



# Kratos Defense & Security Solutions, Inc.



## 2025 Annual Shareholder Meeting Agenda



1. Call Meeting to Order
2. Introductions of Directors & Senior Management
3. Introduction of Inspector of Elections
4. Report on Mailing of Meeting Notice and Presence of a Quorum
5. Announce Opening of Polls
6. Announce the Matters for Stockholder Consideration



- a) Election of Directors
- b) Ratification of Deloitte & Touche LLP
- c) Advisory vote to approve the compensation of our named executive officers

### 7. Voting

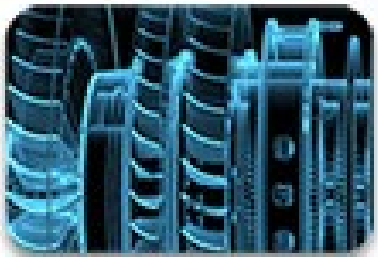
- a) Open for real time voting
- b) Close the polls



8. Voting Results
9. Adjournment
10. CEO Presentation



11. Questions & Answers



# Kratos Defense & Security Solutions, Inc.

## Shareholder Meeting Business and Industry Update

**May 14, 2025**

# 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 forward-looking statements include, without limitation, express or implied statements concerning the Company's expectations regarding its future financial performance, including the Company's expectations for its full year 2025 revenues and Adjusted EBITDA and the projected dollar value of the MACH-TB 2.0 and AFCGI AFC awards. 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. 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 DoD 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 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 DoD Cybersecurity Maturity Model Certification; risks relating to the ongoing conflict in Ukraine and the Israeli-Palestinian military conflict; risks to our business in Israel; 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 and risks related to the interest rate swap contract to hedge Term SOFR associated with the Company's Term Loan A; currently unforeseen risks associated with any public health crisis, and risks related to natural disasters or severe weather. 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 29, 2024, and in subsequent reports on Forms 10-Q and 8-K and other filings made with the SEC by Kratos.

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

This presentation contains non-GAAP financial measures, including organic revenue growth rates and Adjusted EBITDA (which includes net income (loss) attributable to noncontrolling interest and excludes, among other things, losses and gains from discontinued operations, acquisition and restructuring related items, stock compensation expense, foreign transaction gains and losses, and the associated margin rates). 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 Appendix A to this presentation.

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.

# Kratos Defense & Security Solutions, Inc.

## BOARD OF DIRECTORS



**BILL  
HOGLUND**  
Chairman of the Board



**SCOTT  
ANDERSON**  
Chairman of  
Audit Committee



**BRAD  
BOYD**  
Director



**ERIC  
DEMARCO**  
Director



**BOBBI  
DOORENBOS**  
Director



**SCOT  
JARVIS**  
Chairman of  
Compensation  
Committee



**DEANNA  
LUND**  
Director



**AMY  
ZEGART**  
Chairman of  
Nominating &  
Governance

**Kratos Board of Directors Continues to be a Competitive Differentiator for Our Company**

# Kratos Board of Directors

## Kratos – An Entrepreneurial and Commercial Approach

*Kratos' Board of Directors has Empowered the Kratos Management Team to Successfully Execute Our Strategy While Taking a Commercial, Entrepreneurial-Type Oversight Role Which is an Incredible Advantage for Our Company*

