



# INVESTOR PRESENTATION

October 2024

# Disclaimers

## Forward-Looking Statements

In this presentation, when using the terms the “company,” “DRS,” “we,” “us” and “our,” unless otherwise indicated or the context otherwise requires, we are referring to Leonardo DRS, Inc. This presentation contains forward-looking statements and cautionary statements within the meaning of the Private Securities Litigation Reform Act of 1995. Some of the forward-looking statements can be identified by the use of forward-looking terms such as “believes,” “expects,” “may,” “will,” “shall,” “should,” “would,” “could,” “seeks,” “aims,” “strives,” “targets,” “projects,” “guidance,” “intends,” “plans,” “estimates,” “anticipates” or other comparable terms. Forward-looking statements include, without limitation, all matters that are not historical facts. They appear in a number of places throughout this presentation and include, without limitation, statements regarding our intentions, beliefs, assumptions or current expectations concerning, among other things, financial goals, financial position, results of operations, cash flows, prospects, strategies or expectations, and the impact of prevailing economic conditions.

These statements are subject to numerous assumptions, risks, and uncertainties, many of which are outside of our control, and include the risks and uncertainties that are identified in the Risk Factors section in our latest Annual Report on Form 10-K, and in other periodic and current reports we file with the SEC. While the forward-looking statements herein reflect our current expectations, no assurance can be given that the results or events described in such statements will be achieved, and our actual results may differ materially from the results we anticipate. Our guidance for fiscal year 2024, and the other statements regarding our financial outlook are expressly made as of October 30, 2024 (the date of our third quarter 2024 earnings press release and conference call). We undertake no obligation to revise or update any of these forward-looking statements (whether as a result of new information, subsequent events or circumstances, changes in expectations or otherwise) that may arise after the date of this presentation.

## Non-GAAP Financial Measures

In addition to the results reported in accordance with U.S. GAAP included throughout this presentation, the company has provided information regarding “Adjusted EBITDA,” “Adjusted EBITDA Margin,” “Adjusted Net Earnings,” “Adjusted Diluted Earnings Per Share,” “Free Cash Flow” and “Free Cash Flow Conversion” (each, a non-GAAP financial measure).

We believe the non-GAAP financial measures presented in this document will help investors understand our financial condition and operating results and assess our future prospects. We believe these non-GAAP financial measures, each of which is discussed in greater detail in the appendix, are important supplemental measures because they exclude unusual or non-recurring items as well as non-cash items that are unrelated to or may not be indicative of our ongoing operating results. Further, when read in conjunction with our GAAP results, these non-GAAP financial measures provide a baseline for analyzing trends in our underlying businesses and can be used by management as a tool to help make financial, operational and planning decisions. Finally, these measures are often used by analysts and other interested parties to evaluate companies in our industry by providing more comparable measures that are less affected by factors such as capital structure.

We recognize that these non-GAAP financial measures have limitations, including that they may be calculated differently by other companies or may be used under different circumstances or for different purposes, thereby affecting their comparability from company to company. In order to compensate for these and the other limitations, management does not consider these measures in isolation from or as alternatives to the comparable financial measures determined in accordance with U.S. GAAP. Readers should review the reconciliations on page 19 and should not rely on any single financial measure to evaluate our business.



# Leonardo DRS at a Glance

## Trusted Systems Integrator and Innovative Critical Defense Technology Supplier

Founded in:

**1969**

Headquarters:

**Arlington, VA**

Employees:

**~6,600**

2024 Revenue <sup>(1)</sup>:

**\$3,175 million**

2024 Adj. EBITDA <sup>(1)(2)</sup>:

**\$392 million**

Ticker:



