



## **Kratos Reports First Quarter 2026 Financial Results and Increases Fiscal FY26 Financial Guidance**

May 6, 2026

**First Quarter 2026 Revenues of \$371.0 Million Reflect 22.6 Percent Growth and 15.8 Percent Organic Growth Over First Quarter 2025 Revenues of \$302.6 Million**

**Unmanned Systems First Quarter 2026 Revenues of \$82.6 Million Reflect 30.9 Percent Organic Growth Over First Quarter 2025 Revenues of \$63.1 Million**

**Kratos Government Solutions First Quarter 2026 Revenues of \$288.4 Million Reflect 11.8 Percent Organic Growth Over First Quarter 2025 Revenues of \$239.5 Million**

**First Quarter 2026 Consolidated Book to Bill Ratio of 1.6 to 1 and Bookings of \$605.2 Million**

**Last Twelve Months Ended March 29, 2026, Consolidated Book to Bill Ratio of 1.2 to 1 and Bookings of \$1.715 Billion**

**Fiscal 2026 Revenue Forecast of \$1.700 Billion to \$1.760 Billion and Adjusted EBITDA Forecast of \$170.0 Million to \$176.0 Million, including Recently Closed Orbit Technologies, Ltd. Acquisition**

SAN DIEGO, May 06, 2026 (GLOBE NEWSWIRE) -- Kratos Defense & Security Solutions, Inc. (NASDAQ: KTOS), a leader in defense, national security and global markets, today reported its first quarter 2026 financial results, including Revenues of \$371.0 million, Operating Income of \$4.7 million, Net Income of \$11.9 million, Adjusted EBITDA of \$38.7 million and a consolidated book to bill ratio of 1.6 to 1.0.

First quarter 2026 Net Income and Operating Income includes non-cash stock compensation expense of \$15.0 million, and Company-funded Research and Development (R&D) expense of \$10.7 million, including efforts in our Space, Satellite, Unmanned Systems and Microwave Electronic businesses.

Kratos reported in the first quarter 2026 GAAP Net Income of \$11.9 million and GAAP Net Income per share of \$0.07, compared to GAAP Net Income of \$4.5 million and GAAP Net Income per share of \$0.03, for the first quarter of 2025. Adjusted earnings per share (EPS) were \$0.16 for the first quarter of 2026, compared to \$0.12 for the first quarter of 2025.

First quarter 2026 Revenues of \$371.0 million increased \$68.4 million, reflecting 22.6 percent growth and 15.8 percent organic growth from first quarter 2025 Revenues of \$302.6 million. Organic revenue growth was reported in our Unmanned Systems (KUS) segment of 30.9 percent and in our Government Solutions (KGS) segment of 11.8 percent. The most notable growth in our KGS Segment was in our Defense Rocket Systems, Turbine Technologies and Microwave Products businesses, with organic revenue growth rates of 45.8 percent, 20.3 percent and 12.3 percent, respectively, compared to the first quarter of 2025.

First quarter 2026 Cash Flow Used in Operations was \$27.4 million, primarily reflecting the working capital requirements related to the 22.6 percent revenue growth impacting our receivables, and also including increases in inventory balances related to ramps in production and investments we are making related to certain development initiatives in our KUS segment. Free Cash Flow Used in Operations for the first quarter of 2026 was \$43.1 million after funding \$19.9 million of capital expenditures, and after netting \$4.2 million of proceeds from sales of company owned Valkyries.

For the first quarter of 2026, KUS generated Revenues of \$82.6 million, compared to \$63.1 million in the first quarter of 2025, with the increase primarily driven by Valkyrie-related activity. KUS's Operating Income was \$1.3 million in the first quarter of 2026, compared to an Operating Loss of \$1.7 million in the first quarter of 2025. KUS's Adjusted EBITDA for the first quarter of 2026 was \$5.2 million, compared to \$1.7 million for the first quarter of 2025, reflecting the impact of the revenue volume and mix. KUS's book-to-bill ratio for the first quarter of 2026 was 1.2 to 1.0 and 1.1 to 1.0 for the twelve months ended March 29, 2026, with bookings of \$96.2 million for the three months ended March 29, 2026, and bookings of \$340.0 million for the twelve months ended March 29, 2026. Total backlog for KUS at the end of the first quarter of 2026 was \$375.4 million, compared to \$361.7 million at the end of the fourth quarter of 2025.

For the first quarter of 2026, our KGS segment Revenues of \$288.4 million increased from Revenues of \$239.5 million in the first quarter of 2025, reflecting a 20.4 percent increase and an 11.8 percent organic growth rate, excluding the impact of the recent acquisitions of Nomad Global Communication Solutions (Nomad) and Orbit Technologies Ltd (Orbit). The increased Revenues includes organic revenue growth across our Defense and Rocket Support business, Turbine Technologies and Microwave Products businesses, with organic revenue growth rates of 45.8 percent, 20.3 percent, and 12.3 percent, respectively, over the first quarter of 2025.

