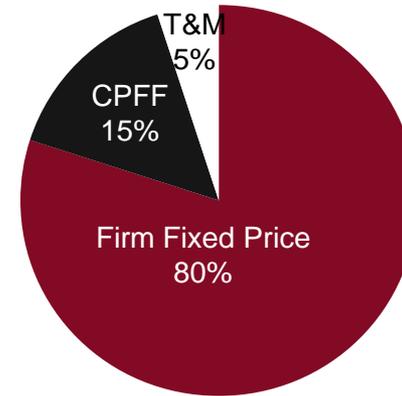
# Kratos – Summary Financial Information



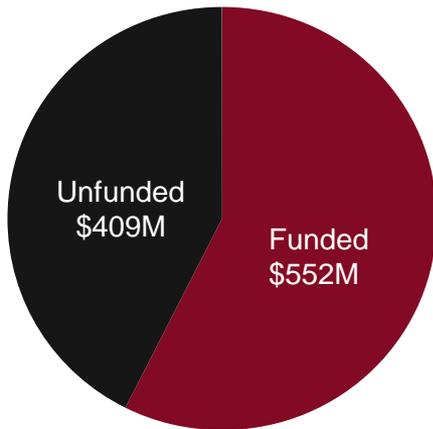
**Nine Months Ended 9/27/15  
Revenue By Customer**



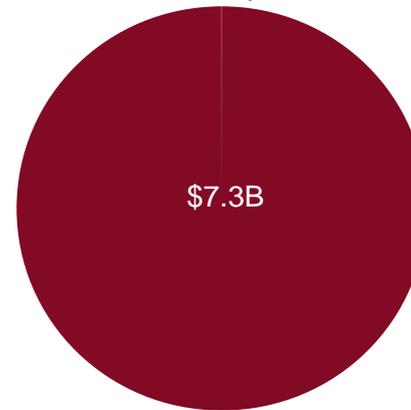
**Nine Months Ended 9/27/15  
Contract Mix**



**Backlog Ended 9/27/15 \$961M**



**Bid & Proposal Pipeline Ended  
9/27/15 \$7.3B**



# Kratos – Operating Path To Increased Free Cash Flow and Profitability 2016-2017



- *U.S. Navy SSAT Program Expected to Commence Low Rate Initial Production in 2016 and Ramping to Full Rate Production in 2018 – Under Contract*
- *Confidential Program Expected to Commence Low Rate Initial Production in 2016 and Ramping to Full Rate Production in 2018 – Under Contract*
- *Kratos' Microwave Electronics Products Business "Designed In" on Major New Missile, Radar and Communications Programs Expected to Commence Production in 2016/2017 – Under Contract*
- *Kratos' Training Systems Business Expecting Significant Growth 2016 – 2018 as a Result of Several Large New Contract Awards to Kratos that are Entering Production – Under Contract*
- *Kratos' Satellite Communications Business Seeing New Growth Opportunities Driven by Russia/China Threat (Recent \$5 Billion Funding Increase) and New Nano, Cube and Small Sat Constellations*

## Kratos – New Large Program Opportunities

- *Multiple International Hardened Facilities Opportunities*
- *Domestic and International Training System Opportunities*
- *Microwave Electronics Guided Munitions Opportunity*
- *Microwave Electronics Missile and Radar System Opportunities*
- *Microwave Electronics Airborne Electronic Warfare Opportunity*
- *Multiple New High Performance Unmanned Aerial and Ground Drone and Target System Opportunities*
- *Kratos' Unmanned Combat Aerial System / Unmanned Tactical Aerial Platform (UTAP) 22 Initiative*

# Kratos – Investment Thesis

- *Pure Play National Security Business*
- *Improving U.S. Federal Budget and DoD Funding Clarity*
- *National Security Will Always Be A Priority*
  - *Russia*
  - *China*
  - *Iran*
  - *North Korea*
  - *ISIS*
  - *Non Nation State/Cyber Warfare/Asymmetric Warfare*
- *Kratos Is A Leader In Our Primary Market Areas – Unmanned Systems, Microwave Electronics, Satellite Communications*
- *Large Backlog and Bid & Proposal Pipeline*
- *Extremely High Barriers To Entry*
- *Intellectual Property Protection On Our Core Products*
- *New, Large Unmanned Aerial Target Drone System Program Entering Production*
- *New, Large Confidential Program Entering Production*
- *UCAS/UTAP-22 – Large Potential, New Market Area*