**Key Technology Areas**



**Advanced Sensing**



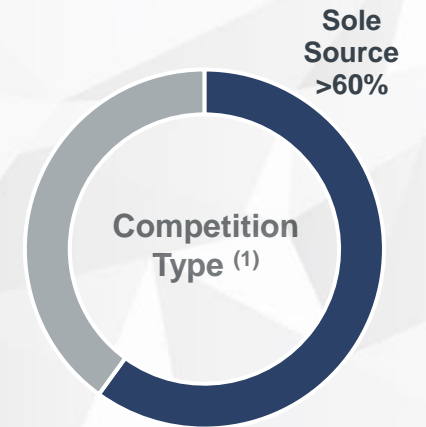
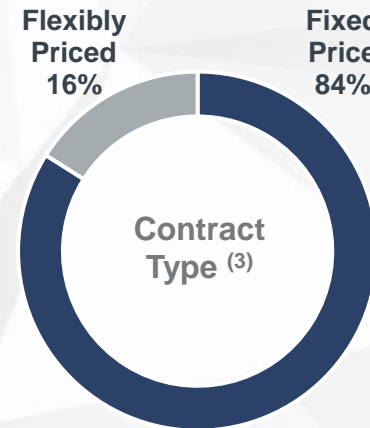
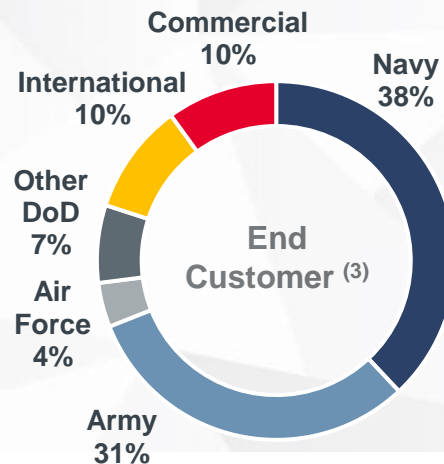
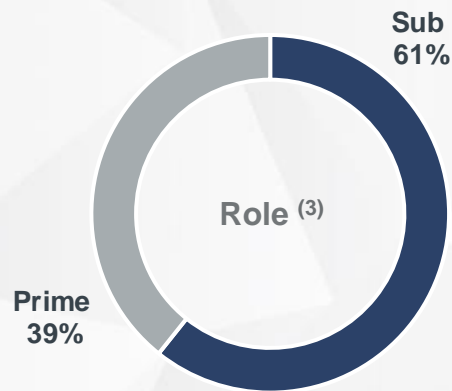
**Network Computing**



**Force Protection**



**Electric Power & Propulsion**



(1) Based on the mid-point of 2024 guidance range

(2) Adjusted EBITDA is a non-GAAP financial measure. The company does not provide a reconciliation of forward-looking adjusted EBITDA, due to inherent difficulty in forecasting and quantifying the non-GAAP exclusions that are necessary for such reconciliation without unreasonable effort. Material changes to any one of these items could have a significant effect on future GAAP results

(3) Based on 2023 revenue



# Key Investment Highlights

## Well Positioned for Long-Term Growth and Value Creation

Entrenched and **leading market positions** aligned to enduring areas of budget priority

Multi-decade reputation as a **trusted** systems integrator and **innovative** defense technology provider

Platform agnostic model results in **differentiated** and **diverse portfolio** of technologies, customers and programs

**Strong** execution track record and opportunity to drive **organic growth** and **margin expansion**

**Robust backlog** and multi-pronged growth strategy underpins confidence and **visibility**

Growing **cash flow** and attractive balance sheet enables **value creation** opportunity



## Market Drivers and Leonardo DRS Tailwinds



U.S. federal government remains world's largest buyer of products and services with FY25 **budget of \$850 billion**

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Bipartisan support for defense **spending growth** focused on deterring and countering **near-peer threats**

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Global **threat environment** remains **elevated** and rapidly evolving across vectors and domains

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Continued digitization of platforms resulting in **increasing** electronics density and **demand**

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Majority of business performed under **long-term contracts** resulting in strong **multi-year visibility**

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# Experienced Management Team



**Bill Lynn**

Chairman &  
Chief Executive Officer

Bill Lynn is Chairman and Chief Executive Officer for Leonardo DRS. Mr. Lynn was appointed to his current position in 2012.

Prior to joining DRS in January 2012, Mr. Lynn served as the 30th United States Deputy Secretary of Defense from 2009 to 2011.

From 2002 to 2009, Mr. Lynn was Senior Vice President of Government Operations and Strategy at the Raytheon Company. Previously, he served as the Chief Financial Officer and Under Secretary of Defense (Comptroller) from 1997 to 2001.

From 1993 to 1997, he led strategic planning for the Department of Defense as Director of Program Analysis and Evaluation. Mr. Lynn worked for Senator Ted Kennedy as counsel to the Senate Armed Services Committee from 1987 to 1993.



**Mike Dippold**

EVP &  
Chief Financial Officer

Mike Dippold is Executive Vice President and Chief Financial Officer for Leonardo DRS. Mr. Dippold was appointed to his current position in 2017.

As the Chief Financial Officer, Mr. Dippold is responsible for overseeing Leonardo DRS' financial activities and operations, SEC reporting, tax & treasury functions, as well as economic and business related strategies.

Throughout his 15 years at the company, Mr. Dippold has held a variety of roles of increasing responsibility, including overseeing complex transactions, highlighted by the RADA merger launching Leonardo DRS into the public markets.

Prior to assuming his current position, Mr. Dippold served as Senior Vice President, Corporate Controller for DRS Technologies.