KGS reported Operating Income of \$20.4 million in the first quarter of 2026 compared to \$17.0 million in the first quarter of 2025,

primarily reflecting a favorable mix in revenues and increased volume. First quarter 2026 KGS Adjusted EBITDA was \$33.5 million, compared to first quarter 2025 KGS Adjusted EBITDA of \$25.0 million, primarily reflecting the volume and mix in revenues and resources.

KGS reported a book-to-bill ratio of 1.8 to 1.0 for the first quarter of 2026, a book-to-bill ratio of 1.2 to 1.0 for the last twelve months ended March 29, 2026, and bookings of \$509.0 million and \$1.375 billion for the three and last twelve months ended March 29, 2026, respectively. KGS's total backlog was \$1.635 billion at the end of the first quarter of 2026, compared to \$1.212 billion at the end of the fourth quarter of 2025.

Kratos reported consolidated bookings of \$605.2 million and a book-to-bill ratio of 1.6 to 1.0 for the first quarter of 2026, and consolidated bookings of \$1.715 billion and a book-to-bill ratio of 1.2 to 1.0 for the last twelve months ended March 29, 2026. Consolidated backlog was \$2.010 billion on March 29, 2026, as compared to \$1.573 billion on December 28, 2025. Kratos' bid and proposal pipeline was \$14.3 billion on March 29, 2026, as compared to \$13.7 billion on December 28, 2025. Backlog on March 29, 2026 included funded backlog of \$1.457 billion and unfunded backlog of \$553.5 million.

**Eric DeMarco, Kratos' President and CEO**, said, "Kratos' balanced business model, including making internally funded investments in property, plant, equipment and facilities, and the rapid development and fielding of relevant products for the Department of War, while generating growth and profitability, is accelerating as reflected in our Q1 results and 1.6 to 1.0 book to bill ratio. There is a generational recapitalization of the U.S. defense industrial base underway and Kratos is committed to doing its part to ensure that the Department and our country are successful."

Mr. DeMarco continued, "Since our last report, the Department communicated that they intend to spend last year's entire \$156 billion Reconciliation Bill defense related funding in fiscal 2026, which includes funding for Kratos' Hypersonic, Valkyrie CCA, Solid Rocket Motor, Jet Engines for Drones, Missiles and Loitering Munitions, and other Kratos initiatives. Additionally, the Fiscal 2027 National Security spend is currently projected to be \$1.5 trillion, an approximate \$400 billion increase above Fiscal Year 2026, with what we believe a very limited number of companies, like Kratos, are qualified with real existing capability and products, to successfully address."

Mr. DeMarco went on, "Additionally, the Department is executing multi-year weapon system production framework agreements with industry, including with Kratos partners, which is good for our country and for Kratos. Building military-grade hardware and software that must work every time is hard, and Kratos' industry-recognized capability is a differentiator for our Company. We routinely meet with DoW leadership, and we are confident that Kratos' strategy, business plan, and approach are aligned with the Department's objectives. The Department's demand signals are real, the results are happening, and Kratos is continuing to step up to ensure success."

Mr. DeMarco concluded, "Kratos' alignment with the Department's objectives, increasing funding, our relevant past performance qualifications, the number of opportunities that Kratos continues to successfully receive, and the number of new opportunities that are being presented to Kratos, has our Company positioned for success. We believe that the scarcity value of Kratos is clear, we are investing to further increase our capabilities and manufacturing capacity, and we are laser focused on the mission, execution and delivering for all Kratos stakeholders."

### Financial Guidance

We are providing our initial second quarter and increased full year 2026 guidance, which includes the estimated impact of the recent Nomad and Orbit acquisitions, and our assumptions, including as related to: current forecasted business mix, expected employee sourcing, hiring and retention; potential manufacturing, production and supply chain disruptions; potential parts shortages and related continued significant cost and price increases in each of these areas, which are impacting the industry and Kratos. We are making significant investments in bid, proposal and other new program opportunity areas, and increasing staffing to enable us to ramp production levels, all of which is currently adversely impacting our profit margins and free cash flow generation. We are also making significant investments in inventory, property, plant, equipment and facilities, consistent with the Department of War's National Security Strategy and its stated expectations of U.S. National Security government contractors. These investments are expected to continue at least into Kratos' fiscal year 2027, as our opportunity pipeline continues to increase.

Kratos' cash flow guidance also assumes certain investments in our Rocket Systems and Unmanned Systems businesses, related to the procurement of rocket motors and related systems and our plan to begin producing approximately 40 Valkyries annually beginning by the end of 2027, as well as the completion of certain of our unmanned systems and related derivatives and vehicles. Additional forecasted investments in 2026 include our funding of the Prometheus joint venture, our Anaconda radar program, our Helios hypersonic and arc chamber program, our Indiana hypersonic integration facility, our Birmingham advanced manufacturing facility for hypersonic systems, expansion and new microwave electronics facilities in Israel and the U.S., our GEK and BladeWorks engine facilities, the continued build of our second lot of 12 Valkyrie aircraft, certain manufacturing and production related equipment for our recently acquired Nomad acquisition, certain drone related investments, and our Vulcan, Kraken, Elysium, Nemesis, Hermes and other initiatives. In summary, Kratos continues to make the required investments to support the rebuild of the U.S. defense industrial base and related infrastructure, take advantage of the ongoing generational recapitalization of strategic and other weapon and National Security related systems, and generate value for all Kratos stakeholders, including the warfighter and Kratos shareholders.

