



DEFENSE & SECURITY SOLUTIONS

KRATOS[®]
FROM STRENGTH TO SUCCESS

Kratos Defense & Security Solutions, Inc.

Investor Briefing
Needham Growth Conference



Kratos – Company Overview



Kratos is a Technology and Products Company in the National Security Industry

Primary Focus Areas:

- *Unmanned Aerial Drone Systems – High Performance, Jet Powered*
- *Satellite Command, Control and Communication Systems*
- *Microwave Electronics for Electronic Warfare, Radar and Missile Systems*
- *Ballistic Missile Defense Systems*
- *Training Systems*

Kratos – Company Overview



INTELLECTUAL PROPERTY

Kratos Makes Internally Funded Investments Whereby we Own Intellectual Property in Our Core Product and Technology Areas:

- *Sole Source Contract Awards*
- *“Designed In” Positions on Programs, Platforms and Systems*
- *Increased Barriers to Entry*
- *Support Multi Year/Multi Decade Programs*

Primary IR&D Focus Areas are Satellite Communications, Unmanned Systems and Microwave Electronics

Kratos - Differentiated



Kratos is Recognized as an Industry Leader in Our Core Business Areas to Innovate and Rapidly Develop, Demonstrate and Field Leading Technology Systems and Solutions at an Affordable Cost



BQM 167



ARAV



UTAP-22 Mako

Kratos – National Security Market Overview



- *After Years of Decline, Defense and Security Budgets are Increasing Globally*
- *A Recapitalization of Strategic Weapon Systems to Address Peer and Near Peer Threats is Underway for the U.S. and our Allies*
- *Particular Areas of Focus for Increased Budgets and Technology Advancement Include:*
 - *Unmanned Systems & Artificial Intelligence*
 - *Satellite Systems and the Space Segment*
 - *Electronic Warfare, Missile and Radar Systems*
 - *Missile Defense*
 - *Lethality and Operational Readiness Training*
 - *Science and Technology*
 - *Strategic Triad*

Kratos – National Security Market Overview



- *Years of Consolidation Since the Early 1990s has Resulted in Very Few Small and Mid-Sized Defense Technology and Product Companies Remaining Today*
- *Innovation and the Rapid Development, Demonstration and Fielding of Leading Technology Systems is a DoD Priority*
- *Affordability and Quantities at an Affordable Cost, Versus Quality and a Low Number of Exquisite Systems is the Focus and Priority Today*
- *Significant Opportunity Exists for Companies that can Rapidly Develop and Field High Technology Systems at an Affordable Cost – Which is Exactly Where Kratos is Positioned Today*

Kratos Is Excelling In This Environment!

Kratos – Unmanned Aerial Drone Systems



- Industry Leader in Turbo Jet and Turbo Fan Powered High Performance Unmanned Aircraft with Strike Fighter Performance
- Kratos UAS are Runway Independent; Launched via a Rail and Recovered via a Parachute on Land and in Water
- Kratos UAS are Substantially Vertically Integrated with Kratos Producing Airframe, Avionics, Electronics, Command and Control, Etc.
- Affordable, Low Cost → \$250,000 to \$3,000,000
- Two Variants:

Target Drones

- Represent Leading Technology Adversary Aerial Threats; Fighter Aircraft, Missiles, UAVs, Etc.
- Used for Operational Readiness to Test and Exercise U.S. and/or Allies' Combat, Weapon & Radar Systems



Tactical Drones

- Augment and Support Manned Strike Aircraft
- Force Multipliers
- Loyal Wingman to Manned Strike Aircraft
- Quantities at an Affordable Cost



Kratos – Satellite Command, Control and Communication Systems



- Kratos is the Industry Leader in Satellite C³ Systems
- Kratos Provides Ground and Terrestrial Equipment
- Kratos Owns and Operates a Global Signal Monitoring and Interference Geolocation Business
- Kratos Supports ~85% of U.S. Space Missions and ~75% of Global Space Missions
- Russian and Chinese Threat to U.S. Space Assets Driving Increased Funding
- Small, Cube and Nano Satellites Driving New Generation of Satellite C³ Equipment
- Increasing Missile Threats to the U.S. Driving Demand for Space Based Surveillance
- Overall Increasing Global Demand for Satellite Bandwidth Driving Increased Demand for Related C³ Equipment



WGS



AEHF



SBIRS



GPS

Kratos – Microwave Electronics for Electronic Warfare, Radar and Mission Systems



- The Largest Independent Microwave Business in Israel
- Microwave Sub Systems and Components
- Key Customers Include Israeli Aerospace Industries (IAI), Rafael, SAAB, India, Etc.
- Supports a Significant Number of Israeli Radar and Missile Systems:

- Iron Dome
- Barak
- Arrow
- Sling of David
- Spyder
- Etc.



Iron Dome



Barak



Arrow III



Gripen Fighter



Sling of David

- Electronic Warfare Suite of Swedish Gripen Fighter
- Working on Various Indian Missile, Radar and Other Systems



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Kratos – Ballistic Missile Defense (BMD)

NUMEROUS BMD PROGRAMS & SYSTEMS SUPPORTED

- BMD Targets
- Cruise Missile Targets
- Hypersonic Systems
- Patriot
- THAAD
- Space Based Infrared System (SBIRS-High)
- Air and Missile Defense Radar (AMDR)
- Aegis BMD and Combat System
- Arrow
- Barak
- Iron Dome
- Sling of David
- Other
- Etc.



