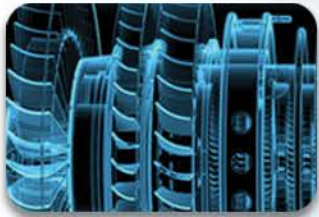


Kratos Defense & Security Solutions

Investor Brief

January 2021



Kratos - Overview

Product Focused Technology Company in the National Security Industry, Key Intellectual Property Ownership

Commercial, Entrepreneurial, and Venture Capital Culture and Backed Business Model and Approaches

Industry Leading Positions in Our Core Market Areas:

*Space & Satellite
Drones and Artificial intelligence
Microwave Electronics*

Kratos – Differentiators

At Kratos - Affordability is a Technology

Demonstrated Rapid Development and Fielding of Products and Systems

Recognized “Go To” Alternative, Affordable Product and System Provider

Utilize and Integrate Proven “Leading Edge Technology” vs Unproven “Bleeding Edge Technology” = Reduced Technical, Schedule and Financial Risk

Macro Industry Overview & Kratos

- *After ~25 Years of Addressing Terrorist Threats and Asymmetric Warfare, a Recapitalization of Strategic Weapon Systems to Address Peer/Near Peer Threats is Underway: Drones & AI, Space & Satellites, Microwave Electronics, Missile Defense & Hypersonic, Strategic Systems*
- *Kratos has Made Significant Internally Funded Investments to Achieve its Market Leading Positions and Strong Forecast Organic Growth Profile, with Investments Expected to Continue in 2021 to Support Multiple New Program Awards*
- *Organic Growth Forecast to Increase and Accelerate in 2022 as New and Development Programs Expected to Transition to Production*

Kratos – Primary Business Areas

Target Drones



Tactical Drones



Space & Satellite Communications



Missile Defense Systems



Microwave Electronics



Hypersonic Systems



Strategic Deterrence



Next Generation Engines for Drones/ Missiles



Unmanned Aerial Target Drone Systems



BQM-177



BQM-167



MQM-178



- Kratos is the leading provider of the Highest Performance, Threat Representative Target Drones in the world
- Kratos Drones exercise U.S. and our Allies' Radars and Weapon Systems – Kratos Target Drones are “shot down” and replaced
- Growth is being driven by the Recapitalization of Strategic Weapon Systems and the need to Test and Evaluate these systems

Unmanned Aerial Tactical Drone Systems



Valkyrie



Gremlin



Mako



Airwolf

- Kratos is the leading provider of affordable, high performance, tactical jet powered drone UASs in the industry – four drones in this Class flying today
- Multiple major DoD Programs will require hundreds/thousands of affordable/attritable drones in this Class: Skyborg, ABMS, Golden Horde, ACE, IBCS, etc.
- Low Cost (~\$400K - ~\$3M) Leading Technology Force Multipliers
- Overwhelm the adversary with quantities while protecting the warfighter
- Kratos drones are the highest performance UAVs in the world
- Russian and Chinese Threats, A2/AD environments driving funding and growth

Tactical Drone Update

- In early 2015, Kratos had Zero Tactical Drones
- In 2020, Kratos has four Tactical Drones (that we can discuss publicly) which are Customer Funded and have participated in multiple Funded demonstrations and military exercises demonstrating operational capability and concepts:
 - XQ-58A Valkyrie
 - UTAP-22 Mako
 - X-61A Gremlin (Dynetics Prime Contractor, Kratos UAS manufacturer)
 - Airwolf (Tactical Firejet)
- Kratos' Drone Systems are Low Cost, Disposable, Reusable and/or Attritable, Runway Independent, are made in America and the only Company with a family of drones in this Class flying today