**John Baylouny**

EVP &  
Chief Operating Officer

John Baylouny is a veteran of Leonardo DRS and has held a variety of positions within the company prior to becoming Chief Operating Officer. Mr. Baylouny has more than 30 years of experience in the aerospace and defense industry with diverse experience in direct P&L and operational responsibility, general management, product development, program management and product design.

Most recently, Mr. Baylouny served as the Chief Technology Officer of the company and was focused on providing leadership to the technical community with enterprise-wide responsibility for its technology investment strategy.

Prior to that, Mr. Baylouny served as Vice President and General Manager of the company's Land Systems and Advanced ISR businesses, among other leadership roles.



# Strategic Priorities



Focus on national security priorities and expanding our market leadership positions



Leverage our strong technology differentiation, innovation and agility to drive organic growth



Increase organic investment in research and development and capex to position for incremental long-term growth



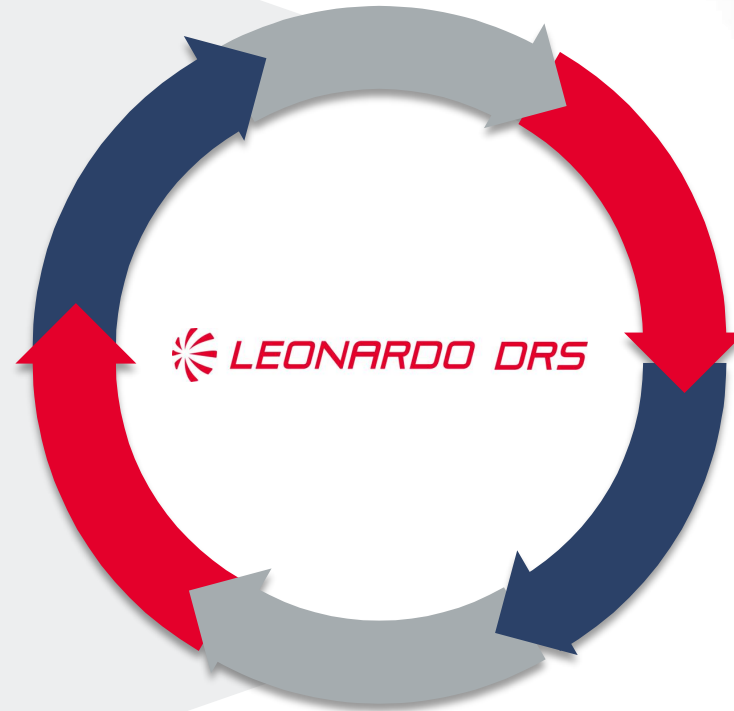
Execute with superior operational excellence and expand profit margin



Strengthen our engineering and manufacturing talent base



Deploy capital prudently to drive value creation



# Focused on National Security Customers and Missions

Reputation for Excellence Established Through 50+ Years of Trust, Agility and Innovation