Our previous full year 2026 guidance included the Nomad acquisition which closed on February 11, 2026. Our second quarter and

full year 2026 guidance ranges now includes the recently completed Orbit Technologies Ltd. acquisition, and a summary of the forecasted investments for new programs and opportunities are presented below.

### Forecasted Financial Performance

<u>\$M</u>	<u>Q226</u>	<u>FY26</u>
Revenues	\$400 - \$410	\$1,700 - \$1,760
R&D	\$12 - \$14	\$50 - \$53
Operating Income (loss)	(\$6 - \$8)	\$18 - 23
Depreciation	\$11 - \$12	\$48 - \$50
Amortization	\$12 - \$13	\$43 - \$46
Stock Based Compensation	\$15 - \$16	\$58 - \$60
Adjusted EBITDA	\$30 - \$35	\$170 - \$176
Operating Cash Flow		\$60 - \$70
Capital Expenditures		\$155 - \$165
Free Cash Flow Use		(\$85 - \$105)

### FY26 Forecasted Investments for New Program and Opportunities (\$M)

<u>Capital Expenditures</u>	<u>Estimated Spend</u>	<u>Program/Opportunity</u>
Advanced Manufacturing Facility for Hypersonics/Engines & Test Cell	\$ 14 - \$ 15	Various Customer Opportunities
Payload Integration Facility	\$ 13 - \$ 14	MACH-TB and Other
Nomad Plant Improvements and Machinery	\$ 8 - \$ 9	Various Customer Opportunities
Materials and Hardware	\$ 12 - \$ 13	Various Drone Opportunities
C5ISR Facility and Machinery	\$ 6 - \$ 7	Various Air Defense Programs
BladeWorks Turbo Fan Facility and Test Cells and New Designs	\$ 18 - \$ 19	Various Engine Opportunities
Microwave Products New/Expanded Facilities and Machinery	\$ 14 - \$ 15	Various Customer Opportunities
Space and Satellite Additional Secure Facility Build-Out	\$ 7 - \$ 8	Various Confidential Programs
Valkyrie Second Production Lot 12 Build	\$ 25 - \$ 27	Various Customer Opportunities
	<b>\$ 117 - \$ 127</b>	
Normal Maintenance Capital Expenditures	<b>\$ 38 - \$ 38</b>	
<b>Total FY26 Forecasted Capital Expenditures</b>	<b>\$ 155 - \$ 165</b>	
<b><u>Other Investments included in Working Capital (Operating Cash Flow)</u></b>		
Rocket System Inventory Build - Zeus/Oriole	\$ 40 - \$ 45	Various including MACH-TB
Unmanned Systems Initiative/Enhancements	3 - 5	Various Customer Opportunities
	<b>\$ 43 - \$ 50</b>	
<b><u>Estimated Funding for Investments</u></b>		
Funding Investment in Prometheus	<b>\$ 50 - \$ 55</b>	
<b>Total FY26 Forecasted Total Investments</b>	<b>\$ 248 - \$ 270</b>	

We expect our second half of fiscal 2026 will have significantly higher Revenue than the first half, as we expect to begin to receive in the second half of 2026 certain long-lead time items related to existing customer funded programs, including solid rocket motors and other hardware related to certain hypersonic and other programs, hardware and components related to jet engine and propulsion system development and production, and hardware related to air defense, missile, radar and other National Security system production.

We expect Kratos' second half of fiscal 2026 Adjusted EBITDA and operating cash flow to be greater than our first half, as our Revenue increases, Adjusted EBITDA margins expand and are impacted by both expected increased scale and product mix, and customer contract funding is expected to increase coming off of the late 2025 and early 2026 U.S. Government shutdown and extended Continuing Resolution. We continue to expect Kratos' full year 2026 Adjusted EBITDA margin rates to be approximately 100 bps greater than our reported 2025 Adjusted EBITDA margin rates, including the Orbit and Nomad acquisitions.

We expect to provide full year 2027 financial guidance, which will include the Orbit and Nomad acquisitions, when we report our third quarter of fiscal 2026 later this year. We continue to expect our 2027 Adjusted EBITDA margin rates to increase an additional

100 bps above forecast 2026 Adjusted EBITDA margin rates, when we provide full year 2027 guidance later this year.

