



Kratos Acquires Southern Research Engineering Division Adding Unique Capabilities in Hypersonic, Ballistic Missile, Space and ISR Areas

May 24, 2022

SAN DIEGO, May 24, 2022 (GLOBE NEWSWIRE) -- Kratos Defense & Security Solutions, Inc. (Nasdaq: KTOS), a leading National Security Solutions provider, announced today that it has acquired the Birmingham, Alabama based Engineering Division of Southern Research for approximately \$80 million, subject to reduction based on working capital, including \$75 million in cash and \$5 million in shares of Kratos common stock. Southern Research's Engineering Division (SRE) is the market leader in assisting customers in the development, modeling and deployment of advanced materials for extreme environments, including hypersonic, space, missile, missile defense, strategic deterrence, propulsion systems, and energy applications. SRE also specializes in Intelligence Surveillance and Reconnaissance (ISR) sensor development, electromechanical systems design and integration, aerospace engineering, materials engineering, artificial intelligence and machine learning, directed energy, RF systems design and integration, advanced manufacturing, and computational sciences.

Approximately 25 percent of the SRE purchase price was paid for the one-of-a-kind, unique 54-acre campus, with 102,000 square feet of laboratory, material assessment, technology, prototype development, secure, and other facilities, and the machinery and equipment needed to perform the core, sole source test and evaluation analysis and extreme environment characterization of materials for Hypersonic, Missile Defense, Strategic Deterrent, Space-related and other Systems. The balance of the purchase price represents approximately 1.6 times SRE's historical, trailing twelve-month revenue, which includes approximately \$15 million in annual ISR and other unique product development initiatives that are currently in development and expected to transition to production. The acquisition establishes Kratos SRE, a new business unit within Kratos' Defense and Rocket Support Services Division.

The acquisition brings to Kratos a team of approximately 140 engineers, technicians and program support professionals, substantially all of which hold national security clearances. This dedicated group of professionals strengthens Kratos' Hypersonic and Missile System-related capabilities by virtue of its market-leading advanced materials testing and evaluation capabilities and experience. The SRE group plays a unique and critical role in assisting the U.S. Government and defense industry contractors to characterize and select strategic materials for certain applications. SRE is also used widely by the space community for launch, re-entry and other vehicles, systems, and capabilities. "Kratos is the perfect home for my engineering team," said Michael Johns, former Southern Research Vice President of Engineering and new Kratos SRE Senior Vice President. "From Hypersonics to ISR applications, Kratos brings tremendous synergies across all of our technical platforms. We have long been the leader in understanding materials in extreme environments for applications including Hypersonics, and as a result of this acquisition by Kratos, we can carry those programs all the way through flight testing and beyond, substantially increasing our total addressable market opportunity."

Dave Carter, President of Kratos' Defense & Rocket Support Services Division, said, "Kratos continues to lean forward to develop and acquire capabilities and solutions that expand our ability to support a diverse range of national security customers. We are very excited about the technical capabilities and synergies gained through this acquisition. Kratos SRE will continue to provide independent, unbiased laboratory and ground testing evaluation for unique and critical materials, and we will be working to expand Kratos SRE's testing and technology maturation offerings to include affordable live fire tests using Kratos' family of proven subscale launch vehicles. I am confident that our similar cultures and values will enable a smooth transition and lead to collaborative business opportunities with the Navy and other customers. Establishing Kratos SRE as our Advanced Concepts group demonstrates our commitment to Alabama and the growing aerospace and defense community in Birmingham."

Eric DeMarco, Kratos' President and CEO, said, "The acquisition of SRE enhances Kratos' position related to the anticipated significant future funding increases for the recapitalization of Strategic Weapon Systems, including Hypersonic, Space, Strategic Deterrence, Propulsion and Missile Defense Systems. A priority of Kratos' strategic thesis is being the market leader, and Mike and his team clearly satisfy that requirement. Once integrated with Kratos, based on recent program awards, funding under the Department of Defense's recently approved 2022, and anticipated 2023, budget, and prospective customer acceptance of certain SRE products in development that are nearing completion, we expect an up and to the right future year-over-year organic growth trajectory for the business beginning in 2023."

DC Advisory served as exclusive financial advisor and Maynard, Cooper & Gale, P.C. served as outside legal counsel to Southern Research in this transaction.

About Kratos Defense & Security Solutions

Kratos Defense & Security Solutions, Inc. (NASDAQ: KTOS) develops and fields transformative, affordable technology, platforms, and systems for United States National Security related customers, allies, and commercial enterprises. Kratos is changing the way breakthrough technology for these industries are rapidly brought to market through proven commercial and venture capital backed approaches, including proactive research and streamlined development processes. At Kratos, affordability is a technology, and we

specialize in unmanned systems, satellite communications, cyber security/warfare, microwave electronics, missile defense, hypersonic systems, training, combat systems and next generation turbo jet and turbo fan engine development. For more information, go to www.KratosDefense.com.

Notice Regarding Forward-Looking Statements

Certain statements in this press release may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are made based on 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 Kratos undertakes no obligation to update or revise these statements, whether as a result of new information, future events or otherwise. Although Kratos believes that the expectations reflected in these forward-looking statements are reasonable, these statements involve many risks and uncertainties that may cause actual results to differ materially from what may be expressed or implied in these forward-looking statements. 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 26, 2021, and in subsequent reports on Forms 10-Q and 8-K and other filings made with the U.S. Securities and Exchange Commission by Kratos.

Press Contact:

Yolanda White
858-812-7302 Direct

Investor Information:

877-934-4687
investor@kratosdefense.com



Source: Kratos Defense & Security Solutions, Inc.