*The Valkyrie
Flying in
Formation
with an F-22
& F-35*



*DARPA
Gremlins*

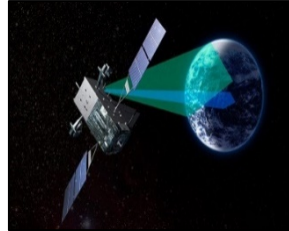
Space & Satellite Communications



WGS



SBIR



OPIR



TITAN



AEHF



HBTSS

- Kratos is the leading provider of Satellite Command & Control (C²) and Telemetry, Tracking & Control (TT&C) Ground Systems in the world and a leader in the Transition to Open Architecture, Software Defined, and Digital to IP Data Conversion Systems. Kratos supports ~80% of Space Missions
- Disaggregation of Ground Segment Procurement from Space System Procurement opening large new market opportunities for Kratos
- Kratos' Global owned and operated RF Monitoring Network is one of our most valuable and unique assets – Increasing # of satellites driving Space Monitoring Demand
- Space and Satellite Communications are one of the fastest growing and well funded DoD areas due to Russian and Chinese threats, Hypersonic System Tracking and Targeting, etc.
- Thousands of LEO and MEO satellites planned for the future, including to track Hypersonic Threats (HBTSS) Program and Sensor to Shooter Data Processing – Tactical Interface Tracking Application Node (TITAN) Program
- Large, New 5G and Ground Station as a Service (GSaaS) opportunity just beginning

Microwave Electronics



Missile Defense



Radars



Electronic Warfare



ISR

- Kratos is a leading provider of Microwave Electronic Sub Systems and components in support of major C5ISR programs
- Global microwave electronics industry is seeing increased funding and rapid growth due to Recapitalization of Strategic Weapon systems to address peer/near peer threats
- KMED is the largest independent microwave electronics components and sub system provider in Israel, supporting Israel, India, USA and other customers
- Kratos typically the Sole Source Provider to our customers

Strategic Deterrence



GBSD



Hypersonic Systems

- Kratos is supporting the ~\$100 billion Ground Based Strategic Deterrence (GBSD), Minuteman III ICBM Replacement Program
- Kratos supports multiple Hypersonic Systems Programs with our Launch System, Space and C5ISR Businesses
- GBSD and Hypersonic Systems are two of the best funded and fastest growing priority areas of DoD Budget
- GBSD, HBTSS, TITAN, IBCS, etc., Kratos supported Programs
- Recapitalization of Strategic Weapons Systems to address peer/near peer threats driving funding and growth

Turbine Technologies and Engines



Engine



Gray Wolf



Speed Racer

- The Engine is typically the #1 Bill Of Material (BOM) cost element in a jet drone, cruise missile and powered munition system
- Kratos is looking to disrupt this class of engine market, similar to our drone initiatives; rapid development and fielding, improved performance and affordability
- DoD wants new technology, alternative engine providers and competition
- Thousands of engine applications and opportunities forecast: Gray Wolf, Speed Racer, Golden Horde, Skyborg, ABMS, Arsenal Plane, Attritables
- Kratos has multiple engines under customer funded development programs

Missile Defense and Hypersonic Programs



BMD Targets



Patriot



GBSD



SHORAD



AEGIS

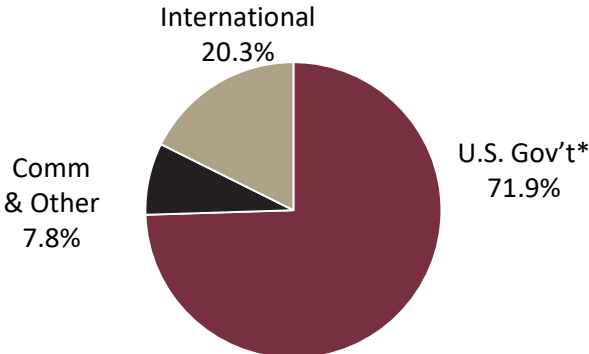
- Kratos is the leading provider of Affordable Ballistic Missile Defense (BMD) Related Target Systems in the industry
- BMD Target Systems used to Test and Evaluate radar, missile defense and other systems and for operational readiness
- Kratos is the leading provider of missile and combat system/program sub systems and strategic deterrence systems
- Satellite Hypersonic and Ballistic Tracking Space Sensor (HBTSS) Program
- Integrated Battle Command System (IBCS) Missile Defense System Network Program and AEGIS Combat System
- Recapitalization of Strategic Weapon Systems to address peer/near peer threats driving business growth