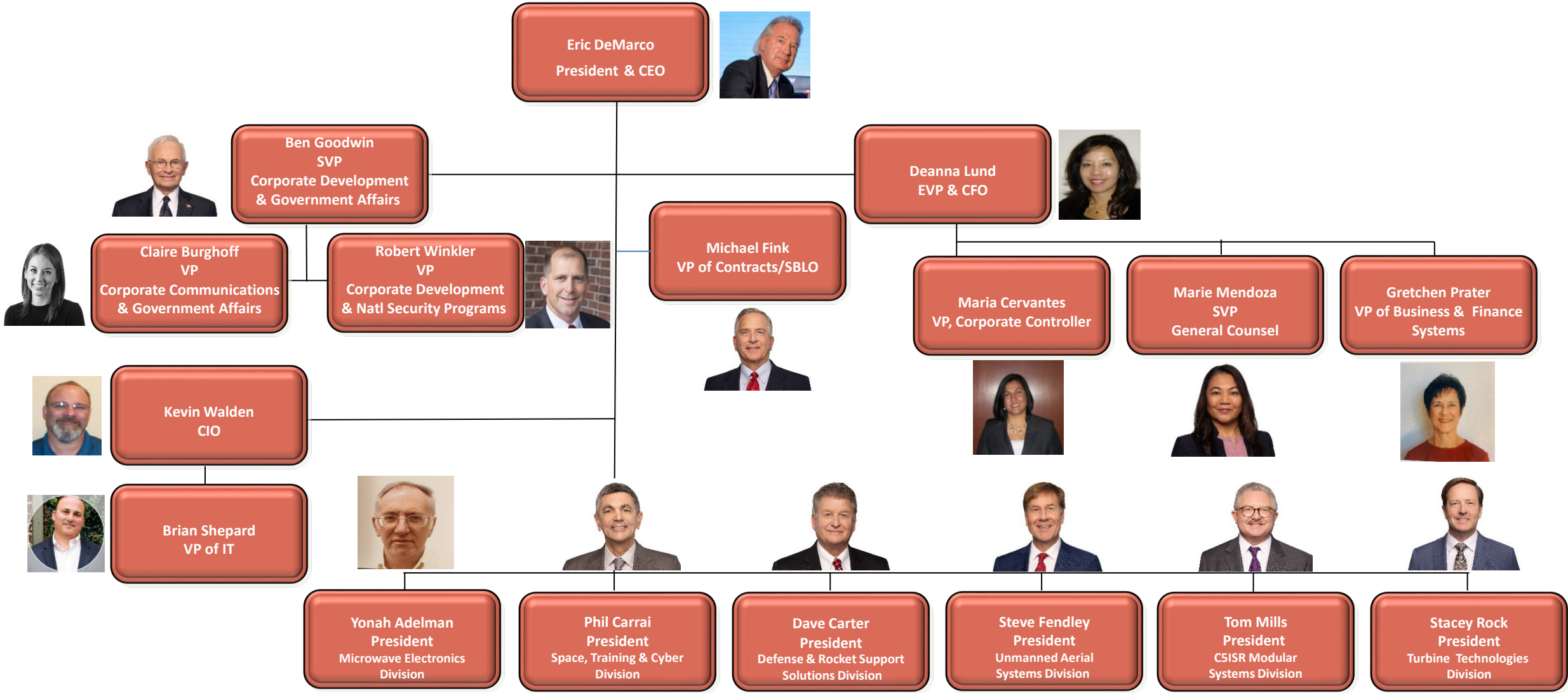
*“APPROVE THE PLAN”*

*“ACT QUICKLY!”*

*“MOVE FAST!”*

*“Technology Company in the National Security Industry”*

# Kratos Executive Leadership Team



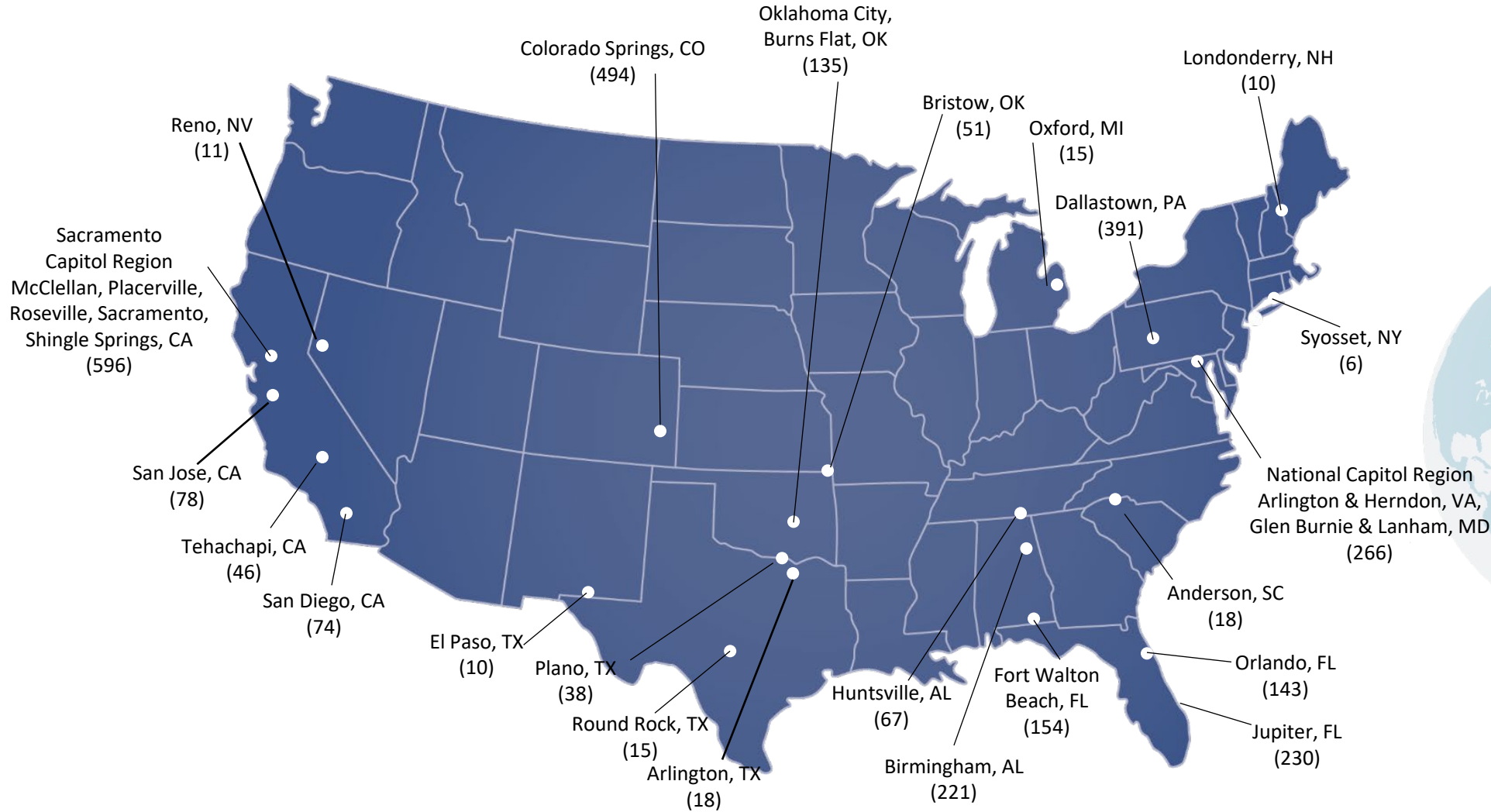
# Division Presidents

- Are the Chief Operating Officers of the Company
- Are Primarily Responsible for Business Plan Execution
- Have Primary Revenue, Cash Flow, Investment and Profit Generation Responsibility
- Rate of Return on Investments Made



# Kratos – A Global Defense Technology Company

## Office Locations



### International Locations

- Yerriyong NSW, Australia (2)
- Langley, Canada (10)
- Whitby, Canada (103)
- Toulouse, France (52)
- Wildau, Germany (40)
- Jerusalem & Eyal, Israel (479)
- Fornebu, Norway (21)
- Al Khuwair, Oman (1)
- Singapore (18)
- Japan (26)
- Riyadh, Saudi Arabia (6)
- Gateshead & Derby, UK (78)
- India (1)
- Indonesia (7)

( 4,226 ) = Number of Employees  
(as of April 10, 2025)

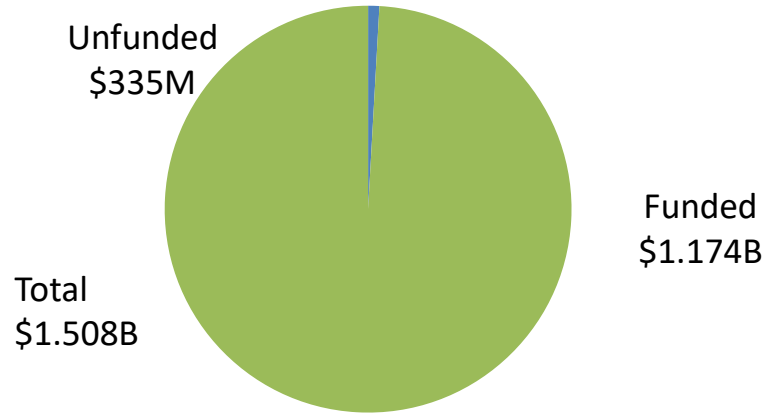
# Kratos 2025 First Quarter Execution Highlights

## Kratos Achieved Q125 Financial Objectives

- Q125 Revenues of \$302.6 million, reflecting consolidated organic revenue growth of 7.4%, up from \$277.2 million in Q124.
- KGS Q125 Revenues \$239.5 million, reflecting organic revenue growth of 7.8% from Q124 Revenues of \$217.8 million. Most notable increases generated by Microwave Products, C5ISR and Defense Rocket Support in KGS, with organic revenue growth rates ranging from 13.1% to 18.7%.
- US Q125 Revenues \$63.1 million, up organically 6.2% from Q124 Revenues of \$59.4 million, due primarily to increased target drone production.
- Q125 Adjusted EBITDA of \$26.7 million reflecting revenue mix and increased volume.
- Q125 and LTM Consolidated Book-To-Bill ratio 1.2 to 1. US Book-to-Bill ratio of 1.8 to 1 for Q125 and 1.3 to 1 for LTM. KGS Book-to-Bill ratio of 1.0 to 1 for Q125 and 1.2 to 1 for LTM.
- Q125 Backlog \$1.508 billion, as compared to Q424 Backlog of \$1.445 billion. Q125 Funded Backlog \$1.174 billion, Q125 Unfunded Backlog \$334 million.
- Qualified Bid and Proposal Pipeline \$12.6 billion at the end of Q125 up from \$12.4 billion at the end of Q424.