Prime  
39%



Strategic  
Subcontractor  
61%

**BAE SYSTEMS**



**GENERAL DYNAMICS**



**L3HARRIS**

**LOCKHEED MARTIN**



**NORTHROP GRUMMAN**



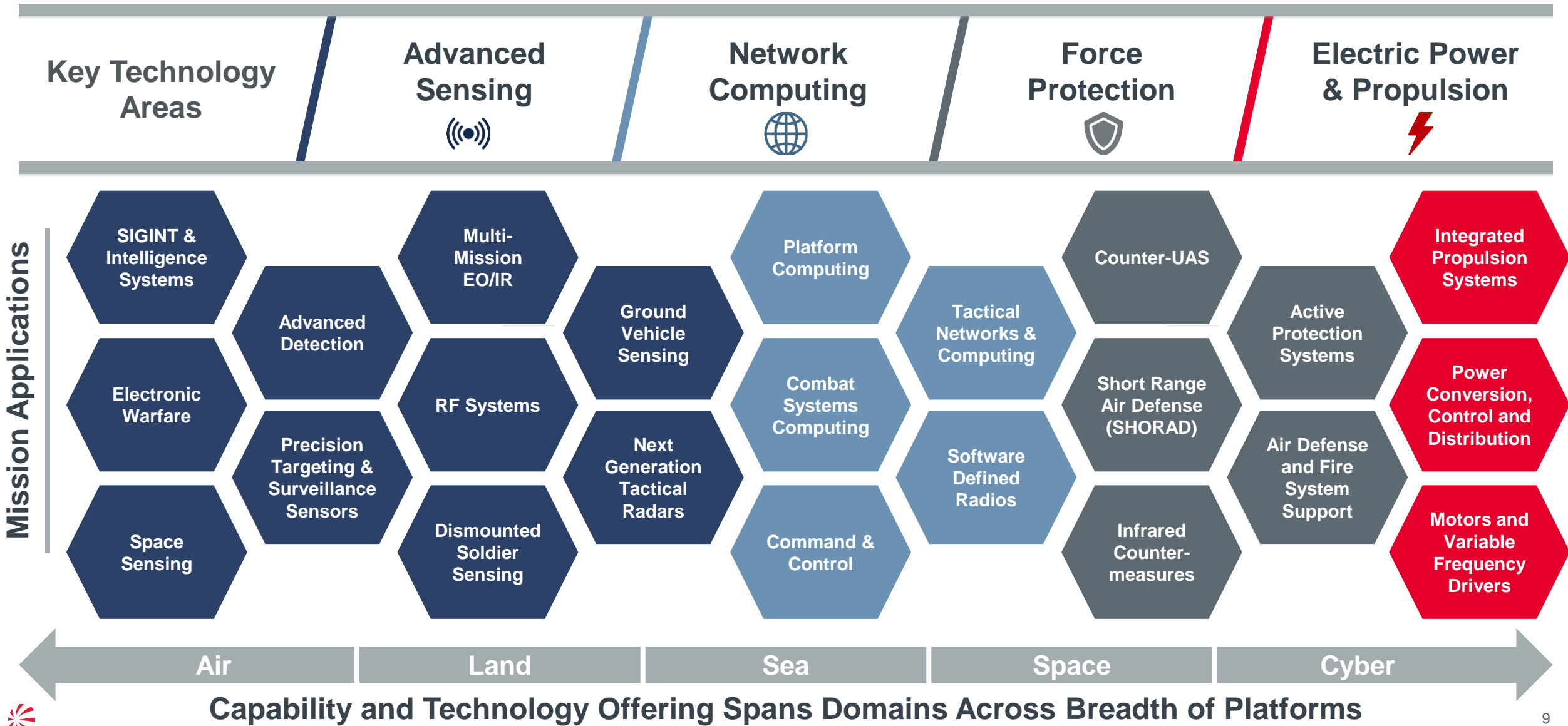
**RTX**

Note: Prime and sub percentages for 2023 revenue

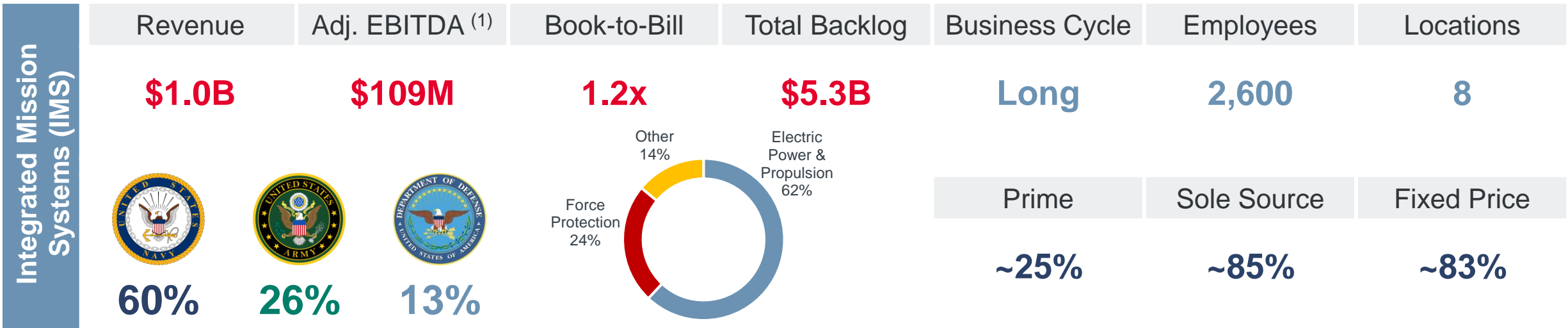
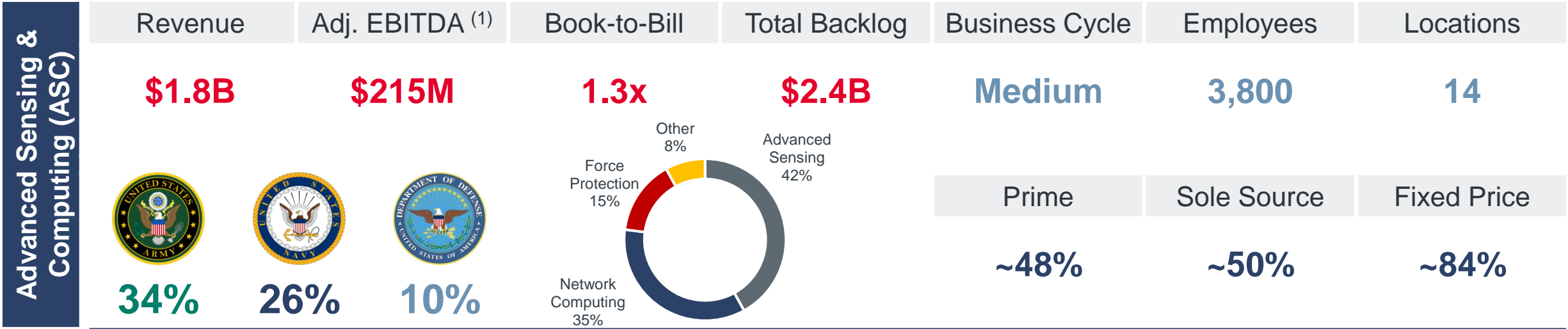