Management will discuss the Company's financial results at a conference call beginning at 2:00 p.m. Pacific (5:00 p.m. Eastern) today. The call will be available at [www.kratosdefense.com](http://www.kratosdefense.com). Participants may register for the call using this [Online Form](#). Upon registration, all telephone participants will receive the dial-in number along with a unique PIN that can be used to access the call. For those who cannot access the live broadcast, a replay will be available on Kratos' website.

### **About Kratos Defense & Security Solutions**

Kratos Defense & Security Solutions, Inc. (NASDAQ: KTOS) is a technology, hardware, 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 relevant 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 the 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 our probability of win 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 probability of win 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, hypersonic vehicles and rocket systems, propulsion systems for drones, missiles, loitering munitions, supersonic systems, space craft and launch systems, command, control, communication, computing, combat, intelligence surveillance and reconnaissance (C5ISR) and microwave electronic products for missile, radar, air defense, missile defense, space, satellite, counter unmanned aircraft systems (CUAS), directed energy, communication and other systems, and virtual & augmented reality training systems for the warfighter. For more information, visit [www.KratosDefense.com](http://www.KratosDefense.com)

### **Notice Regarding Forward-Looking Statements**

This news release contains certain forward-looking statements that involve risks and uncertainties, including, without limitation, express or implied statements concerning the Company's expectations regarding its future financial performance, including the Company's expectations for its second quarter, first half, second half, and full year 2026 revenues, R&D, operating income, depreciation, amortization, stock based compensation expense, and Adjusted EBITDA, and full year 2026 operating cash flow, capital expenditures, investments, and free cash flow, forecasted company and business unit organic revenue growth, estimated revenue and organic revenue growth for 2026 and 2027, Adjusted EBITDA margins in 2026 and 2027, future initiation of higher margin programs and negotiation of lower margin contracts which are expected to be renewed in the future, expected future investments in property, plant, facilities, and equipment (including expected investments in the Prometheus joint venture and other programs, opportunities, and initiatives), expected future production of Valkyries, the ability of the Company's customers to respond to industry and market conditions, the impact of acquired companies and businesses on the Company's operations and financial condition, the Company's bid and proposal pipeline and backlog, including the Company's ability to timely execute on its backlog, demand for its products and services, including the Company's alignment with today's National Security requirements and the positioning of its C5ISR and other businesses, ability to successfully compete and expected new customer awards, the impact of federal government shutdowns on the Company's operations and financial condition, the availability and timing of government funding for the Company's offerings, availability of an experienced skilled workforce, inflation and increased costs, risks related to potential cybersecurity events or disruptions of our information technology systems, and delays in our financial projections, industry, business and operations, including projected growth. Such statements are only predictions, and the Company's actual results may differ materially from the results expressed or implied by these statements. 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. Factors that may cause the Company's results to differ include, but are not limited to: risks to our business and financial results related to the reductions and other spending constraints imposed on the U.S. Government and our other customers, including as a result of sequestration and extended continuing resolutions, the Federal budget deficit and Federal government shut-downs; risks of adverse regulatory action or litigation; risks associated with debt leverage; risks that our cost-cutting initiatives will not provide the anticipated benefits; risks that changes, cutbacks or delays in spending by the DoW may occur, which could cause delays or cancellations of key government contracts; risks of delays to or the cancellation of our projects as a result of protest actions submitted by our competitors; risks that changes may occur in Federal government (or other applicable) procurement laws, regulations, policies and budgets; risks of the availability of government funding for the Company's products and services due to performance, cost growth, or other factors, changes in government and customer priorities and requirements (including cost-cutting initiatives, the potential deferral of awards, terminations or reduction of expenditures to respond to the priorities of Congress and the Administration, or budgetary cuts resulting from Congressional committee recommendations or automatic sequestration under the Budget Control Act of 2011, as amended); risks related to tariffs or import duties which could affect the Company's supply chain and customer affordability; risks related to Executive Orders issued by the Trump Administration and resultant changes to the DoW procurement policies and Federal Acquisition Regulations; risks related to DoW reorganization and DOGE; risks that the unmanned aerial systems and unmanned ground sensor markets do not experience significant growth; risks that products we have developed or will develop will not become programs of record; risks that we cannot expand our customer base or that our products do not achieve broad acceptance which could impact our ability to achieve our