# Kratos – Positioned for Accelerated Future Growth

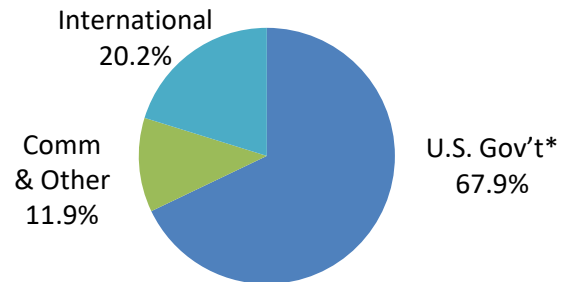
## Backlog Ended 03/30/25



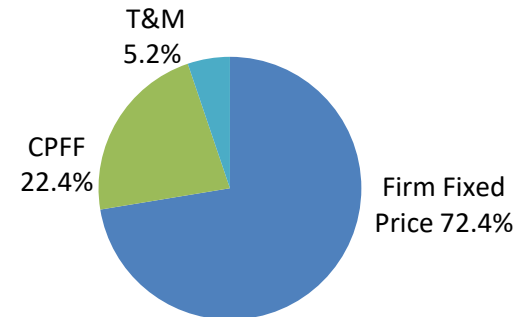
## Bid & Proposal Pipeline Ended 03/30/25



## 3 Months Ended 3/30/25 Revenue by Customer



## 3 Months Ended 3/30/25 Contract Mix



\*Includes Foreign Military Sales (FMS)

## Kratos Recent Financial Highlights Q125

Positioned for  
Future Organic  
Growth

	<u>Q125</u>
Gross Debt	\$182.5M
Cash	\$263.7M
Net Cash	\$ 81.2M
LTM Adjusted EBITDA	\$106.4M

- 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
- Small to Small/Mid Size Acquisitions Only

# Kratos

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A Leading Defense Technology, Hardware,  
Software and Systems Company

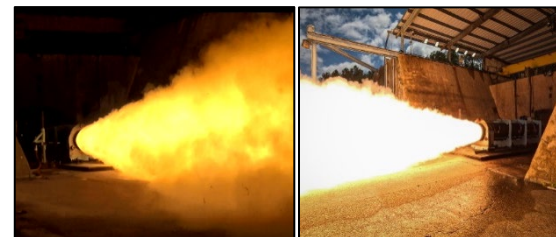
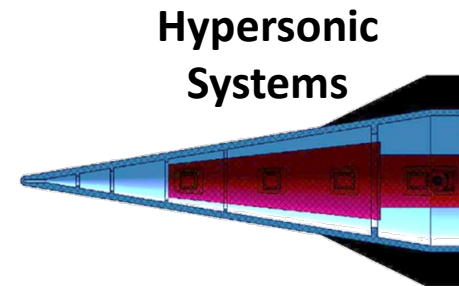
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National Security Grade Hardware and Software at  
Scale that Must Work Every Time

# Since ~2012 Kratos' Core Strategy Has Not Changed!

Kratos Does Not Pay Dividends or Buy Back Stock, Kratos Internally Funds Hardware, Software and System Initiatives to be "First To Market" with Relevant Solutions for United States National Security

## KRATOS DEFENSE TECHNOLOGY



Propulsion Systems for Missiles, Drones & Hypersonic Systems



Virtualized C<sup>2</sup> & TT&C Systems for Satellites



Next Generation Jet Engines

## Kratos is Executing a Balanced Strategic Business Plan and Financial Model:

- Make Important Internally Funded Investments
- Be First to Market
- Generate Industry Leading Organic Revenue Growth
- Generate Significant EBITDA, Operating Cash Flow and GAAP EPS
- Deliver Value to all Kratos Stakeholders, Shareholders, Employees, Customers, Partners, Taxpayers, National Security

## Technology Innovation for National Security

Kratos specializes in areas where technology advances can have a force multiplier effect.

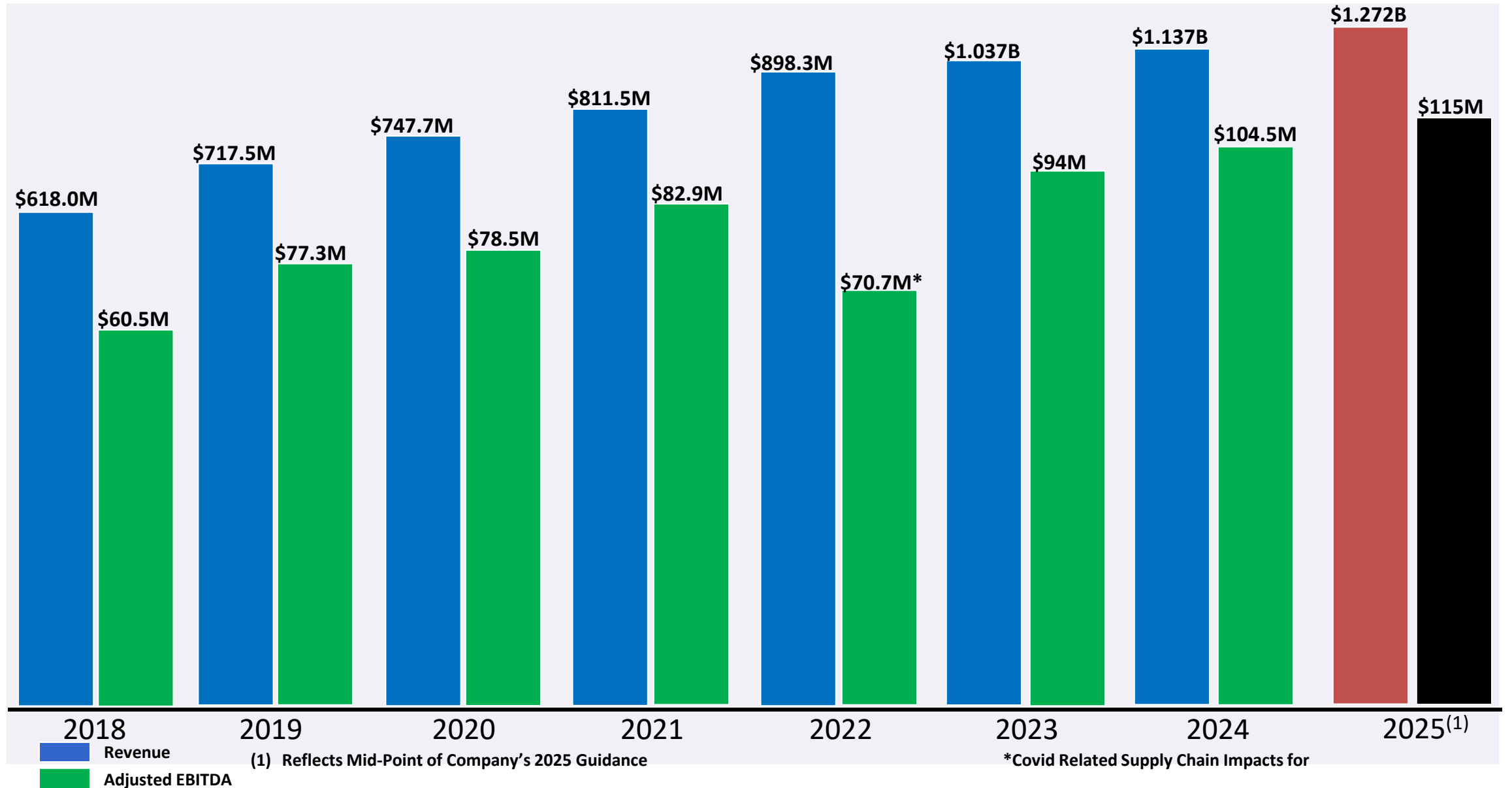


# Representative Core Kratos Business Principles Have Not Changed

- Affordability Is A Technology
- Utilize Leading Proven Technology vs Unproven Bleeding Edge Technology
  - Lower Execution, Schedule, Financial Risk
  - Rapid First to Market Products
- Design and Engineer “Up Front” for Low Cost Mass Production at Scale
- Better is the Enemy of Good Enough, Ready to Field Today
- Products Not PowerPoints
- We Don’t Imagine, We Do
- Be First to Market with Relevant Solutions for the Warfighter



