



## Leonardo DRS Combination with RADA

### Investor Discussion

July 7, 2022

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## FORWARD-LOOKING STATEMENTS AND INFORMATION

This presentation includes certain forward looking statements and forward looking information within the meaning of the United States Private Securities Litigation Reform Act of 1995 or the Israeli Securities Law, 1968 (as applicable) (collectively, “FLI”) to provide Leonardo DRS, Inc. (“DRS”) and RADA Electronics Industries Ltd. (“RADA”) stockholders with information about DRS, RADA and their respective subsidiaries and affiliates. FLI is typically identified by words such as “anticipate”, “expect”, “project”, “estimate”, “forecast”, “plan”, “intend”, “target”, “believe”, “likely”, “seek”, “aim”, “project” and similar words suggesting future outcomes or statements regarding an outlook. All statements other than statements of historical fact may be FLI. In particular, this presentation contains FLI pertaining to, but not limited to, information with respect to the following: the transaction and its potential benefits; future business prospects and performance; future returns; cash flows and enhanced margins; synergies; and leadership and governance structure.

Although we believe that the FLI is reasonable based on the information available today and processes used to prepare it, such statements are not guarantees of future performance and you are cautioned against placing undue reliance on FLI. By its nature, FLI involves a variety of assumptions, which are based upon factors that may be difficult to predict and that may involve known and unknown risks and uncertainties and other factors which may cause actual results and outcomes to differ materially from those expressed or implied by the FLI, including, but not limited to, the following: the occurrence of any event, change or other circumstances that could give rise to the right of one or both of the parties to terminate the merger agreement; the timing and completion of the transaction, including receipt of regulatory approvals and RADA stockholder approval and the satisfaction of other conditions precedent; the realization of anticipated benefits and synergies of the transaction and the timing thereof; the success of integration plans; the risk that any announcements relating to the proposed transaction could have adverse effects on the market price of RADA; the focus of management time and attention on the transaction and other disruptions arising from the transaction; the volatility of the international marketplace; DRS’s anticipated public listing on the NASDAQ and Tel-Aviv Stock Exchange upon the anticipated closing of the transaction; potential adverse reactions or changes to business, government or employee relationships, including those resulting from the announcement or completion of the transaction; general U.S., Israeli and global social, economic, political, credit and business conditions; changes in laws, regulations and government policies; changes in taxes and rates; customer, stockholder, regulatory and other stakeholder approvals and support; material adverse changes in economic and industry conditions; the pandemic created by the outbreak of COVID-19 and resulting effects on economic conditions; the ramifications of the Russia-Ukraine conflict, and other risks and uncertainties listed in DRS’s or RADA’s filings with the SEC, including under the heading “Risk Factors” in DRS’s most recently filed Annual Report on Form 10-K as such risk factors may be amended, supplemented or superseded from time to time by other filings with the SEC and under the heading “Risk Factors” in RADA’s most recently filed Annual Report on Form 20-F as such risk factors are amended, supplemented or superseded from time to time.

We caution that the foregoing list of factors is not exhaustive and is made as of the date hereof. Additional information about these and other assumptions, risks and uncertainties may be found in reports and filings by DRS and RADA with the U.S. Securities and Exchange Commission, including any prospectus, registration statement or other documents to be prepared or furnished in connection with the transaction. Due to the interdependencies and correlation of these factors, as well as other factors, the impact of any one assumption, risk or uncertainty on FLI cannot be determined with certainty.

Except to the extent required by law, DRS and RADA assume no obligation to publicly update or revise any FLI, whether as a result of new information, future events or otherwise. All FLI in this presentation is expressly qualified in its entirety by these cautionary statements.



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## ADDITIONAL INFORMATION ABOUT THE TRANSACTION AND WHERE TO FIND IT

DRS will file with the U.S. Securities and Exchange Commission (SEC) a registration statement on Form S-4, which will include a prospectus of DRS, and certain other documents in connection with the transaction. **SHAREHOLDERS OF RADA ARE URGED TO READ THE PROSPECTUS AND ANY OTHER DOCUMENTS FILED OR TO BE FILED WITH THE SEC IN CONNECTION WITH THE TRANSACTION WHEN THEY BECOME AVAILABLE, AS THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT DRS, RADA, THE TRANSACTION AND RELATED MATTERS.** The registration statement and prospectus and other documents filed or furnished by DRS and filed with the SEC, when filed, will be available free of charge at the SEC's website at [www.sec.gov](http://www.sec.gov). Alternatively, stockholders will be able to obtain free copies of the registration statement, prospectus and other documents which will be filed or furnished with the SEC by DRS by contacting DRS at +1 877-538-0912 or 2345 Crystal Drive Suite 1000 Arlington, Virginia 22202.

## NO OFFER OR SOLICITATION

This presentation shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such solicitation or sale would be unlawful prior to appropriate registration or qualification under the securities laws of such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended. This presentation does not constitute an offer of securities pursuant to the Israeli Securities Law, 1968, or a recommendation regarding the purchase of securities of RADA or DRS.

### About Leonardo DRS, Inc.

Leonardo DRS is a defense solutions provider, a leading technology innovator, and supplier of integrated products, services and support to military forces, the intelligence community and defense contractors worldwide. The company is organized into Advanced Sensor and Computing and Integrated Mission Systems segments. Headquartered in Arlington, Virginia, Leonardo DRS is a wholly owned subsidiary of Leonardo S.p.A. See the full range of capabilities at [www.LeonardoDRS.com](http://www.LeonardoDRS.com) and on Twitter [@LeonardoDRSnews](https://twitter.com/LeonardoDRSnews).

### About RADA Electronics Industries Ltd.

RADA is a global defense technology company focused on proprietary radar solutions and legacy avionics systems. The Company is a leader in mini-tactical radars, serving at high-growth markets which include active military protection (SHORAD, C-RAM), counter-UAS missions, critical infrastructure protection and border surveillance.