Patriot



THAAD



BMD Target



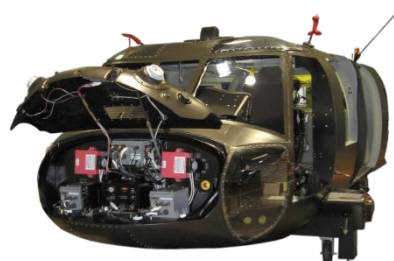
Aegis & AMDR

Kratos – Training Systems



- Industry Leader in Helicopter Training Systems:

- UH-60
- CH-47
- CH-53



UH-60 Avionics Trainer

CH-47 Avionics Trainer



- M1A1 ABRAMS Tank
- BRADLEY Fighting Vehicle
- KC-46
- Royal Saudi Navy

CH-53K Maintenance Training System



“Operational Readiness”

Kratos – System Provider



Representative Kratos Systems



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ARAV-A/B/C



Kratos – System Provider



Representative Kratos Systems



Gremlin



Chinook Trainer



LCASD



HATS

Kratos – Critical Infrastructure Security



- Kratos Public Safety & Security Business is an Industry Leader in Designing, Engineering, Deploying and Integrating Into Command and Control Systems Technologically Advanced Security Solutions for Our Country’s Most Important Critical Infrastructure, Strategic Assets and Public Venues

- CCTV
- RADARS
- CBRNE
- Analytics
- Access Control
- IRIS/Facial Recognition
- Communications
- Thermal Imaging



Kratos – Positioned For Success



SUCCESSFUL EXECUTION OF OUR STRATEGY

- 2010 – 2012 – Made a Series of Technology, Product and Intellectual Property Focused Acquisitions
- 2013 – 2017 – Successfully Integrated the Acquisitions, While Investing in Unmanned Aerial Systems, Satellite Communications, Microwave Electronics and Training Systems; Pursued and Won Multiple New Programs with More Expected
- 2017 → Investments Winding Down, Production Beginning and Increasing

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Expected Significant Growth In:

Revenue

EBITDA

Cash Flow

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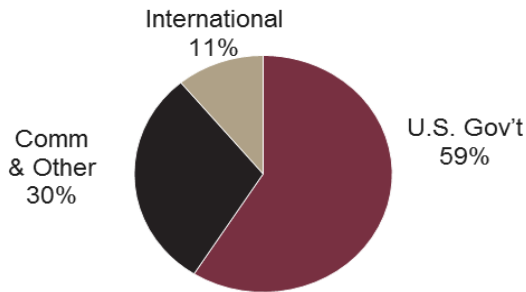
Increased Shareholder Value!

Kratos – Recent Financial Highlights – Q317

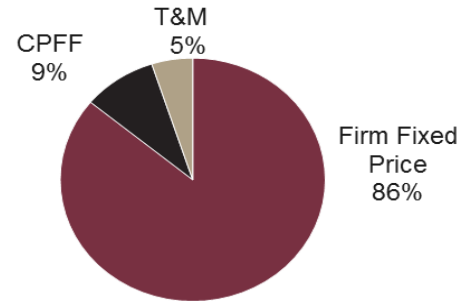


Kratos Book-To-Bill	1.2 to 1.0
Unmanned Systems Division Book-To-Bill	1.4 to 1.0
Satellite Communications Division Book-To-Bill	1.3 to 1.0
Kratos' Organic Revenue Growth (Q317 v. Q316)	~19%
▪ Adjusted EBITDA Growth (Q317 v. Q316)	~7%

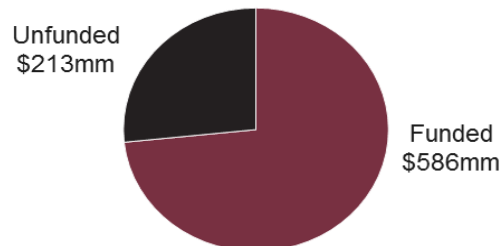
**Nine Months ended 10/01/17
Revenue by Customer**



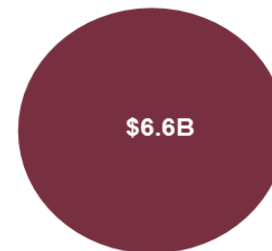
**Nine Months ended 10/01/17
Contract Mix**



Backlog ended 10/01/17



Bid & Proposal Pipeline ended 10/01/17



Kratos – Recent Financial Highlights – Q317



Gross Debt	\$370M
Cash	~\$239M
Net Debt	~\$131M
LTM Adjusted EBITDA	\$50M
Net Leverage	~3x

Kratos' Balance Sheet Positioned to Support Expected Future Growth From New Program Awards

Net Leverage Expected to Continue to Decrease as Revenue, Adjusted EBITDA and Free Cash Flow Increase Going Forward

No Additional Financing or Equity Transactions Expected!

Kratos – Financial Focus



Improved Financial Matrix

- Increase Gross Margins with Increasing Production
- Increase Adjusted EBITDA with Leverage on Fixed G&A Costs
- Increased Overall Profitability and FCF as Investments Wind Down and New Production Programs Begin/Ramp
- Continue to Reduce Net Debt with Operating Cash Flows and Increasing Adjusted EBITDA

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Increased Shareholder Value!

Investment Summary

- Global Defense and Security Budgets are Increasing
- Recapitalization of Strategic Systems to Address Peer/Near Peer Threats Underway
- Kratos is a Recognized Leader in Innovation and Rapidly Developing, Demonstrating and Fielding Leading Technology and Affordable Systems – DoD Priority
- Kratos Well Positioned for This Environment
- Kratos Owns Intellectual Property in its Core Products and Systems
- Kratos is the Prime Contractor/System Provider on Multiple National Security Priority Programs and Platforms
- Kratos has Several New Programs Entering Production and Opportunities Providing Expected Growth Catalysts and Improving Financial Matrix



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MQM 178



Mako



LCASD



BMD Targets



Gripen Fighter



Barak 8



MCAT



RSN