anticipated level of growth; risks of increases in the Federal government initiatives related to in-sourcing; risks related to security breaches, including cyber security attacks and threats or other significant disruptions of our information systems, facilities and infrastructures; risks related to our compliance with applicable contracting and procurement laws, regulations and standards; risks related to the new DoW Cybersecurity Maturity Model Certification; risks relating to the ongoing conflict in Ukraine and the Israeli-Palestinian military conflict; risks to our business in Israel including our expanded operations in Israel following the Orbit acquisition; risks related to contract performance; risks related to failure of our products or services; risks associated with our subcontractors' or suppliers' failure to perform their contractual obligations, including the appearance of counterfeit or corrupt parts in our products; changes in the competitive environment (including as a result of bid protests); failure to successfully integrate acquired operations and compete in the marketplace, which could reduce revenues and profit margins; risks that potential future goodwill impairments will adversely affect our operating results; risks that anticipated tax benefits will not be realized in accordance with our expectations; risks that a change in ownership of our stock could cause further limitation to the future utilization of our net operating losses; risks that we may be required to record valuation allowances on our net operating losses which could adversely impact our profitability and financial condition; risks that the current economic environment will adversely impact our business, including with respect to our ability to recruit and retain sufficient numbers of qualified personnel to execute on our programs and contracts, as well as expected contract awards and risks related to increasing interest rates; currently unforeseen risks associated with any public health crisis, and risks related to natural disasters or severe weather. These and other risk factors are more fully discussed in the Company's Annual Report on Form 10-K for the period ended December 28, 2025, and in our other filings made with the Securities and Exchange Commission.

#### **Note Regarding Use of Non-GAAP Financial Measures and Other Performance Metrics**

This news release contains non-GAAP financial measures, including organic revenue growth rates computed as the revenue growth rate excluding the current year impact of the contribution from acquisitions, Adjusted EPS (computed using income before income taxes, excluding depreciation, amortization of intangible assets, amortization of capitalized contract and development costs, stock-based compensation expense, acquisition and restructuring related items and other, which includes, but is not limited to, legal related items, non-recoverable rates and costs, and foreign transaction gains and losses, less the estimated impact of current and deferred income taxes) and Adjusted EBITDA (which excludes, among other things, acquisition and restructuring related items, stock compensation expense, foreign transaction gains and losses, and the associated margin rates). Additional non-GAAP financial measures include Free Cash Flow from Operations computed as Cash Flow from Operations less Capital Expenditures plus proceeds from sale of assets and Adjusted EBITDA related to our KUS and KGS businesses. Kratos believes this information is useful to investors because it provides a basis for measuring the Company's available capital resources, the actual and forecasted operating performance of the Company's business and the Company's cash flow, excluding non-recurring items and non-cash items that would normally be included in the most directly comparable measures calculated and presented in accordance with GAAP. The Company's management uses these non-GAAP financial measures, along with the most directly comparable GAAP financial measures, in evaluating the Company's actual and forecasted operating performance, capital resources and cash flow. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP, and investors should carefully evaluate the Company's financial results calculated in accordance with GAAP and reconciliations to those financial results. In addition, non-GAAP financial measures as reported by the Company may not be comparable to similarly titled amounts reported by other companies. As appropriate, the most directly comparable GAAP financial measures and information reconciling these non-GAAP financial measures to the Company's financial results prepared in accordance with GAAP are included in this news release.

Another Performance Metric the Company believes is a key performance indicator in our industry is our Book to Bill Ratio as it provides investors with a measure of the amount of bookings or contract awards as compared to the amount of revenues that have been recorded during the period and provides an indicator of how much of the Company's backlog is being burned or utilized in a certain period. The Book to Bill Ratio is computed as the number of bookings or contract awards in the period divided by the revenues recorded for the same period. The Company believes that the rolling or last twelve months' Book to Bill Ratio is meaningful since the timing of quarter-to-quarter bookings can vary.

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**Kratos Defense & Security Solutions, Inc.**  
**Unaudited Condensed Consolidated Statements of Operations**  
(in millions, except per share data)

<b>Three Months Ended</b>	
<b>March 29,</b>	<b>March 30,</b>
<b>2026</b>	<b>2025</b>

Service revenues	\$ 134.0	\$ 102.4
Product sales	237.0	200.2
Total revenues	371.0	302.6
Cost of service revenues	99.3	75.7
Cost of product sales	182.1	153.3
Total costs	281.4	229.0
Gross profit - service revenues	34.7	26.7
Gross profit - product sales	54.9	46.9
Total gross profit	89.6	73.6
Selling, general and administrative expenses	62.7	52.3
Merger and acquisition expenses	1.9	-
Research and development expenses	10.7	10.0
Depreciation	3.8	2.6
Amortization of intangible assets	5.8	2.1
Operating income	4.7	6.6
Interest income (expense), net	4.5	(0.9)
Other income (loss), net	0.6	(0.3)
Income before income taxes	9.8	5.4
Provision (benefit) for income taxes	(2.1)	0.9
Net Income	<u>\$ 11.9</u>	<u>\$ 4.5</u>
Basic income per common share	<u>\$ 0.07</u>	<u>\$ 0.03</u>
Diluted income per common share	<u>\$ 0.07</u>	<u>\$ 0.03</u>
Weighted average common shares outstanding:		
Basic	176.8	154.2
Diluted	179.4	156.2
<b>Adjusted EBITDA (1)</b>	<u><b>\$ 38.7</b></u>	<u><b>\$ 26.7</b></u>

#### Unaudited Reconciliation of GAAP to Non-GAAP Measures

Note: (1) Adjusted EBITDA is a non-GAAP measure defined as GAAP net income adjusted for net interest income (expense), provision for income taxes, depreciation and amortization expense of intangible assets, amortization of capitalized contract and development costs, stock-based compensation, acquisition and restructuring related items and other, and foreign transaction (gain) loss.