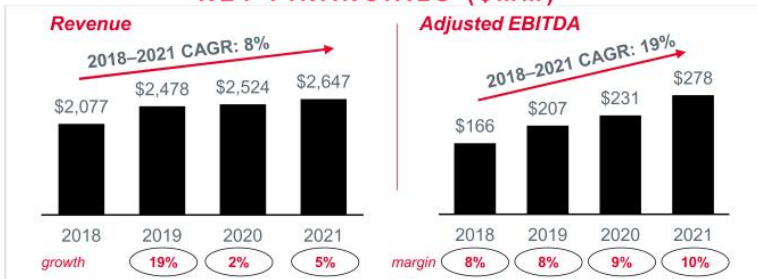


# DRS – OVERVIEW

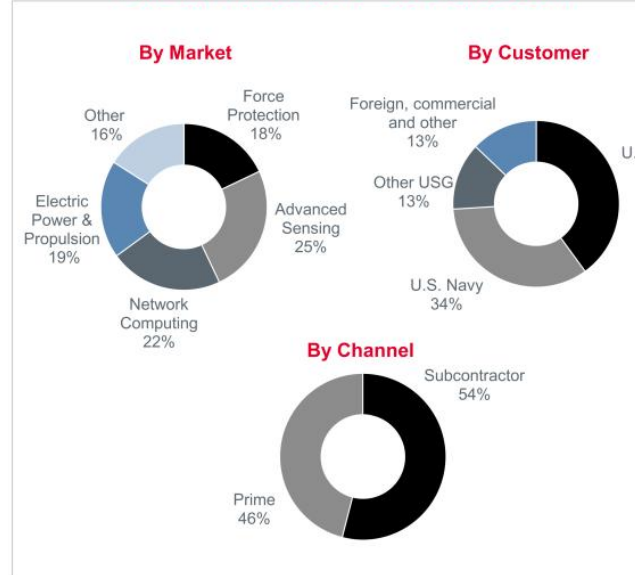
## BUSINESS OVERVIEW

- Leading provider of advanced defense electronics products and technologies shaping the future battlefield for the U.S. military
- Strong technology portfolio and large installed base across the Army & Navy
- Top mid-tier position provides agility to respond to customer needs, and a lean cost structure
- Market leader in Force Protection, Advanced Sensing, Network Computing and Electric Power & Propulsion markets
- Core markets are platform neutral and growing faster than the overall U.S. defense budget

## KEY FINANCIALS (\$mm)<sup>1</sup>









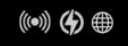

















## 2021A REVENUE BREAKDOWN<sup>1</sup>



Note: Please refer to the appendix for reconciliations to GAAP metrics: "Other" revenue by market related to pilot training systems, flight recorders, logistics equipment (cargo handlers / loaders, fuel systems, etc.) and commercial markets; <sup>1</sup> Historic financial information adjusted for previously announced divestitures. See the appendix.



# DRS – LARGE INSTALLED BASE ACROSS DIVERSITY OF PLATFORM, DOMAINS AND PRIMES

DOMAIN / SOLUTIONS		KEY PLATFORM POSITIONS			DRS HIGHLIGHTS
	<b>SUBMARINES</b> 	 SSBN - Columbia	 SSN - Virginia	 SSBN - Ohio	✓ Sole-source position on integrated propulsion systems for entire Columbia Class fleet
	<b>SURFACE SHIPS</b> 	 Aircraft Carriers	 Destroyers	 Amphibious Transport Dock	✓ DRS content on nearly 100% of U.S. Navy Combatant Vessel Fleet
	<b>GROUND VEHICLES</b> 	 Stryker M SHORAD	 M-1 Abrams	 M-2 Bradley	✓ Mission command computing system on nearly Army ground vehicle
	<b>DISMOUNTED WARFIGHTER</b> 	 FWS-I Weapon Sights	 Dismounted EW	 JETS	✓ 20+ year incumbency on dismounted soldier systems
	<b>AIRCRAFT</b> 	 Apache	 Seahawk	 F-35	✓ Infrared countermeasure capabilities driving strong positions on U.S. Army programs of record and next generation navy systems

 Advanced sensing
  Network computing
  Force protection
  Electric power & propulsion



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# DRS OF TODAY – FRANCHISE POSITIONS ACROSS RAPIDLY GROWING SEGMENTS OF THE U.S. DEFENSE MARKETS

KEY MARKETS	ANNUAL MARKET SIZE <sup>2</sup>	GROWTH OUTLOOK <sup>2,3</sup>	FRANCHISE DRS POSITIONS
 <b>Advanced Sensing</b> <i>25% revenue<sup>1</sup></i>	 \$7.6bn	 +5%	<ul style="list-style-type: none"> <li> 3rd Generation Infrared Sensing</li> <li> Joint effects targeting system</li> </ul> 
 <b>Network Computing</b> <i>22% revenue<sup>1</sup></i>	 \$3.3bn	 +4%	<ul style="list-style-type: none"> <li> Mounted family of computer systems</li> <li> Naval comprehensive display systems</li> </ul> 
 <b>Force Protection</b> <i>18% revenue<sup>1</sup></i>	 \$3.1bn	 +4%	<ul style="list-style-type: none"> <li> M-SHORAD short range air defense</li> <li> SH-60 aircraft protection system (DAIRCM)</li> </ul> 
 <b>Electric Power &amp; Propulsion</b> <i>19% revenue<sup>1</sup></i>	 \$5.2bn	 +10%	<ul style="list-style-type: none"> <li> Columbia class electric power and propulsion</li> <li> Patriot battery on board vehicle power</li> </ul> 

Note: Remaining 16% of revenue related to pilot training systems, flight recorders, logistics equipment (cargo handlers / loaders, fuel systems, etc.) and commercial markets; <sup>1</sup> Historical financial information adjusted for previously announced divestitures in the appendix. <sup>2</sup> Per third-party research and DRS management estimates for FY 2022 funding; <sup>3</sup> Projected FY 22 – 26 CAGR




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# DRS AN EVOLUTION OF SUCCESS