# Kratos – Growth Trajectory







**Since Our Last Annual Report  
To The Shareholders**



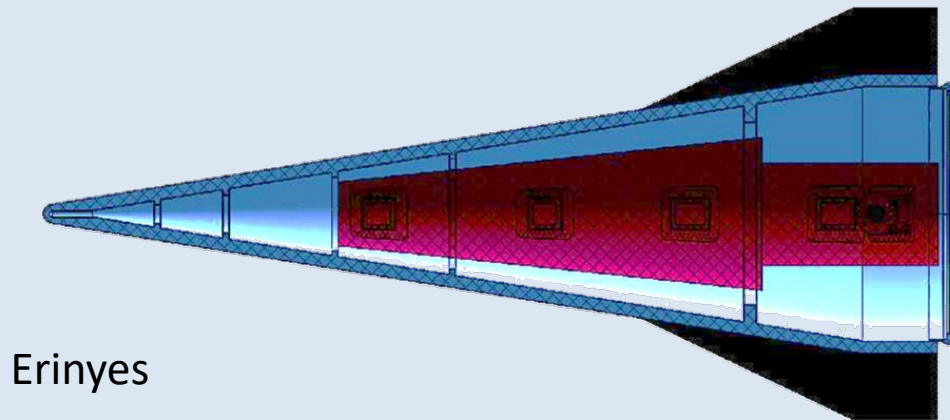
# Rapid Innovative Development

## Kratos Erinyes Hypersonic Flight System Successful Flight



~24 Months Paper to Product  
~\$15 Million Internally Funded

# Kratos “First To Market” Hypersonic Flight Vehicles



Successful Customer Funded First Flight

# Kratos Hypersonic Flyer

INTERESTING  
ENGINEERING

Jul 04, 2024

## US hypersonic vehicle achieves 5 times the speed of sound in test flight

The test was also part of the MDA's Hypersonic missile tracking satellite testing last month.

*Kratos Defense & Security Solutions (Kratos) has announced the successful test flight of its Erinyes hypersonic test vehicle.*

*Developed by the Kratos Space & Missile Defense Systems Business Unit, the test was completed on June 12, 2024, according to the announcement.*



# Kratos Affordable ZEUS Solid Rocket Motors



**Zeus 1 and Zeus 2 Static Fire Tests**

**~30 Months Paper to Product**

**~\$20 Million Internally Funded**

# Kratos Zeus Hypersonic SRMs – First to Market

## *Kratos Defense & Security Solutions, Inc. Completes Development of the Zeus Solid Rocket Motor (SRM) Family with the Successful Zeus 2 Static Test Fire*



**SAN DIEGO, April 15, 2024 (GLOBE NEWSWIRE)** -- Kratos Defense & Security Solutions, Inc. (Nasdaq: KTOS), a technology company in the defense, national security and global markets, announced today that its Space & Missile Defense Systems (SMDS) Business Unit, a part of Kratos' Defense & Rocket Support Services (DRSS) Division, successfully completed the static test firing of the Zeus 2 solid rocket motor (SRM) with Aerojet Rocketdyne, an L3Harris Technologies [NYSE: LHX] company, at their Camden, Arkansas facility. This Zeus 2 milestone combined with the successful Zeus 1 static test firing last year, completes the development phase of Kratos' new affordable commercial SRM family.

Zeus 1 and Zeus 2 are high-performance 32.5-inch diameter solid rocket motors envisioned and internally funded by Kratos. The Zeus motors, designed with commonality, versatility, and affordability in mind, coupled with the Kratos ongoing development of the Erinyes and Dark Fury Hypersonic Flyers demonstrates Kratos' commitment to investing in crucial defense industrial base technology. Kratos' technology investments are delivering leading-edge systems and expanding our extensive portfolio of Hypersonic Flyers and SRMs available for our customers.

Kratos has now initiated orders for a combined total of nine Zeus 1 and Zeus 2 SRMs in preparation for upcoming customer flights. The Kratos developed Zeus family of SRMs is in direct response to the urgent need for affordable commercial launch vehicle stages for hypersonic test, ballistic missile target, sounding rocket and other customer missions.

**Kratos Partner – L3/Aerojet**

## Zeus SRMs Successful First Flight

Kratos Zeus  
Solid Rocket  
Motors for  
Hypersonic  
and “Other”  
Systems First  
Flight



**Products Not PowerPoints**

# MACH-TB Program

## Largest Contract Award in Kratos' History



### Kratos Receives \$1.45B MACH-TB 2.0 Contract Award

#### **Contract Represents Single Largest Award in Kratos History**

**SAN DIEGO, Jan. 06, 2025** (GLOBE NEWSWIRE) -- Kratos Defense & Security Solutions, Inc. (Nasdaq: KTOS), a technology company in Defense, National Security and Global Markets, announced today that it has been awarded a five-year OTA contract for the Multi-Service Advanced Capability Hypersonic Test Bed (MACH-TB) 2.0 under Task Area 1. The total value of this award, if all options are exercised over the five-year period, is \$1.45B. The Office of the Under Secretary of Defense for Research and Engineering (OUSD (R&E)) Test Resource Management Center (TRMC) established MACH-TB to support OUSD's National Hypersonic Initiative 2.0 by creating an affordable flight test bed to rapidly increase hypersonic flight test capacity. MACH-TB 2.0 will provide an affordable bridge between hypersonic ground tests and system level flight tests. This will reduce overall hypersonic development risks and time and provide rapid transition of innovative hypersonic technologies to the warfighter.

**George Rumford, Director of the Test Resource Management Center**, said, "We are excited to continue the success of the MACH-TB program with this award. MACH-TB is an essential tool to accelerate science and technology experiments into next generation, leap-ahead hypersonic capabilities for our nation."

"We are honored to be selected to be part of the MACH-TB 2.0 integrated team. The nation is at a critical point in the need for rapid and affordable hypersonic flight testing to quickly develop and field hypersonic technologies and the MACH-TB program is filling that need," said **Michael Johns, Senior Vice President of Kratos SRE**.