Kratos – Third Quarter 2020 Execution Highlights

- Q320 Revenue \$202.0 million, up from Q319 Revenue of \$184.1 million. Organic growth in Unmanned Systems, Microwave Electronics, C5ISR and Rocket Support Solutions businesses and contribution from ASC Signal acquisition offset by reduction in scope of certain international Training Services contracts with net impact of \$6.3 million and COVID-19 related impacts in commercial satcom, aero and services businesses
- Q320 Adjusted EBITDA of \$24.6 million, up from Q319 Adjusted EBITDA of \$20.4 million, primarily due to favorable revenue mix including certain programs and products in more mature lifecycles
- Q320 Operating Income \$12.7 million, up from Operating Income of \$11.5 million due to favorable revenue mix, offset partially by increase in non-cash stock compensation expense of \$2.2 million and increase in R&D expense of \$3.1 million
- Q320 Book-To-Bill ratio 1.8 to 1, LTM Book-to-Bill ratio 1.3 to 1. KGS Book-To-Bill ratio 1.9 to 1, KGS LTM Book-to-Bill ratio 1.4 to 1
- Q320 Backlog \$873.1 million, up from Q220 Backlog of \$683.4 million. Q320 Funded Backlog \$579.3 million, Q320 Unfunded Backlog \$293.8 million
- Qualified Bid and Proposal Pipeline \$8.3 billion, up from \$8.0 billion at Q220

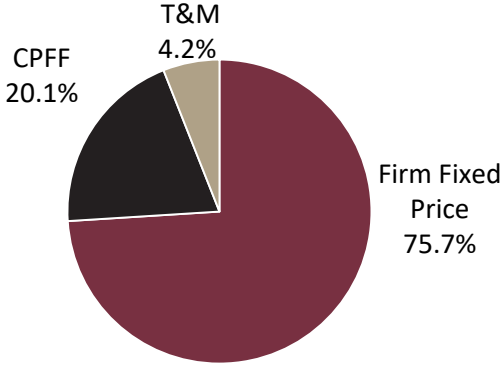
Kratos – Recent Financial Highlights – FY20

Nine Months ended 9/27/20
Revenue by Customer

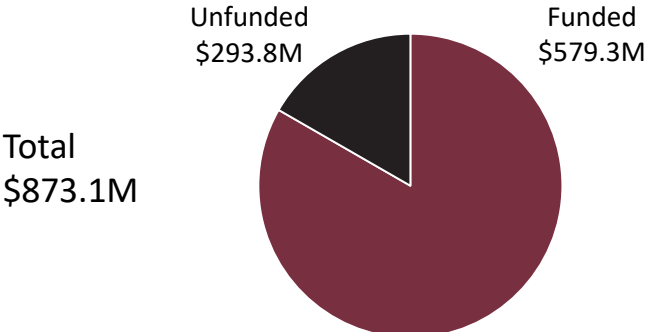


*Includes Foreign Military Sales (FMS)