A Legacy of Performance – A Foundation for Growth



 **Includes GES**

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DRS Revenue Over TI

# ADVANCED SENSING – A LEGACY OF PERFORMANCE, A FOUNDATION FOR GROWTH

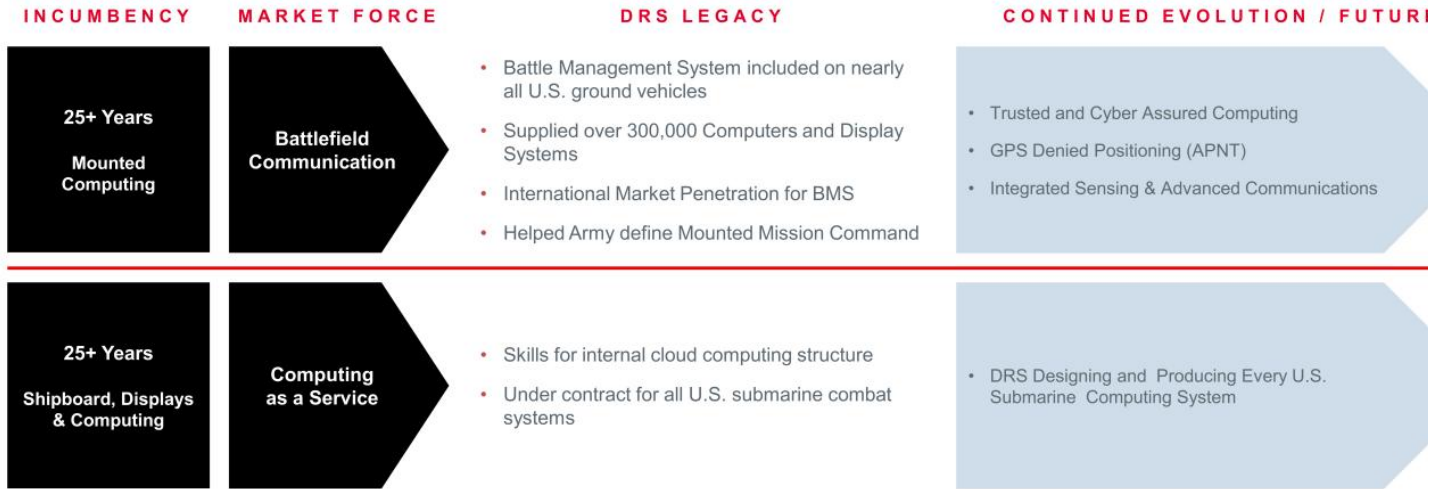


*Leadership History on Key Programs Continues to Drive Future Opportunities*





# NETWORK COMPUTING – DELIVERING RELIABLE COMPUTING SOLUTIONS FOR OVER 20 YEARS



*Leadership History on Key Programs Continues to Drive Future Opportunities*



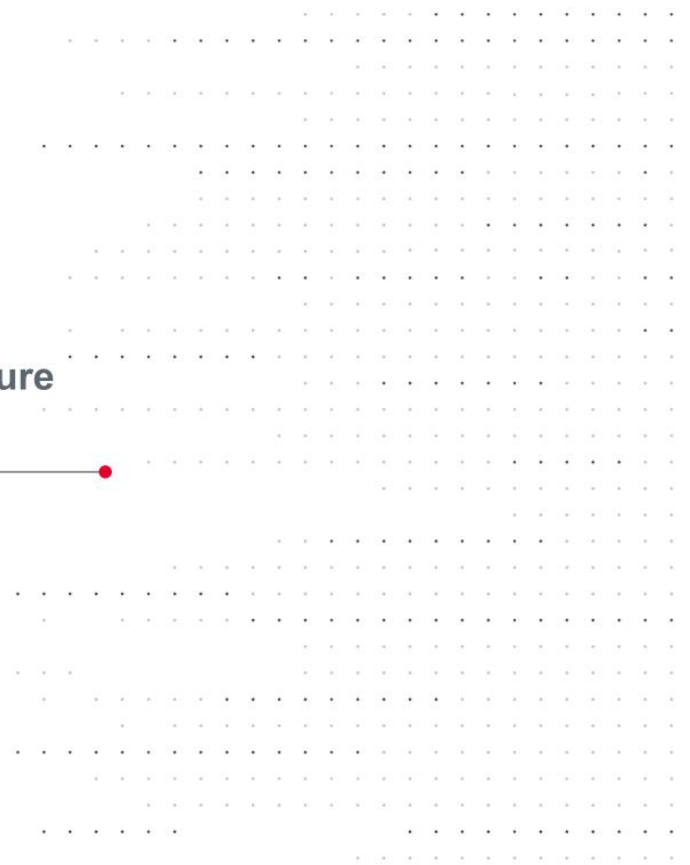
# INTEGRATED SOLUTIONS IN ELECTRIC POWER AND FORCE PROTECTION FOSTERING GROWTH

INCUMBENCY	MARKET FORCE	DRS LEGACY	CONTINUED EVOLUTION / FUTURE
<p>5 + Years Columbia Development</p> <p>30+ yrs Power Distribution and Conversion</p>	<p>Nuclear Recapitalization &amp; Adversary Submarines</p>	<ul style="list-style-type: none"> <li>• DRS Selected for Electric Drive and Propulsion System components</li> <li>• Power Conversion and Switchgear Provider</li> <li>• Only provider of Arc-Fault Protection Systems</li> </ul>	<ul style="list-style-type: none"> <li>• DRS in Production of Ship Electric Drive Components</li> <li>• Columbia IPS opening additional ship class opportunity – fueling growth</li> <li>• Energy Magazine to allow for additional high energy weapons and computing needs</li> </ul>
<p>3 Years Active Protection Systems</p>	<p>Anti-Tank Missiles and RPG Proliferation</p>	<ul style="list-style-type: none"> <li>• DRS teamed with Rafael to bring Trophy to U.S.</li> <li>• Helped Army test and procure Trophy</li> <li>• Mission Equipment Package Integrator for MSHORAD Program</li> </ul>	<ul style="list-style-type: none"> <li>• DRS Delivers Three Brigades of Trophy, Helping Shape Future APS Requirements</li> <li>• Allowing for Next Generation Vehicle Protection Suite</li> </ul>
<p>3 Years Counter UAS</p>	<p>Drone (UAV) Proliferation</p>	<ul style="list-style-type: none"> <li>• Won contract for CUAS and SHORAD in &lt;18 months – prototype for Army's rapid development initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• DRS to Produce IM-SHORAD Equipment Under Contract to GD</li> <li>• Single Vehicle Non-Kinetic CUAS Solution</li> <li>• High Power Microwave Solutions w/ size weight and power advantages</li> </ul>