## "Kratos Erinyes & Zeus Enabled Success"

# Kratos – Rebuilding U.S. Defense Industrial Base



**Kratos Breaks Ground on \$50 Million State-of-the-Art Hypersonic System Indiana Payload Integration Facility**

# Kratos – A Global Leader Solid Rocket Motor Hypersonic Launch



# Kratos – A Global Industry Leader



## Kratos/Rafael Prometheus Partnership

### Kratos & RAFAEL Establish Prometheus Energetics Joint Venture, a U.S.-Based Merchant Supplier of Solid Rocket Motors

**SAN DIEGO, Feb. 26, 2025** (GLOBE NEWSWIRE) -- Kratos Defense & Security Solutions, Inc. (Nasdaq: KTOS), a technology company in the defense, national security and global markets, and RAFAEL Advanced Defense Systems Ltd., today announced an approximate 50/50 partnership for the establishment of a U.S.-based merchant supplier of solid rocket motors (SRMs) and other energetics. The new joint venture, named Prometheus Energetics (“Prometheus”), is set to be headquartered on an approximate 550-acre site near the United States Navy and Army facility in Crane, Indiana.

Kratos and RAFAEL (through its U.S. based subsidiary RAFAEL USA) have jointly committed up to \$175 million in capital for the establishment of Prometheus and required property, plant, equipment and personnel needed for the new, state-of-the-art energetics manufacturing campus and facilities. After construction of the plant and once RAFAEL’s technology transfer is completed and certified for operations, Prometheus is projected to begin production in 2027 of SRMs.

RAFAEL is the developer and manufacturer of unique, world-renowned systems such as the Iron Dome and the TROPHY APS which are in service in the Israeli Defense Forces as well as the David’s Sling which provides the middle layer of air defense for the state of Israel. The company, originally established as the IDF Science Corps, has developed groundbreaking technologies like high energy laser solutions like the Iron Beam which are expected to be operational by the end of 2025. The company functions through a vertical integration structure that enables a unique ability to meet the demands and overcome the challenges of the global market and supply chain. RAFAEL offers a diverse portfolio from new space to the ground battlespace with battle-proven technologies.

Kratos is a leader in hypersonic or advanced systems, strategic systems, ballistic missile targets, sub-orbital research vehicles, sounding rockets, and solid rocket motors. Kratos has served the U.S. advanced systems and missile defense communities for decades, delivering numerous novel systems and vehicle flight tests. Kratos is the only company today delivering both propulsion and advanced flight systems, with Kratos advanced systems including the low-cost [Erinyes Glide Vehicle](#), Dark Fury, [Zeus and Oriole Solid Rocket Motors](#), and other Kratos systems and technologies. Kratos provides unmatched innovation, disruptive capabilities, mission responsiveness and affordability to our customers across our portfolio of systems.

# Kratos – Rebuilding U.S. Defense Industrial Base

## Prometheus Energetics to Establish an Approximate 550 Acre Solid Rocket Motor and Munitions Production Facility in Indiana as Part of DOD’s Munitions Campus Pilot Program Led by the American Center for Manufacturing & Innovation



*Construction on the campus in Bloomfield, Indiana to begin in the second half of 2025*

**BLOOMFIELD, Ind., March 07, 2025** (GLOBE NEWSWIRE) -- The American Center for Manufacturing & Innovation (ACMI) and Prometheus Energetics (Prometheus), a U.S.-based merchant supplier of solid rocket motors (SRMs) established through a new corporation between Kratos Defense & Security Solutions, Inc. (Nasdaq: KTOS) and RAFAEL Advanced Defense Systems Ltd., today announced an agreement to build a new energetics, SRM and munitions production facility in Bloomfield, Indiana. Prometheus’ 550-acre headquarters and production facility will leverage shared equipment and services from the Department of Defense (DOD) Munitions Campus Program, awarded to ACMI Federal, and will be built on the campus near Crane Army Ammunition Activity and Naval Surface Warfare Center - Crane (Crane).

“Selecting this site for Prometheus’ headquarters and its energetics and solid rocket motor production facility is a strategic move to leverage cutting-edge technology and proximity to key government and defense facilities as well as funding from the Munitions Campus Program led by ACMI,” said Dave Carter, Kratos Defense & Rocket Support Services Division President. “We are eager to contribute to growth within this innovative ecosystem and push the boundaries of SRM manufacturing and technology.”

“As the U.S. based subsidiary of Rafael, this day is a huge milestone for us. This collaboration is set to redefine the possibilities within the U.S. energetics industry, combining our respective strengths to deliver unmatched capabilities and solutions to the U.S. energetics supply chain,” said Michael Lurie, CEO and President of Rafael USA. “We are excited to see the transformative impact this alliance will have on the U.S. armed services, adding an advanced and innovative supplier of SRMs to further support the needs for high-end air defense and precision guided missiles.”

Prometheus Production Facility is in Addition to Kratos MACH-TB Campus

# Kratos – Rebuilding U.S. Defense Industrial Base

## Kratos/GE Aerospace Partnership

### *GE Aerospace and Kratos Partner on Small Affordable Engines*

***Agreement covers development and production of  
small affordable engines for use in unmanned  
aerial systems, collaborative combat aircraft,  
and similar applications***

**New Turbofan Engine Facility –  
Bristow, Oklahoma**

*FARNBOROUGH, United Kingdom, July 22, 2024 (GLOBE NEWSWIRE) -- Kratos Defense & Security Solutions, Inc. (Nasdaq: KTOS), a technology company in Defense, National Security and Global Markets, today announced that GE Aerospace (NYSE:GE) and Kratos Turbine Technologies, a division of Kratos Defense & Security Solutions, Inc., signed a Memorandum of Understanding to partner on the development and production of small affordable engines that could potentially power unmanned aerial systems (UAS), collaborative combat aircraft, and similar applications.*

*The agreement, once finalized, will replace an existing joint development agreement and includes full-scale engine production. For the last year, GE Aerospace and Kratos have been working together on a small affordable engine. The engine initially was developed and ground tested by Kratos. Under the existing joint agreement, GE Aerospace and Kratos completed additional development efforts and are now conducting tests on the engine. The team plans to continue development on the current engine, which will undergo altitude testing next year at GE Aerospace's test cell in Evendale, Ohio.*

*Amy Gowder, President and CEO, Defense & Systems at GE Aerospace said, "Our defense customers have a growing interest in small affordable engines to meet their evolving mission requirements. Our initial collaboration has been very successful, and this agreement furthers our efforts in this new dynamic military segment."*

# Kratos' Spartan Family of Turbo Jet Engines



## Kratos Announces Immediate Availability of TDI's Four Classes of Low-Cost Turbojet Engines

### High-Performance, USA-Made Engines Now Available with No Lead Time

SAN DIEGO, Sept. 12, 2024 (GLOBE NEWSWIRE) -- Kratos Defense & Security Solutions, Inc. (Nasdaq: KTOS), a technology company in Defense, National Security and Global Markets, today announced that Technical Directions, Inc. (TDI), a business unit within Kratos' Unmanned Systems Division, now offers four classes of its low-cost, high-performance turbojet engines with immediate availability. These engines, ranging from 30 to 200 pounds of thrust, are designed and manufactured in the United States at TDI's facility in Oxford, Michigan, with all parts and components sourced from U.S. companies.

Known for their compact size and reliable performance, TDI's turbojets are ideal for use in cruise missiles, loitering munitions systems, and other critical defense systems. Kratos' commitment to affordability and innovation is at the forefront of this announcement, ensuring that customers can quickly access these engines without lead times—a vital factor for time-sensitive defense projects.