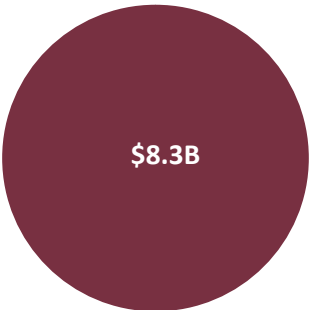
Nine Months ended 9/27/20
Contract Mix



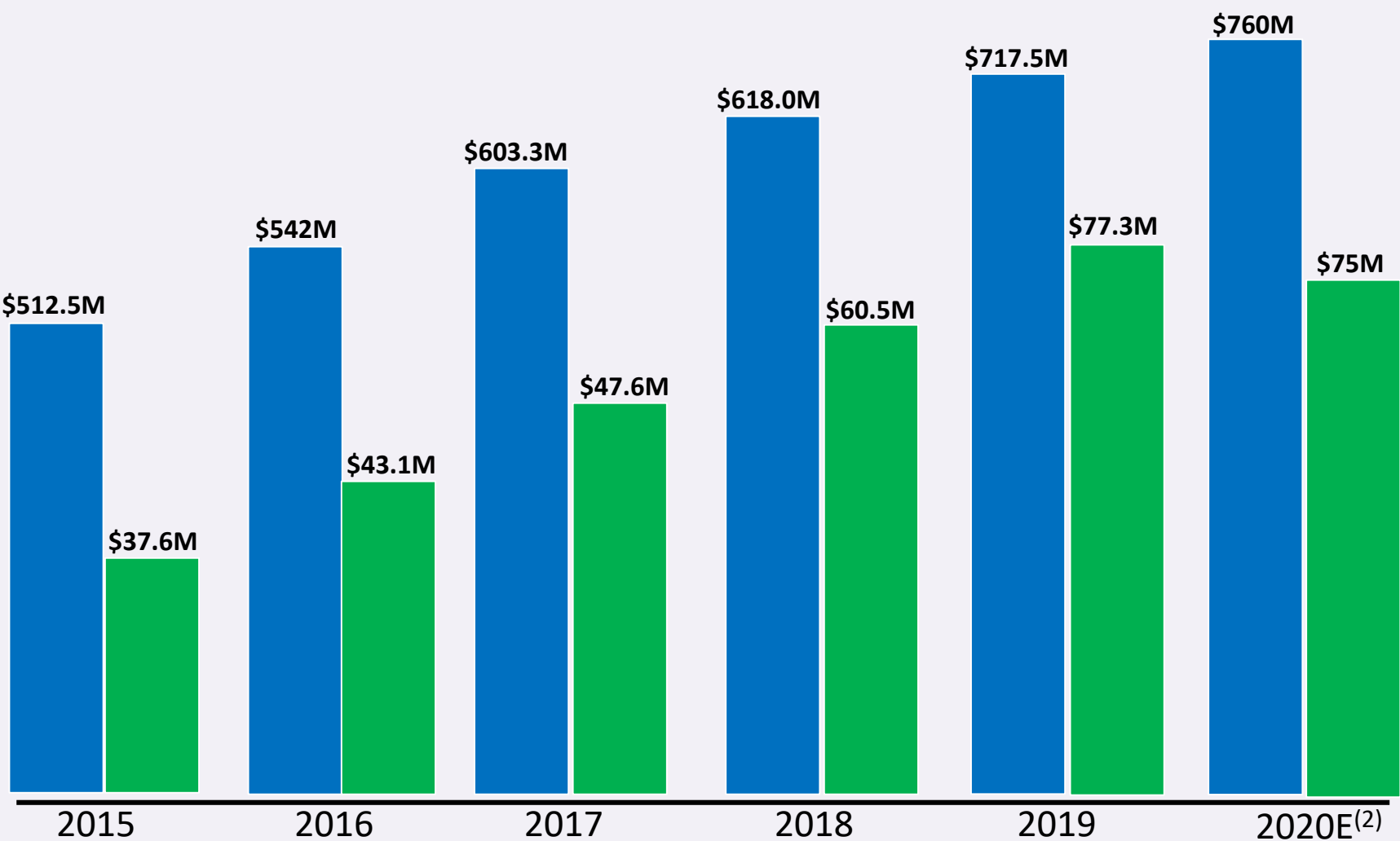
Backlog ended 9/27/20



Bid & Proposal Pipeline ended 9/27/20



Kratos – Growth Trajectory⁽¹⁾



■ Revenue
■ Adjusted EBITDA

(1) Recast to Present PSS as Discontinued Operations
 (2) Reflects Mid-Point of 2020 Estimate

Kratos – Recent Financial Highlights – Q320

	<u>Q320</u>
Gross Debt	\$300.3M
Cash	\$375.4M
Net Cash	\$75.1M
LTM Adjusted EBITDA	\$76.4M

Kratos' Balance Sheet Positioned to Support Expected Future Growth and Investments Required For Multiple Recent New Program Awards, New Opportunities and Forecasted Growth

Kratos is Focused Primarily on Organic Growth with Existing Programs/Platforms/Systems

No Major Acquisitions Planned, Only Potential Small "Tuck-Ins" in Existing Core Areas

Kratos – Investment Summary

- *Technology Company in National Security Industry with Multiple New Program Awards Positioning Kratos for Long Term, Sustained Future Organic Growth, Forecast to Increase and Accelerate Beginning in 2022, as New and Development Programs Mature and Transition to Production*
- *Primary Business Focus Areas Include: Drones and Artificial Intelligence, Space and Satellites, Microwave Electronics, Hypersonics and BMD*
- *Tactical Drone Opportunity Could Transform Kratos as a Company*
- *Affordability is a Technology and Affordability will be of Increasing Importance and a Key Differentiator for Kratos*
- *2021 Currently Forecast to be Final Year of Increased Internal Investments to Execute on and Pursue New Programs and Opportunities, Resulting in Increased and Accelerating Growth Trajectory in 2022*