**Leadership History on Key Programs Continues to Drive Future Opportunities**



## Leading Technologies – Driving the Future



# DRS OF TOMORROW – KEY GROWTH DRIVERS THAT ARE SHAPING THE BATTLEFIELD OF THE FUTURE

CAPABILITY	DRIVERS OF CAPABILITY NEED	DRS OPPORTUNITY
 <b>Integrated Sensing</b>	<ul style="list-style-type: none"> <li>• <b>JADC2</b>, requires integration of sensing and connectivity</li> <li>• As a result, <b>Future Army, USMC, USAF and Naval platforms</b> require increased sensing capabilities</li> </ul>	<ul style="list-style-type: none"> <li>✓ Integrated sensing, communications, and computing to make sense of the battlefield</li> </ul>
 <b>Space Sensing</b>	<ul style="list-style-type: none"> <li>• <b>Hypersonic threats</b> driving new space sensing requirements</li> <li>• <b>Space Force Architecture</b> includes LEO constellations with frequent sensor upgrades to address evolution of threats</li> </ul>	<ul style="list-style-type: none"> <li>✓ Multiple new satellite Constellations plan IR Sensing at LEO and MEO Orbits RF &amp; Optical Communications at LEO Orbits</li> </ul>
 <b>Short Range Air Defense</b>	<ul style="list-style-type: none"> <li>• Proliferation of <b>Weaponized Drone</b> Technology</li> <li>• Increased demand signals in <b>current geopolitical environment</b></li> <li>• Proliferation of <b>rocket, artillery and mortars</b></li> </ul>	<ul style="list-style-type: none"> <li>✓ Multi-billion short-range air defense opportunities identified in the U.S. and globally<sup>1</sup></li> <li>✓ Counter-unmanned aerial systems opportunities</li> </ul>
 <b>Electrification</b>	<ul style="list-style-type: none"> <li>• <b>Increased Power flexibility needs</b> for Sensing, Computing, Directed Energy Weapons</li> <li>• Increased <b>acoustic performance requirements</b></li> <li>• Focus on <b>China and Russia threats</b></li> </ul>	<ul style="list-style-type: none"> <li>✓ \$300mm annual Columbia Class incumbent through 2032<sup>1</sup></li> <li>✓ \$6bn electrification opportunity across new ship classes including DDGx and SSN<sup>1</sup></li> </ul>

## New / Adjacent Markets – Fostering Phase II of Above Market Growth

<sup>1</sup> DRS management estimate



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# ELECTRICIFICATION OF THE NAVY

COLUMBIA ELECTRIC PROPULSION DEVELOPMENT CREATING MARKET DISCRIMINATOR

## The Benefits of Electric Propulsion

- ✓ Longer Endurance
- ✓ Higher Efficiency & Lower Maintenance
- ✓ 'Surge Power' Capabilities
- ✓ Noise / Acoustic

## The Opportunity for Electric Propulsion

- ✓ Surveillance Ships
- ✓ Next Gen Attack Submarine
- ✓ Surface Ships
- ✓ Korean KDD(X)



**\$6 Billion Market Potential for Electric Propulsion**



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# SHORT RANGE AIR DEFENSE – PROTECTING AGAINST TODAY’S THREATS

Our emerging Initiatives derive from the evolving threat environment...

Different battlefields...  
Different adversaries  
Different threats...



Armed UAS



Aerial Loitering Munitions



ATGM Proliferation



Inadequate Vehicle Protection



Nimble ATGM Capability

## CURRENT FORCE PROTECTION COLLABORATION

- RADA tactical radars are the “eyes” of DRS’ force protection solution on the Stryker M-SHORAD platform
- The conflict in Ukraine highlights the need for Short-Range Air Defense solutions, which are now one of global defense industry’s highest priorities



**LEONARDO**  
System designer and integrator of M-SHORAD force protection system

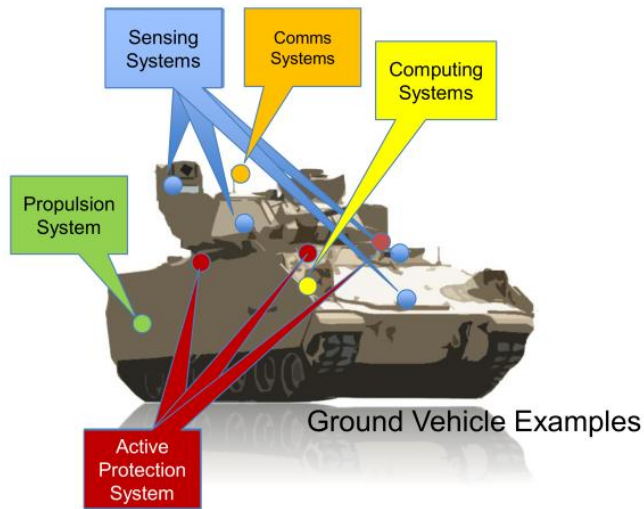
**RADA**  
Provides advanced tactical radars (MHR) critical to force protection provided by DRS



# INTEGRATED SENSING – EFFICIENCY IN DECISION MAKING

## CURRENT SYSTEMS ARE FEDERATED & CLOSED

Each system is aligned to a Soldier in the platform



Ground Vehicle Examples

**Information is selectively shared**

## FUTURE COLLABORATION OPPORTUNITIES

- Current sensing, communications, propulsion and computing systems are federated and aligned to individual soldiers
- Combination provides combined company with **enhanced ability to provide differentiated, integrated solutions to warfighters**



LEONARDO DRS

+

RADA

• System designer and integrator of an integrated solution for warfighter

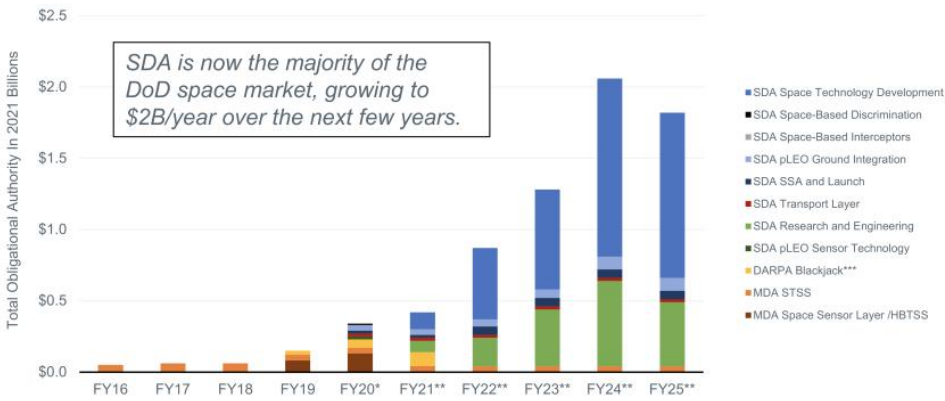


# SPACE SENSING – THE NEXT GENERATION OF MISSILE DEFENSE

Low Earth Orbit Satellites (LEOs) & Hypersonic Missiles are changing the space sensing market