Adjusted EBITDA as calculated by us may be calculated differently than Adjusted EBITDA for other companies. We have provided Adjusted EBITDA because we believe it is a commonly used measure of financial performance in comparable companies and is provided to should not be construed as either an alternative to net income (loss) or as an indicator of our operating performance or an alternative to cash flows as a measure of liquidity. The adjustments to calculate this non-GAAP financial measure and the basis for such adjustments are outlined below. Please refer to the following table below that reconciles GAAP net income (loss) to Adjusted EBITDA.

The adjustments to calculate this non-GAAP financial measure, and the basis for such adjustments, are outlined below:

*Interest income and interest expense, net.* The Company receives interest income on investments and incurs interest expense on loans, capital leases and other financing arrangements, including the amortization of issue discounts and deferred financing costs. These amounts may vary from period to period due to changes in cash and debt balances.

*Income taxes.* The Company's tax expense can fluctuate materially from period to period due to tax adjustments that may not be directly related to underlying operating performance or to the current period of operations and may not necessarily reflect the impact of utilization of our NOLs.

*Depreciation.* The Company incurs depreciation expense (recorded in cost of revenues and in operating expenses) related to capital assets purchased, leased or constructed to support the ongoing operations of the business. The assets are recorded at cost or fair value and are depreciated over the estimated useful lives of individual assets.

*Amortization of intangible assets.* The Company incurs amortization of intangible expense related to acquisitions it has made. These intangible assets are valued at the time of acquisition and are amortized over the estimated useful lives.

*Amortization of capitalized contract and development costs.* The Company incurs amortization of previously capitalized software development and non-recurring engineering or design costs related to certain products or offerings in its Unmanned Systems, rocket support and services, and space and satellite businesses as related units are sold or over the estimated useful life, as applicable.

*Stock-based compensation expense.* The Company incurs expense related to stock-based compensation included in its GAAP presentation of selling, general and administrative expense. Although stock-based compensation is an expense of the Company and viewed as a form of compensation, these expenses vary in amount from period to period, and are affected by market forces that are difficult to predict and are not within the control of management, such as the market price and volatility of the Company's shares, risk-free interest rates and the expected term and forfeiture rates of the awards. Management believes that exclusion of these expenses allows comparison of operating results to those of other companies that disclose non-GAAP financial measures that exclude stock-based compensation.

*Foreign transaction (gain) loss.* The Company incurs transaction gains and losses which are not hedged related to transactions with foreign customers in currencies other than the U.S. dollar. In addition, certain intercompany transactions can give rise to realized and unrealized foreign currency gains and losses.

*Acquisition and transaction related items.* The Company incurs transaction related costs, such as legal and accounting fees and other expenses, related to acquisitions and divestiture activities. Management believes these items are outside the normal operations of the Company's business and are not indicative of ongoing operating results.

*Restructuring costs.* The Company incurs restructuring costs for cost reduction actions which include employee termination costs, facility shut-down related costs and lease commitment costs for unused, excess or exited facilities. Management believes that these costs are not indicative of ongoing operating results as they are either non-recurring and/or not expected when full capacity and volumes are achieved.

*Legal related items.* The Company incurs costs related to pending legal settlements and other legal related matters. Management believes these items are outside the normal operations of the Company's business and are not indicative of ongoing operating results.

Adjusted EBITDA is a non-GAAP financial measure and should not be considered in isolation or as a substitute for financial information provided in accordance with GAAP. This non-GAAP financial measure may not be computed in the same manner as similarly titled measures used by other companies. The Company expects to continue to incur expenses similar to the Adjusted EBITDA financial adjustments described above, and investors should not infer from the Company's presentation of this non-GAAP financial measure that these costs are unusual, infrequent, or non-recurring.

Reconciliation of Net Income attributable to Kratos to Adjusted EBITDA is as follows:

	<b>Three Months Ended</b>	
	<b>March 29, 2026</b>	<b>March 30, 2025</b>
Net income	\$ 11.9	\$ 4.5
Interest (income) expense, net	(4.5)	0.9
Provision (benefit) for income taxes	(2.1)	0.9
Depreciation (including cost of service revenues and product sales)	11.0	8.3
Stock-based compensation	15.0	8.7
Foreign transaction (gain) loss	(0.1)	0.4
Amortization of intangible assets	5.8	2.1
Amortization of capitalized contract and development costs	1.8	0.9
Acquisition and restructuring related items and other	1.9	-
Reversal of contingent acquisition consideration	(2.0)	-
Adjusted EBITDA	<u>\$ 38.7</u>	<u>\$ 26.7</u>

