



Kratos Awarded \$61.1 Million Navy Contract Modification for Full-Rate Production of 70 BQM-177A Subsonic Aerial Targets and Equipment

February 25, 2026

SAN DIEGO, Feb. 25, 2026 (GLOBE NEWSWIRE) -- Kratos Defense & Security Solutions, Inc. (NASDAQ: KTOS), a leader in defense, national security and global markets, announced today that it has been awarded a \$61,068,139 modification to a previously awarded firm-fixed-price contract (N0001923C0021) by the U.S. Navy. This contract modification exercises options to procure full-rate production Lot Seven for 70 of the BQM-177A Subsonic Aerial Targets, along with 70 Rocket-Assisted Takeoff (RATO) attachment kits and associated technical and administrative data. The systems will support weapons system test and evaluation and fleet training requirements for the U.S. Navy.

"Achieving full-rate production of the BQM-177A reflects the Navy's continued confidence in Kratos' ability to deliver reliable, high-performance aerial target systems at scale," said **Steve Fendley, President of Kratos Unmanned Systems Division**. "This award underscores our commitment to providing affordable, mission-relevant unmanned systems that directly support Navy training, test, and evaluation requirements while maintaining production readiness for future demand. As with all previous awards or modifications, the exercise of this final option is at the maximum negotiated production quantity of seventy aircraft resulting in a total contract value of \$238,798,157. In anticipation of further full rate production contracts, Kratos is continuing to invest in capital production improvements that will further improve either our capacity or efficiency."

The BQM-177A is a subsonic, surface-launched aerial target designed to support realistic threat representation for advanced weapons testing and fleet training operations.

Work under the contract is expected to be performed in the following locations (with the expected share of the work): Sacramento, California (50%); Dallas, Texas (20%); Fort Walton Beach, Florida (5%); Blacksburg, Virginia (4%); Santa Ana, California (2%); Newton, Kansas (2%); Concord, California (2%); Milwaukie, Oregon (2%); Chatsworth, California (2%); and various other locations within the continental United States (11%). The contract is expected to be completed in August 2028.

About Kratos Defense & Security Solutions

Kratos Defense & Security Solutions, Inc. (NASDAQ: KTOS) is a technology, products, system and software company addressing the defense, national security, and commercial markets. Kratos makes true internally funded research, development, capital and other investments, to rapidly develop, produce and field solutions that address our customers' mission critical needs and requirements. At Kratos, affordability is a technology, and we seek to utilize proven, leading edge approaches and technology, not unproven bleeding edge approaches or technology, with Kratos' approach designed to reduce cost, schedule and risk, enabling us to be first to market with cost effective solutions. We believe that Kratos is known as an innovative disruptive change agent in the industry, a company that is an expert in designing products and systems up front for successful rapid, large quantity, low-cost future manufacturing which is a value add competitive differentiator for our large traditional prime system integrator partners and also to our government and commercial customers. Kratos intends to pursue program and contract opportunities as the prime or lead contractor when we believe that our probability of win (PWin) is high and any investment required by Kratos is within our capital resource comfort level. We intend to partner and team with a large, traditional system integrator when our assessment of PWin is greater or required investment is beyond Kratos' comfort level. Kratos' primary business areas include virtualized ground systems for satellites and space vehicles including software for command & control (C2) and telemetry, tracking and control (TT&C), jet powered unmanned aerial drone systems, advanced vehicles and rocket systems, propulsion systems for drones, missiles, loitering munitions, supersonic systems, space craft and launch systems, C5ISR and microwave electronic products for missile, radar, missile defense, space, satellite, counter UAS, directed energy, communication and other systems, and virtual & augmented reality training systems for the warfighter. For more information, visit 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 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 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 28, 2025, and in subsequent reports on Forms 10-Q and 8-K and other filings made with the SEC by Kratos.

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