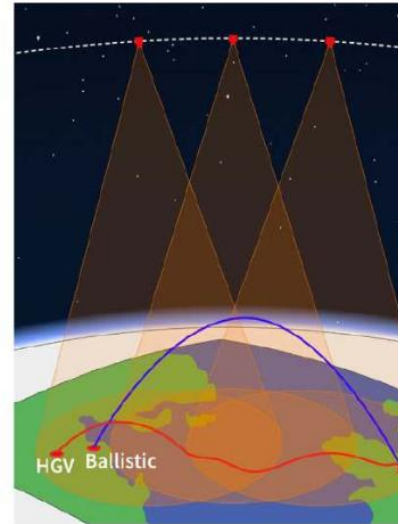
**DRS to Play a Critical Role in Missile Detection**  
 ✓ Marketing Leading Size, Weight and Power sensing advantages leading DRS to penetrate space payload market

**Figure 9: Defense-Wide Missile Defense Space Programs, 2016-2025**



*SDA is now the majority of the DoD space market, growing to \$2B/year over the next few years.*

Figure 14: Space-Based Sensors Enable Low Altitude Target Tracking



Source: CSIS Missile Defense Project

\*Appropriated dollars \*\*Based on 2021 budget \*\*\*No FYDP data released





## Combined Company Financials



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Year	Revenue	Operating Profit	Net Profit	EPS
2018	1,234,567	234,567	156,789	1.23
2019	1,345,678	245,678	167,890	1.34
2020	1,456,789	256,789	178,901	1.45
2021	1,567,890	267,890	189,012	1.56
2022	1,678,901	278,901	190,123	1.67
2023	1,789,012	289,012	191,234	1.78
2024	1,890,123	290,123	192,345	1.89
2025	1,901,234	291,234	193,456	1.90
2026	1,912,345	292,345	194,567	1.91
2027	1,923,456	293,456	195,678	1.92
2028	1,934,567	294,567	196,789	1.93
2029	1,945,678	295,678	197,890	1.94
2030	1,956,789	296,789	198,901	1.95
2031	1,967,890	297,890	199,012	1.96
2032	1,978,901	298,901	200,123	1.97
2033	1,989,012	299,012	201,234	1.98
2034	1,990,123	300,123	202,345	1.99
2035	2,001,234	301,234	203,456	2.00
2036	2,012,345	302,345	204,567	2.01
2037	2,023,456	303,456	205,678	2.02
2038	2,034,567	304,567	206,789	2.03
2039	2,045,678	305,678	207,890	2.04
2040	2,056,789	306,789	208,901	2.05
2041	2,067,890	307,890	209,012	2.06
2042	2,078,901	308,901	210,123	2.07
2043	2,089,012	309,012	211,234	2.08
2044	2,090,123	310,123	212,345	2.09
2045	2,101,234	311,234	213,456	2.10
2046	2,112,345	312,345	214,567	2.11
2047	2,123,456	313,456	215,678	2.12
2048	2,134,567	314,567	216,789	2.13
2049	2,145,678	315,678	217,890	2.14
2050	2,156,789	316,789	218,901	2.15
2051	2,167,890	317,890	219,012	2.16
2052	2,178,901	318,901	220,123	2.17
2053	2,189,012	319,012	221,234	2.18
2054	2,190,123	320,123	222,345	2.19
2055	2,201,234	321,234	223,456	2.20
2056	2,212,345	322,345	224,567	2.21
2057	2,223,456	323,456	225,678	2.22
2058	2,234,567	324,567	226,789	2.23
2059	2,245,678	325,678	227,890	2.24
2060	2,256,789	326,789	228,901	2.25
2061	2,267,890	327,890	229,012	2.26
2062	2,278,901	328,901	230,123	2.27
2063	2,289,012	329,012	231,234	2.28
2064	2,290,123	330,123	232,345	2.29
2065	2,301,234	331,234	233,456	2.30
2066	2,312,345	332,345	234,567	2.31
2067	2,323,456	333,456	235,678	2.32
2068	2,334,567	334,567	236,789	2.33
2069	2,345,678	335,678	237,890	2.34
2070	2,356,789	336,789	238,901	2.35
2071	2,367,890	337,890	239,012	2.36
2072	2,378,901	338,901	240,123	2.37
2073	2,389,012	339,012	241,234	2.38
2074	2,390,123	340,123	242,345	2.39
2075	2,401,234	341,234	243,456	2.40
2076	2,412,345	342,345	244,567	2.41
2077	2,423,456	343,456	245,678	2.42
2078	2,434,567	344,567	246,789	2.43
2079	2,445,678	345,678	247,890	2.44
2080	2,456,789	346,789	248,901	2.45
2081	2,467,890	347,890	249,012	2.46
2082	2,478,901	348,901	250,123	2.47
2083	2,489,012	349,012	251,234	2.48
2084	2,490,123	350,123	252,345	2.49
2085	2,501,234	351,234	253,456	2.50
2086	2,512,345	352,345	254,567	2.51
2087	2,523,456	353,456	255,678	2.52
2088	2,534,567	354,567	256,789	2.53
2089	2,545,678	355,678	257,890	2.54
2090	2,556,789	356,789	258,901	2.55
2091	2,567,890	357,890	259,012	2.56
2092	2,578,901	358,901	260,123	2.57
2093	2,589,012	359,012	261,234	2.58
2094	2,590,123	360,123	262,345	2.59
2095	2,601,234	361,234	263,456	2.60
2096	2,612,345	362,345	264,567	2.61
2097	2,623,456	363,456	265,678	2.62
2098	2,634,567	364,567	266,789	2.63
2099	2,645,678	365,678	267,890	2.64
2100	2,656,789	366,789	268,901	2.65

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## COMBINED FINANCIAL HIGHLIGHTS

### LARGE INSTALLED BASE AND DIVERSE PORTFOLIO

- Alignment with diverse set of high-growth DoD programs
- Installed base across variety of defense platforms
- Resilient to budget changes: No contract >10% of revenue, platform independent go-to-market approach

### HIGHLY VISIBLE REVENUE PROJECTIONS

- Foundational defense programs / track record of retaining incumbent positions resulting in high confidence revenue out
- 9% PF historical revenue growth (2018-2021)
- Technical capabilities, market alignment and contract incumbencies driving long term growth that will exceed defense p