TDI-J45



TDI-J5



TDI-J7

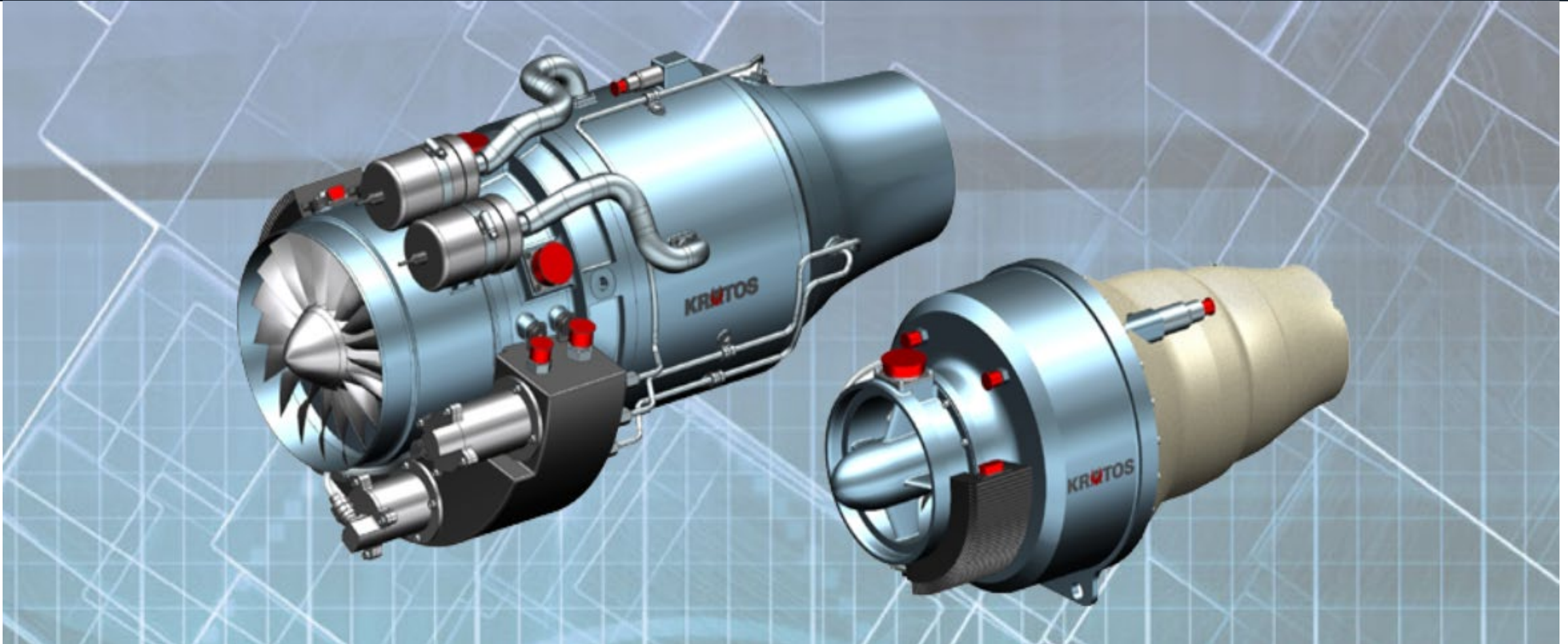


TDI-J85

Products Not PowerPoints

# Kratos – Rebuilding U.S. Defense Industrial Base

## Kratos' Spartan Small Engine Family



New Turbo Jet Engine Facility – Oxford, Michigan

# Kratos Tactical Jet Drones Flying Since 2015

## *Kratos Valkyrie Demonstrates Affordable Runway Flexibility with Recent Take-Off and Flight Operations*



**SAN DIEGO, July 02, 2024 (GLOBE NEWSWIRE)** -- Kratos Defense & Security Solutions, Inc. (Nasdaq: KTOS), a technology company in Defense, National Security and Global Markets, today announced the successful demonstration of the second of three Valkyrie launch methods: the Kratos Trolley Launch System (KTLS).

The KTLS enables the Valkyrie to take off from traditional runways or straight roads, without requiring Rocket Assist Take Off (RATO) or other acceleration producing devices. The KTLS is unpowered with take-off thrust provided solely by the aircraft jet engine. For KTLS take off, which is fully autonomous, the aircraft engine throttles up just like a conventional jet take off, and the combined system, Valkyrie and KTLS, accelerates down the runway. Ultimately, at lift-off speed, the aircraft flies up and away (separates) from the KTLS which then deploys drogue chutes and brakes to a stop on the runway while the aircraft proceeds to its flight mission. Video of the KTLS launch can be found [here](#).

# Kratos Tactical Jet Drones and AI



Artificial Intelligence Testing

# Kratos Tactical Jet Drones and AI

Kratos and Shield AI Partner to Conduct AI-Piloted Flights on the Kratos Tactical Firejet



Shield Hivemind Enabled Tactical Firejet Just Prior to Launch



## Newest Kratos Valkyrie

# Products Not PowerPoints – Ready Today



# Products Not PowerPoints – Ready Today



# Products Not PowerPoints – Ready Today



# Products Not PowerPoints – Ready Today



# Kratos Valkyrie Ready Today



# Kratos 5<sup>th</sup> Generation Jet Drone



**Kratos Under Contract for New Stealth Drone**

# Kratos “First to Market” OpenSpace Virtualized C<sup>2</sup> and TT&C Software

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## Kratos Awarded \$116.7 Million Prime Contract from the U.S. Space Development Agency for Ground System to Support Advanced Fire Control Missions

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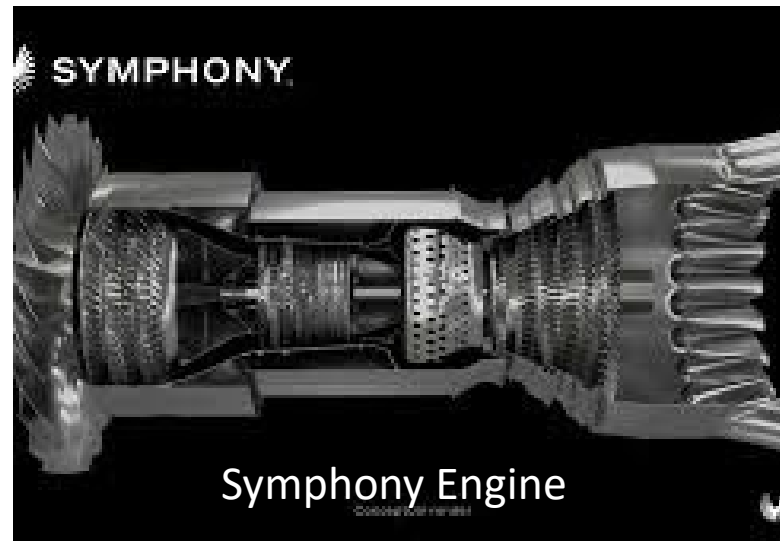
*Kratos Led Team Will Design, Implement and Operate Ground Infrastructure Supporting Interoperability Across Multi-Vendor LEO Constellations Using its Kratos OpenSpace® Platform*