**Kratos Defense & Security Solutions, Inc.**  
**Unaudited Segment Data**  
(in millions)

	<b>Three Months Ended</b>	
	<b>March 29, 2026</b>	<b>March 30, 2025</b>
Revenues:		
Unmanned Systems	\$ 82.6	\$ 63.1
Kratos Government Solutions	288.4	239.5
Total revenues	<u>\$ 371.0</u>	<u>\$ 302.6</u>
Operating income (loss)		
Unmanned Systems	\$ 1.3	\$ (1.7)
Kratos Government Solutions	20.3	17.0
Unallocated corporate expense, net	(16.9)	(8.7)
Total operating income	<u>\$ 4.7</u>	<u>\$ 6.6</u>

Note: Unallocated corporate expense, net includes costs for certain stock-based compensation programs (including stock-based compensation costs for the employee stock purchase plan and restricted stock units), the effects of items not considered part of management's evaluation of segment operating performance, and acquisition and restructuring related items, corporate costs not allocated to the segments, legal related items, and other miscellaneous corporate activities.

Reconciliation of Segment Operating Income (Loss) to Adjusted EBITDA is as follows:

	<b>Three Months Ended</b>	
	<b>March 29, 2026</b>	<b>March 30, 2025</b>
Unmanned Systems		
Operating income (loss)	\$ 1.3	\$ (1.7)
Other income	0.1	0.1
Depreciation	2.8	2.3
Amortization of intangible assets	1.0	1.0
Amortization of capitalized contract and development costs	-	-
Adjusted EBITDA	<u>\$ 5.2</u>	<u>\$ 1.7</u>
% of revenue	6.3%	2.7%
Kratos Government Solutions		
Operating income	\$ 20.3	\$ 17.0
Other income	0.4	-
Depreciation	8.2	6.0
Amortization of intangible assets	4.8	1.1
Amortization of capitalized contract and development costs	1.8	0.9
Reversal of contingent acquisition consideration	(2.0)	-
Adjusted EBITDA	<u>\$ 33.5</u>	<u>\$ 25.0</u>
% of revenue	11.6%	10.4%
Total Adjusted EBITDA	<u>\$ 38.7</u>	<u>\$ 26.7</u>
% of revenue	10.4%	8.8%

(in millions)

	<b>March 29, 2026</b>	<b>December 28, 2025</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,464.3	\$ 560.6
Accounts receivable, net	194.5	165.0
Unbilled receivables, net	334.1	292.4
Inventoried costs, net	225.7	188.2
Prepaid expenses	22.5	12.9
Other current assets	69.3	43.8
Total current assets	2,310.4	1,262.9
Property, plant and equipment, net	414.2	361.9
Operating lease right-of-use assets	45.4	43.4
Goodwill	884.1	595.7
Intangible assets, net	219.7	53.9
Other assets	161.9	144.4
Investment in joint venture	7.0	5.0
Total assets	<u>\$ 4,042.7</u>	<u>\$ 2,467.2</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 112.0	\$ 69.6
Accrued expenses	58.7	60.5
Accrued compensation	88.8	82.3
Billings in excess of costs and earnings on uncompleted contracts	108.1	73.4
Current portion of operating lease liabilities	13.9	12.8
Current portion of finance lease liabilities	4.8	3.4
Other current liabilities	24.4	9.0
Total current liabilities	410.7	311.0
Operating lease liabilities, net of current portion	34.7	33.8
Finance lease liabilities, net of current portion	132.0	95.8
Other long-term liabilities	55.3	30.3
Total liabilities	632.7	470.9
Commitments and contingencies		
Stockholders' equity:		
Common stock	0.2	0.2
Additional paid-in capital	4,038.7	2,635.9
Accumulated other comprehensive income (loss)	1.1	2.1
Accumulated deficit	(630.0)	(641.9)
Total equity	3,410.0	1,996.3
Total liabilities and stockholders' equity	<u>\$ 4,042.7</u>	<u>\$ 2,467.2</u>

**Kratos Defense & Security Solutions, Inc.**  
**Unaudited Condensed Consolidated Statements of Cash Flows**  
(in millions)

	<b>Three Months Ended</b>	
	<b>March 29, 2026</b>	<b>March 30, 2025</b>
Operating activities:		
Net income	\$ 11.9	\$ 4.5
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		