### MARGIN EXPANSION FROM LIFECYCLE TRANSITION

- Program lifecycle transition from development to production, operational improvements, transaction synergies and orga revenue growth will drive continued margin expansion
- >300bps of margin expansion between 2018 and 2021
- 150-200bps of margin expansion through 2023, with mid-teens margins targeted longer term

### STRONG EARNINGS GROWTH OUTLOOK

- 22% Adj. EBITDA CAGR between 2018-2021 as a result of strong earnings growth and margin expansion
- Low double-digit Adj. EBITDA CAGR expected through 2023 and over longer-term

Note: Peer data based on public filings, FactSet; Peers include General Dynamics, L3Harris, Lockheed Martin, Northrop Grumman, Raytheon Technologies, Elbit Systems, Curtiss-Wright, Mercury Systems, Chemring; <sup>1</sup> Based on RADA current share price, fully diluted RADA share count of ~51.5 (pre-deal) and 80.5% PF ownership for DRS; <sup>2</sup> Financial information represents a combined view of RADA and DRS excluding previously announced divestitures. Please refer to the appendix for reconciliations to GAAP metrics



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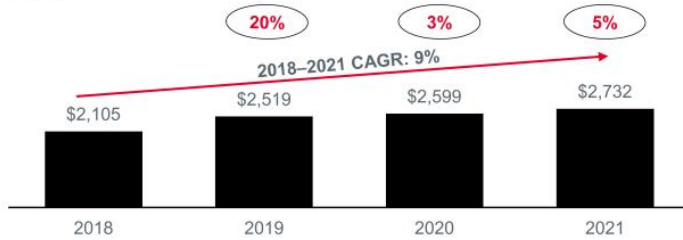
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# COMBINED HISTORICAL FINANCIALS

(EXCLUDING PREVIOUSLY ANNOUNCED DIVESTITURES, \$MM)

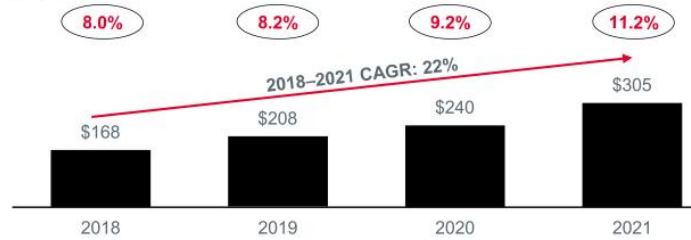
## REVENUE<sup>1</sup>

Growth:



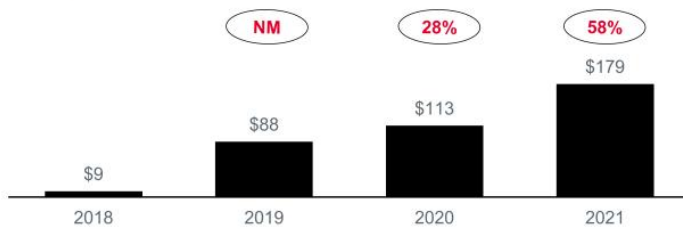
## ADJUSTED EBITDA<sup>2</sup>

Margin:



## ADJUSTED NET INCOME<sup>2</sup>

Growth:



## ADJUSTED FREE CASH FLOW<sup>2</sup>

Adj. NI Conversion<sup>3</sup>:



Note: Please refer to the appendix for reconciliations to GAAP metrics; <sup>1</sup> Combined revenue has been adjusted for intercompany eliminations; <sup>2</sup> Combined Adjusted EBITDA, Adjusted Net Income and Adjusted Free Cash Flow represent the sum of EBITDA, Net Income or Adjusted Net Income and Free Cash Flow or Adjusted Free Cash Flow, respectively, of RADA and DRS; <sup>3</sup> Defined as Adjusted Free Cash Flow Divided by Adjusted Net Income



# BALANCE SHEET FLEXIBILITY FOR M&A AND DIVIDEND DISTRIBUTION

## COMBINED BALANCE SHEET DETAIL

	 LEONARDO DRS	RADA	 LEONARDO DRS + RADA
3/31/22A Q1 Net Debt / (Cash) <sup>1</sup>	\$263	(\$66)	\$197
3/31/22A Last Twelve Months (LTM) Adj. EBITDA	\$281 <sup>2</sup>	\$24	\$305
Q1 2022 Net Debt (Cash) / Adj. EBITDA	0.9x	(2.8x)	0.6x

## Q1 LTM NET DEBT / ADJ. EBITDA



Note: Financial information represents a combined view of the two entities excluding previously announced divestitures. Please refer to the appendix for reconciliations to GAAP metrics; <sup>1</sup> Net financial debt, excludes Leonardo DRS finance leases; for impact of previously announced divestitures.



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## COMBINED 2023 TARGETS AND LONGER TERM OUTLOOK