**SAN DIEGO, Nov. 13, 2024** (GLOBE NEWSWIRE) -- Kratos Defense & Security Solutions, Inc. (Nasdaq: KTOS), a technology company in the defense, national security and global markets, announced today that it has been awarded a contract valued at a maximum of \$116.7 million over five years to create and operate an Advanced Fire Control Ground Infrastructure (AFCGI) for the U.S. Space Development Agency’s (SDA) Advanced Fire Control (AFC) program. The AFC will deliver integrated space and ground elements to demonstrate advanced fire control missions for missile defense

**“GOLDEN DOME”**

# Kratos' Dual-Use National Security/Commercial Strategy

**Kratos' Dual-Use Approach Leverages Resources and Technology, Reduces Cost and Speeds Time to Market**



# Kratos – Dual-Use Military/Commercial Technology



***Kratos Expands Deployment of Automated Truck Platooning Technology in Ohio and Indiana in Partnership with DriveOhio, INDOT, and EASE Logistics***

*Has been deployed in the U.K. and across the U.S., with multiple systems deployed in states that include Colorado, California, Florida, Minnesota, Missouri, North Dakota, Ohio, Indiana, Oklahoma, Wisconsin, and Tennessee*

# Recapitalization of U.S. Defense Industrial Base and Strategic Weapon Systems

## 'Not prepared': Congressional panel calls for huge defense buildup

By Noah Robertson July 29, 2024 – Defense News

America's odds of fighting a major war are the highest in 80 years, and its military isn't prepared for one.

This was the finding of a bipartisan panel tasked by Congress to review U.S. defense strategy. Its nearly 100-page report reveals a crisis of confidence in American national security.



A Long Range Anti-Ship Missile (LRASM) launches from an Air Force B-1B Lancer during flight testing in August 2013. (DARPA)

## DoD Releases Plan Detailing 'Concrete Actions,' Billions In Investment For Strategy To Boost Industrial Base

## Bipartisan Support for National Security



Under Secretary of Defense for Acquisition and Sustainment Dr. William A. LaPlante holds a press brief at the Pentagon, May 6, 2022. (DoD Photo by U.S. Navy Petty Officer 2nd Class James K. Lee)

*The Pentagon on Tuesday [10/29/24] released the implementation plan for its first-ever National Defense Industrial Strategy (NDIS), detailing "concrete actions" to bolster the industrial base such as investments to ramp up munitions production, support to the submarine industrial base, addressing supply chain vulnerabilities and pursuing international co-production efforts.*

# President Trump is Leading with Peace Through Strength

The White House

March 4, 2025

*“President Donald J. Trump will always put the American people first — and through restoring the U.S. military’s mission of lethality and leading with peace through strength in his foreign policy, President Trump is making good on his commitment to restore safety and security around the world.”*

***Peace Through Strength***  
***and***  
***Kratos Positioning for the Recapitalization of the***  
***U.S. Defense Industrial Base***

# Peace Through Strength

## The Defense Industry/Landscape

- Nation State Cold War with Russia Ends
- Defense Industry “Last Supper” July 21, 1993, Consolidation Begins, 5 Traditional Legacy System Integrators
- Asymmetric Warfare and the War on Terrorism Lasts Decades, and Continues Today
- Rise of China, Iran, North Korea and the Resurgence of Russia
- Traditional Primes Make Incredibly Capable Exquisite Systems, but too Expensive for Mass Quantities

# Peace Through Strength

## The Defense Industry/Landscape

- Russia/Ukraine Conflict Demonstrates that “Quantities of Low Cost Systems have a Quality all of Their Own”
- Russia Deploys Hypersonic Weapons in Ukraine to no Effect, too Expensive, too Few
- U.S. Defense Industrial Base Needs to be Recapitalized and Rebuild to Address this New Threat
- U.S. Defense, Technology and Commercial Sectors all Needed to Rebuild Arsenal of Democracy

# Peace Through Strength

- Kratos is a Leading Innovator in Defense Technology
- Kratos does not Buy Back Stock or Pay Dividends, We Reinvest Our Capital into Relevant Military Grade Hardware and Software
- Kratos is a “First to Market” Innovation Leader:
  - Jet Drone Systems – Valkyrie
  - Hypersonic Flyers – Erinyes, Dark Fury
  - Solid Rocket Systems – Zeus #1 & Zeus #2
  - Turbo Jet Engines for Missiles – Spartan Family
  - OpenSpace C<sup>2</sup> and TT&C Software – SDA Software System

# Peace Through Strength

- Historic Investments in High Technology for Defense and National Security is Underway and Accelerating
- Executive Order – Buy Technology, Buy Commercially Available Products, Rapid Procurement of Existing, Relevant, Low Cost Systems
- Only Kratos Talks About Low Cost

“At Kratos, Affordability is a Technology”

- Kratos Designs and Engineers Up Front, for Low Cost Mass Production
  - Jet Drones
  - Hypersonic Flyers
  - Solid Rocket Motors
  - Jet Engines
  - Satellite C<sup>2</sup> & TT&C Systems

# Peace Through Strength

- Successful Execution of Kratos Strategy has Resulted in a Large Portfolio of Programs of Record, Currently in Production, or Expected to Enter Production
- These Programs of Record, where Kratos is Either the Prime or Partnered/Teamed, are Certain of the Catalysts of our Forecasted Future Growth

# Peace Through Strength

- We Believe that no Company is Better Positioned than Kratos, for the New Disciplined Government Spending Environment we are now in, where Low Cost and Affordability Matter
- Federal Budgetary Fiscal Realities are Becoming Apparent, the Trump Administration Recognizes this, and this Market/Industry Type Dynamic we Expect will be a Long-Term Opportunity and Growth Catalyst for Kratos

# Peace Through Strength

- The Magnitude of Kratos' Total Addressable Market (TAM) Opportunity as a Result of the Global Threat Environment is Extremely Large and Growing
- Kratos' Positioning to Partner with and Support the Traditional Prime System Integrators on Multi-Billion Dollar Programs of Record has Never Been Better
  - Kratos Can Accelerate Innovation
  - Kratos' Adds Value with Affordability and Low Cost
  - Missile & Radar Systems
  - Air Defense Systems
  - Strategic/Nuclear Systems
  - Hypersonic Systems
  - Missiles, Drones, Loitering Munitions

# Peace Through Strength

- Private and Venture Backed “New Defense Technology Companies” See this Potential Generational Market Opportunity, and they are Making the Investments to Pursue it
- These New Defense Technology Companies are Valued at 10X, 15X up to ~30X Revenue as a Result of the Incredibly Large Total Addressable Market Opportunity
- Kratos is Pursuing this Opportunity as a Publicly Traded Company with a Balanced Business Approach, Including a Focus on Revenue Growth, Profitability and Operating Cash Flow

# Recapitalization of Defense Industrial Base and Strategic Weapon Systems Underway

## Increased Funding

- 2025 Continuing Resolution ~\$893 Billion
- Expected 2025 Reconciliation Bill ~\$150 Billion
- Trump Administration Expected 2026 Defense Budget ~\$1 Trillion<sup>1</sup>

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### Representative Priorities:

- Space and Satellite
- Golden Dome
- Nuclear Triad
- Drones and AI
- Air Defense
- Cyber Security/Warfare
- Counter UAS
- Ships & Submarines
- Missiles & Munitions
- Microwave Electronics
- NGAD
- Energetics

(1) Executive Office of the President, Office of Management and Budget, Fiscal Year 2026 Discretionary Budget Request letter issued May 2, 2025.