Depreciation and amortization	16.8	10.4
Amortization of lease right-of-use assets	3.4	3.0
Deferred income taxes	1.2	0.2
Stock-based compensation	15.0	8.7
Amortization of deferred financing costs	0.1	-
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(2.0)	0.8
Unbilled receivables	(26.7)	(38.0)
Inventoried costs	(14.7)	(5.4)
Prepaid expenses and other assets	(26.5)	(12.8)
Operating lease liabilities	(3.7)	(3.0)
Accounts payable	30.8	0.7
Accrued expenses	(16.1)	(1.8)
Accrued compensation	(6.4)	5.4
Billings in excess of costs and earnings on uncompleted contracts	0.1	(0.7)
Income tax receivable and payable	(3.8)	(1.1)
Other liabilities	(6.8)	(0.1)
Net cash used in operating activities	<u>(27.4)</u>	<u>(29.2)</u>
Investing activities:		
Cash paid for acquisitions, net of cash acquired	(347.4)	-
Proceeds from sale of assets	4.2	-
Investment in joint venture	(2.0)	-
Capital expenditures	(19.9)	(22.6)
Net cash used in investing activities	<u>(365.1)</u>	<u>(22.6)</u>
Financing activities:		
Repayment under credit facility and term loan	-	(2.5)
Proceeds from the issuance of common stock, net of issuance costs	1,348.6	-
Debt issuance costs	(1.1)	-
Payment under finance leases	(0.9)	(0.4)
Payments of employee taxes withheld from share-based awards	(54.9)	(16.2)
Proceeds from shares issued under equity plans	5.3	4.6
Proceeds from state grant for capital construction	0.3	-
Net cash provided by financing activities	<u>1,297.3</u>	<u>(14.5)</u>
Net cash flows	904.8	(66.3)
Effect of exchange rate changes on cash and cash equivalents	(1.1)	0.7
Net increase in cash and cash equivalents	903.7	(65.6)
Cash and cash equivalents at beginning of period	560.6	329.3
Cash and cash equivalents at end of period	<u>\$ 1,464.3</u>	<u>\$ 263.7</u>

**Kratos Defense & Security Solutions, Inc.**  
**Unaudited Non-GAAP Measures**  
**Computation of Adjusted Earnings Per Share**  
**(in millions, except per share data)**

Adjusted income and adjusted income per diluted common share (Adjusted EPS) are non-GAAP measures for reporting financial performance and exclude the impact of certain items and, therefore, have not been calculated in accordance with GAAP. Management believes that exclusion of these items assists in providing a more complete understanding of the Company's underlying results and trends and allows for comparability with our peer company index and industry. The Company uses these measures along with the corresponding GAAP financial measures to manage the Company's business and to evaluate its performance compared to prior periods and the marketplace. The Company defines adjusted income before amortization of intangible assets and capitalized contract and development costs, depreciation, stock based compensation, foreign transaction gain/loss, and acquisition and restructuring related items and other. The estimated impact to income taxes includes the impact to the effective tax, current tax provision and deferred tax provision, and excludes the impact of discrete items, including transaction related expenses and release of valuation allowance, or benefit related to the add-backs.\*

Adjusted EPS reflects adjusted income on a per share basis using weighted average diluted shares outstanding.

The following table reconciles the most directly comparable GAAP financial measures to the non-GAAP financial measures.

	<b>Three Months Ended</b>	
	<b>March 29, 2026</b>	<b>March 30, 2025</b>
<b>Net income</b>	<b>\$ 11.9</b>	<b>\$ 4.5</b>
Less: GAAP provision (benefit) for income taxes	(2.1)	0.9
<b>Income before taxes</b>	<b>9.8</b>	<b>5.4</b>
Add: Amortization of intangible assets	5.8	2.1
Add: Amortization of capitalized contract and development costs	1.8	0.9
Add: Depreciation	11.0	8.3
Add: Stock-based compensation	15.0	8.7
Add: Foreign transaction (gain) loss	(0.1)	0.4
Add: Acquisition and restructuring related items and other	1.9	-
Less: Reversal of contingent acquisition consideration	(2.0)	-
<b>Non-GAAP Adjusted income from consolidated operations before income taxes</b>	<b>43.2</b>	<b>25.8</b>
Income taxes on Non-GAAP measure Adjusted income*	14.6	6.9
<b>Non-GAAP Adjusted net income</b>	<b>\$ 28.6</b>	<b>\$ 18.9</b>
<b>Diluted earnings per common share</b>	<b>\$ 0.07</b>	<b>\$ 0.03</b>
Less: GAAP provision for income taxes	(0.01)	0.01
Add: Amortization of intangible assets	0.03	0.01
Add: Amortization of capitalized contract and development costs	0.01	0.01
Add: Depreciation	0.06	0.05
Add: Stock-based compensation	0.08	0.05
Add: Foreign transaction loss	-	-
Add: Acquisition and restructuring related items and other	0.01	-
Less: Reversal of contingent acquisition consideration	(0.01)	-
Income taxes on Non-GAAP measure Adjusted income*	(0.08)	(0.04)
<b>Adjusted income per diluted common share</b>	<b>\$ 0.16</b>	<b>\$ 0.12</b>
<b>Weighted average diluted common shares outstanding</b>	<b>179.4</b>	<b>156.2</b>

\*The impact to income taxes is calculated by recasting income before income taxes to include the add-backs involved in determining Adjusted Income before income taxes and recalculating the income tax provision, including current and deferred income taxes, using the Adjusted Income before income taxes. The recalculation also adjusts for any discrete tax expense, including transaction related expenses and the release of valuation allowance, or benefit related to the add-backs.



Source: Kratos Defense & Security Solutions, Inc.