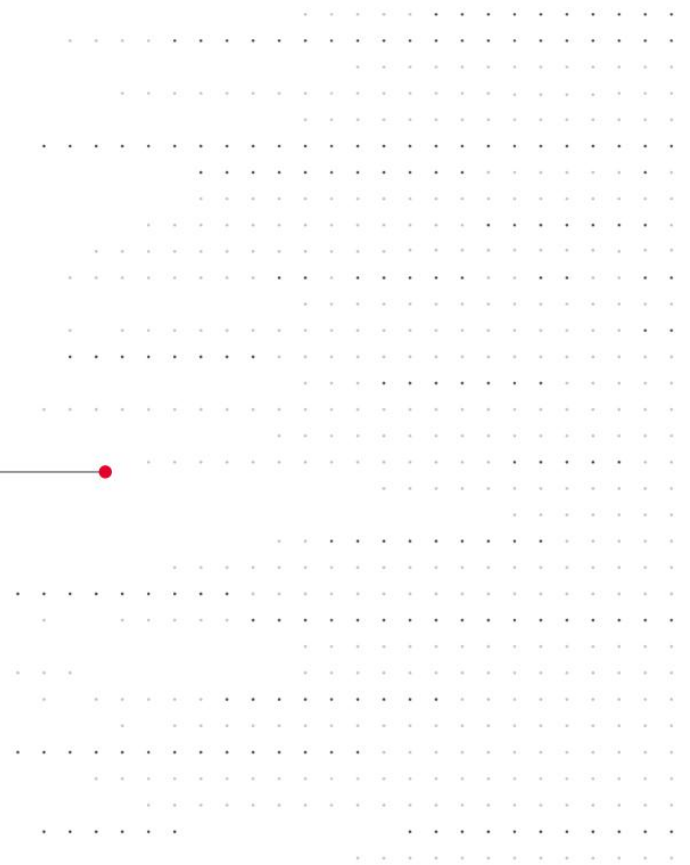
	2023 TARGETS (ORGANIC)	LONGER TERM OUTLOOK
REVENUE	<ul style="list-style-type: none"> <li>Mid single-digit CAGR from 2021A combined base of \$2,733mm</li> </ul>	<ul style="list-style-type: none"> <li>High single-digit CAGR</li> <li>Balance sheet flexibility supports investments inorganic growth (M&amp;A)</li> </ul>
ADJUSTED EBITDA	<ul style="list-style-type: none"> <li>Adj. EBITDA margin expansion of 150-200 bps from 2021A combined base of 11.2%</li> <li>Low double-digit Adj. EBITDA CAGR from 2021A base of \$305mm</li> </ul>	<ul style="list-style-type: none"> <li>Adj. EBITDA margins in the mid-teens</li> <li>Low double-digit adjusted Adj. EBITDA CAGR</li> </ul>
ADJUSTED NET INCOME	<ul style="list-style-type: none"> <li>Mid-teens adj. net income CAGR from 2021A combined base of \$179</li> </ul>	<ul style="list-style-type: none"> <li>Low double-digit adj. net income CAGR</li> </ul>
ADJUSTED FREE CASH FLOW	<ul style="list-style-type: none"> <li>Adj. net income conversion to adjusted free cash flow greater than or equal to 90%</li> </ul>	<ul style="list-style-type: none"> <li>Adj. net income conversion to adjusted free cash flow greater than or equal to 90%</li> </ul>

Note: Financial information represents a combined view of RADA and DRS excluding previously announced divestitures. Please refer to the appendix for reconciliations to GAAP metrics



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## Valuation Enhancement Opportunity



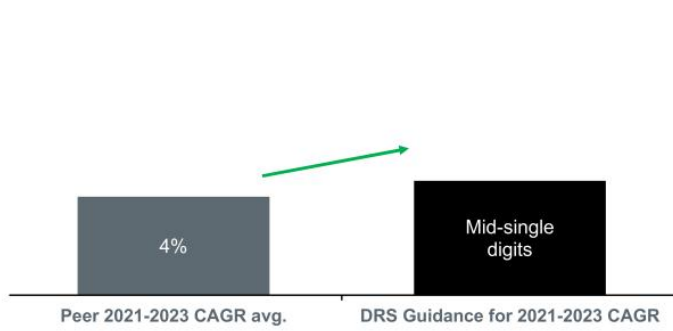
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## Performance Driving Increased Value Potential

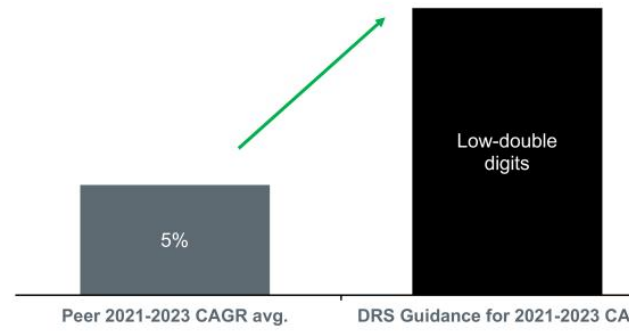
### COMBINED DRS GUIDANCE VERSUS CONSENSUS PEER ESTIMATES

- ✓ Combined business is well positioned versus expectations for peers on both EBITDA growth and Revenue growth metrics

#### REVENUE CAGR – 2021-2023



#### EBITDA CAGR – 2021-2023



# Value Enhancement Opportunity

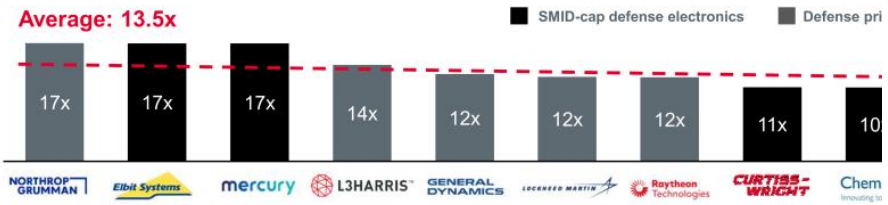
## RADA IMPLIED VALUATION

DRS 2021A EBITDA	\$278	
<b>DRS contribution multiple</b>	<b>12.0x</b>	<b>14.0x</b>
<b>DRS TEV</b>	<b>\$3,336</b>	<b>\$3,892</b>
(-) DRS 3/31/22A Net Debt	(263)	
<b>DRS Equity Value</b>	<b>\$3,073</b>	<b>\$3,629</b>
(/) DRS PF Ownership	80.5%	
<b>PF Combined Equity Value</b>	<b>\$3,817</b>	<b>\$4,508</b>
(x) RADA PF Ownership	19.5%	
<b>RADA Implied Equity Value</b>	<b>\$744</b>	<b>\$879</b>
(/) FDSO	52.0	52.4
<b>RADA Implied Share Price</b>	<b>\$14.33</b>	<b>\$16.77</b>
vs. 7/6/2022 share price of \$7.76	185%	216%

## DEAL ECONOMICS OVERVIEW

- ✓ Illustratively, assuming a 12x multiple on DRS 2021 EBITDA results in an enterprise value of ~\$3.3 and equity value of ~\$3.1bn
- ✓ Since DRS will own 80% of the combined business, this implies a ~\$3.8bn equity value for the combined company and an equity value for RADA of \$744mm or \$14.33 / share
- ✓ We view 12x as a conservative multiple, with comparable SMID-cap defense electronics and defense primes trading at an average of 13.5x 2021 EBITDA
- ✓ Assuming the combined company executes on its guidance for double digit earnings growth per annum and achieves a low to mid teens TEV / EBITDA multiple, there is material upside RADA's share price from current levels