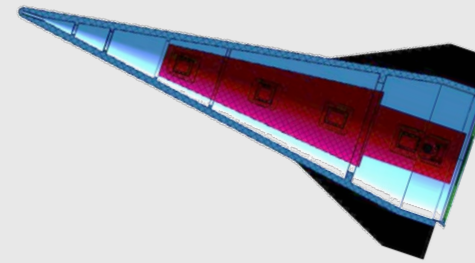
# Products Not PowerPoints



Valkyrie



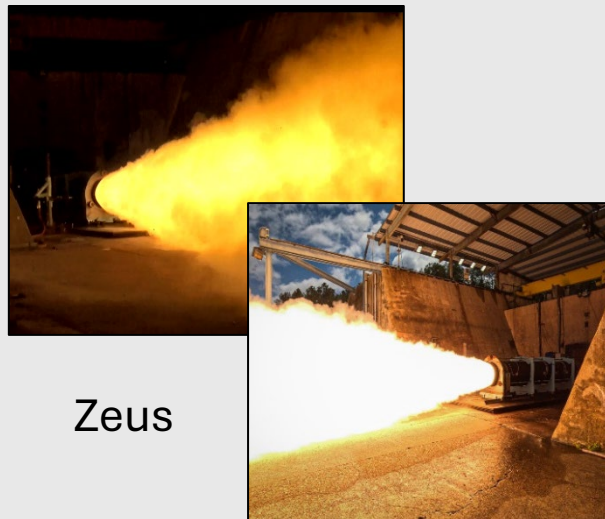
Thanatos



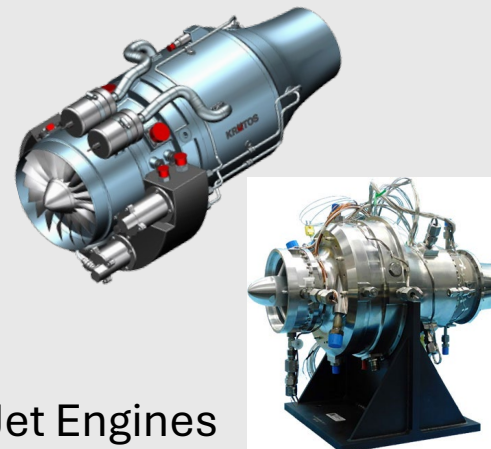
Erinyes



Patriot



Zeus



Jet Engines



Oriole Rocket Launch



OpenSpace

## **Appendix A**

This presentation contains non-GAAP financial measures. Following are reconciliations of each non-GAAP financial measure with the most directly comparable financial measure calculated in accordance with GAAP.

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

	Three Months Ended	
	March 30, 2025	March 31, 2024
Service revenues	\$ 102.4	\$ 106.5
Product sales	200.2	170.7
Total revenues	<u>302.6</u>	<u>277.2</u>
Cost of service revenues	75.7	79.2
Cost of product sales	153.3	127.0
Total costs	<u>229.0</u>	<u>206.2</u>
Gross profit - service revenues	26.7	27.3
Gross profit - product sales	46.9	43.7
Total gross profit	<u>73.6</u>	<u>71.0</u>
Selling, general and administrative expenses	52.3	50.4
Research and development expenses	10.0	9.6
Depreciation	2.6	1.9
Amortization of intangible assets	2.1	2.1
Operating income	<u>6.6</u>	<u>7.0</u>
Interest expense, net	(0.9)	(2.8)
Other expense, net	(0.3)	(0.2)
Income before income taxes	<u>5.4</u>	<u>4.0</u>
Provision for income taxes	0.9	2.7
Net income from consolidated operations	<u>4.5</u>	<u>1.3</u>
Less: Net income attributable to noncontrolling interest	—	—
Net income attributable to Kratos	<u>\$ 4.5</u>	<u>\$ 1.3</u>
Basic income per common share attributable to Kratos	<u>\$ 0.03</u>	<u>\$ 0.01</u>
Diluted income per common share attributable to Kratos	<u>\$ 0.03</u>	<u>\$ 0.01</u>
Weighted average common shares outstanding:		
Basic	<u>154.2</u>	<u>139.6</u>
Diluted	<u>156.2</u>	<u>141.5</u>
Adjusted EBITDA (1)	<u>\$ 26.7</u>	<u>\$ 26.0</u>

## Unaudited Reconciliation of GAAP to Non-GAAP Measures

Note: (1) Adjusted EBITDA is a non-GAAP measure defined as GAAP net income attributable to Kratos adjusted for net income attributable to noncontrolling interest, 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 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 help investors evaluate companies on a consistent basis, as well as to enhance understanding of our operating results. Adjusted EBITDA 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 costs related to certain targets in its Unmanned Systems, ballistic missile target 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 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 30, 2025</b>	<b>March 31, 2024</b>
Net income attributable to Kratos	\$ 4.5	\$ 1.3
Interest expense, net	0.9	2.8
Provision for income taxes	0.9	2.7
Depreciation (including cost of service revenues and product sales)	8.3	7.2
Stock-based compensation	8.7	9.2
Foreign transaction loss	0.4	0.3
Amortization of intangible assets	2.1	2.1
Amortization of capitalized contract and development costs	0.9	0.4
Plus: Net income attributable to noncontrolling interest	—	—
Adjusted EBITDA	<u>\$ 26.7</u>	<u>\$ 26.0</u>

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

	<b>Three Months Ended</b>	
	<b>March 30, 2025</b>	<b>March 31, 2024</b>
Revenues:		
Unmanned Systems	\$ 63.1	\$ 59.4
Kratos Government Solutions	239.5	217.8
Total revenues	\$ 302.6	\$ 277.2
Operating income (loss)		
Unmanned Systems	\$ (1.7)	\$ (0.4)
Kratos Government Solutions	17.0	16.6
Unallocated corporate expense, net	(8.7)	(9.2)
Total operating income	\$ 6.6	\$ 7.0

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:

	Three Months Ended	
	March 30, 2025	March 31, 2024
<b>Unmanned Systems</b>		
Operating loss	\$ (1.7)	\$ (0.4)
Other income	0.1	—
Depreciation	2.3	2.2
Amortization of intangible assets	1.0	1.0
Amortization of capitalized contract and development costs	—	0.1
Adjusted EBITDA	<u>\$ 1.7</u>	<u>\$ 2.9</u>
% of revenue	2.7 %	4.9 %
<b>Kratos Government Solutions</b>		
Operating income	\$ 17.0	\$ 16.6
Other income	—	0.1
Depreciation	6.0	5.0
Amortization of intangible assets	1.1	1.1
Amortization of capitalized contract and development costs	0.9	0.3
Adjusted EBITDA	<u>\$ 25.0</u>	<u>\$ 23.1</u>
% of revenue	10.4 %	10.6 %
<b>Total Adjusted EBITDA</b>	<u>\$ 26.7</u>	<u>\$ 26.0</u>
% of revenue	8.8 %	9.4 %