## TEV / 2021A EBITDA





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# GAAP RECONCILIATIONS

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## RADA RECONCILIATIONS

### Adjusted EBITDA

(US dollars in millions)	2018	2019	2020	2021	2021 Q1	2022 Q1	L1
Net income (loss)	(\$0.2)	(\$2.3)	\$5.6	\$25.1	\$3.8	(\$0.7)	\$21
Tax expense	0.0	0.0	0.0	(4.9)	0.0	(0.2)	(5)
Financial expense (income), net	0.3	0.2	(0.2)	0.2	(0.2)	(0.0)	0
Depreciation	0.8	1.2	2.3	3.7	0.8	1.2	4
Employee option compensation	0.9	1.1	1.4	3.0	0.5	0.9	3
Other non-cash amortization	0.0	0.1	0.5	0.2	0.0	0.1	0
Adjusted EBITDA	\$1.8	\$0.4	\$9.7	\$27.3	\$4.8	\$1.3	\$21

### Free Cash Flow

(US dollars in millions)	2018	2019	2020	2021
Net cash provided by (used in) operating activities	(\$3.9)	(\$3.5)	\$3.6	(\$4.4)
Purchase of property, plant and equipment	(0.9)	(4.1)	(4.9)	(6.2)
Construction in process	(0.3)	(0.5)	(0.1)	0.0
Consideration from fixed asset sale	0.3	0.0	0.0	0.0
Free cash flow	(\$4.8)	(\$8.0)	(\$1.3)	(\$10.5)



# LEONARDO DRS RECONCILIATIONS

## Revenue (Adjusted for Previously Announced Divestitures)

(\$ in millions)	2018	2019	2020	2021
Total revenues	\$2,333	\$2,714	\$2,778	\$2,879
Less divestiture impact	\$256	\$236	\$254	\$232
Revenue less divestitures	\$2,077	\$2,478	\$2,524	\$2,647

## Adjusted EBITDA

(\$ in millions)	2018	2019	2020	2021	2021 Q1	2022 Q1	LTM
Net earnings	(\$10)	\$75	\$85	\$154	\$28	\$36	\$162
Income tax provision	(7)	20	27	46	13	12	46
Amortization of intangibles	93	9	9	9	2	2	9
Depreciation	35	42	44	49	12	13	50
Restructuring costs	14	20	12	5	0	0	5
Interest expense	58	65	64	35	9	8	34
Deal related transaction costs	0	0	9	5	4	2	3
Foreign exchange	3	0	1	1	0	0	1
COVID-19 response costs	0	0	12	6	3	0	3
Non-service pension expense	1	3	5	0	0	0	0
Adjusted EBITDA	\$187	\$234	\$268	\$310	\$71	\$73	\$312
Less divestitures:							
Net earnings	15	20	28	22	4	4	22
Income tax provision	5	6	8	7	1	1	6
Depreciation	1	1	1	3	1	0	2
Adjusted EBITDA less divestitures	\$166	\$207	\$231	\$278	\$64	\$68	\$281



## LEONARDO DRS RECONCILIATION (CONT'D)

### Adjusted Net Income

(\$ in millions)	2018	2019	2020	2021
Net earnings (loss)	(\$10)	\$75	\$85	\$154
Deal related transaction costs	0	0	9	5
Covid-19 response costs	0	0	12	6
Adjusted net income	(\$10)	\$75	\$106	\$165
Less divestiture impact	15	20	28	22
Adjusted net income excluding divestitures	(\$25)	\$55	\$77	\$143
Third party debt interest adjustment	44	46	44	15
Less Tax Impact	10	11	14	5
Adjusted net income less divestitures	\$9	\$91	\$107	\$153

### Adjusted Free Cash Flow

(\$ in millions)	2018	2019	2020	2021
Net cash provided by operating activities	\$105	\$157	\$125	\$178
Less capital expenditures, net	40	55	56	60
Proceeds from sale of assets	0	8	5	0
Free cash flow	\$65	\$110	\$74	\$118
Less divestitures	10	30	19	34
Free cash flow less divestitures	\$54	\$80	\$56	\$84
Third party debt interest adjustment	44	46	44	15
Deal related transaction costs	0	0	9	5
Covid-19 response costs	0	0	12	6
Less Tax Impact	10	11	15	6
Adjusted free cash flow less divestitures	\$88	\$115	\$105	\$104



## COMBINED COMPANY RECONCILIATIONS

### Combined Revenue (Adjusted for Previously Announced Divestitures)

(S in millions)	2021
Total Revenues	
Leonardo DRS	\$2,647
RADA	117
Elimination Intercompany	(31)
Combined Revenue	\$2,733

### March 31, 2022 Net Financial Debt

(S in millions)	Leonardo DRS	RADA	Combined
Intercompany with Parent	\$ 367	\$ 0	\$ 367
Finance leases and other	164	0	164
Short term borrowings	9	0	9
Total Debt	\$540	\$0	\$540
Less Finance leases and other	164	0	164
Less Cash and cash equivalents at the end of period	113	66	179
Net Financial Debt	\$263	(\$66)	\$197



## COMBINED COMPANY RECONCILIATIONS

### Combined Revenue (Adjusted for Previously Announced Divestitures)

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# Legal Notices

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### **Forward-Looking Statements**

This communication contains statements that constitute “forward-looking statements,” including with respect to the proposed merger of Leonardo DRS, Inc. (“DRS”) and RADA Electronic Industries Limited (“RADA”) and its impact, if completed, on the combined company’s business. Forward-looking statements are subject to numerous conditions, many of which are beyond our control. Neither RADA nor DRS undertake any obligation to update these statements, except as required by law.

### **ADDITIONAL INFORMATION ABOUT THE TRANSACTION AND WHERE TO FIND IT**

DRS will file with the U.S. Securities and Exchange Commission (SEC) a registration statement on Form S-4, which will include a prospectus of DRS, and certain other documents in connection with the transaction. **SHAREHOLDERS OF RADA ARE URGED TO READ THE PROSPECTUS AND ANY OTHER DOCUMENTS FILED OR TO BE FILED WITH THE SEC IN CONNECTION WITH THE TRANSACTION WHEN THEY BECOME AVAILABLE, AS THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT DRS, RADA, THE TRANSACTION AND RELATED MATTERS.** The registration statement and prospectus and other documents filed or furnished by DRS and RADA with the SEC, when filed, will be available free of charge at the SEC’s website at [www.sec.gov](http://www.sec.gov). Alternatively, stockholders will be able to obtain free copies of the registration statement, prospectus and other documents which will be filed or furnished with the SEC by DRS by contacting DRS at +1 877-538-0912 or 2345 Crystal Drive Suite 1000 Arlington, Virginia 22202.

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