# Growing Demand for Our Capabilities and Technologies



# Leonardo DRS Operating Segments



Note: Statistics as of 12/31/23 or full year 2023 and percentages are based on 2023 revenue

(1) Adjusted EBITDA is a non-GAAP financial measure. See slide 19 "Non-GAAP Financial Measures" for definitions and reconciliations of the non-GAAP financial measures to the most comparable financial measures calculated and presented in accordance with GAAP

# Representative Platforms with DRS Content

## Naval



Columbia

Virginia

Arleigh Burke

Ticonderoga

LCS

CVN

LPD

LHA

## Ground



Bradley

AMPV

Abrams

Stryker

Dismounted

Patriot

XM-30

MPF

## Airborne & Space



Apache

Seahawk

Reaper

Sea Stallion

Tanker

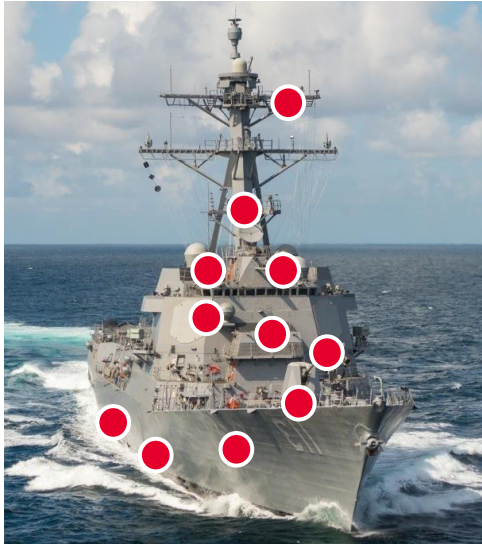
F-35

Weather Satellites

F-18 Hornet



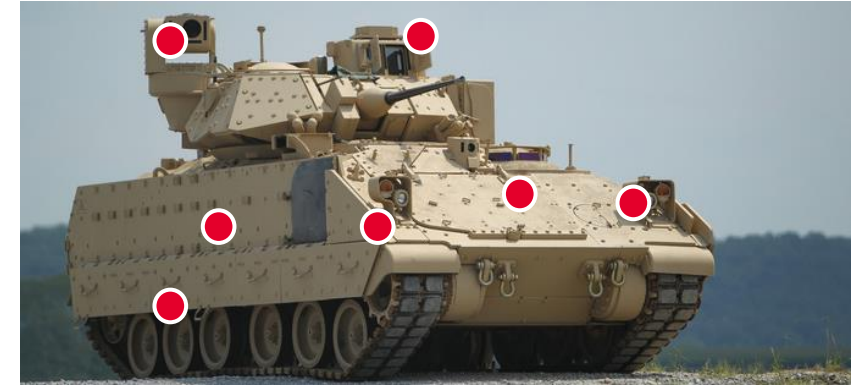
# Illustrative DRS Content Across Platforms



- Communications
- Radar Systems
- EW and Radio Components
- SATCOM Antennas
- Nuclear Instrumentation and Controls
- Computing Infrastructure
- Cooling System Components
- Displays and Workstations
- Power Conversion and Distribution Components
- Motor Controllers
- Electric Propulsion
- Self-Protection System Components



- Targeting and Pilotage Infrared Sights
- Degraded Visual Environment Sensor
- Missile Warning
- IR Countermeasures
- Joint Tactical Terminal Software Defined Radio



- 2<sup>nd</sup> and 3<sup>rd</sup> Generation HTI Sensors
- Drivers View Enhancement
- Power Electronics
- In-Situ Testing
- Rugged Computing
- Active Protection System



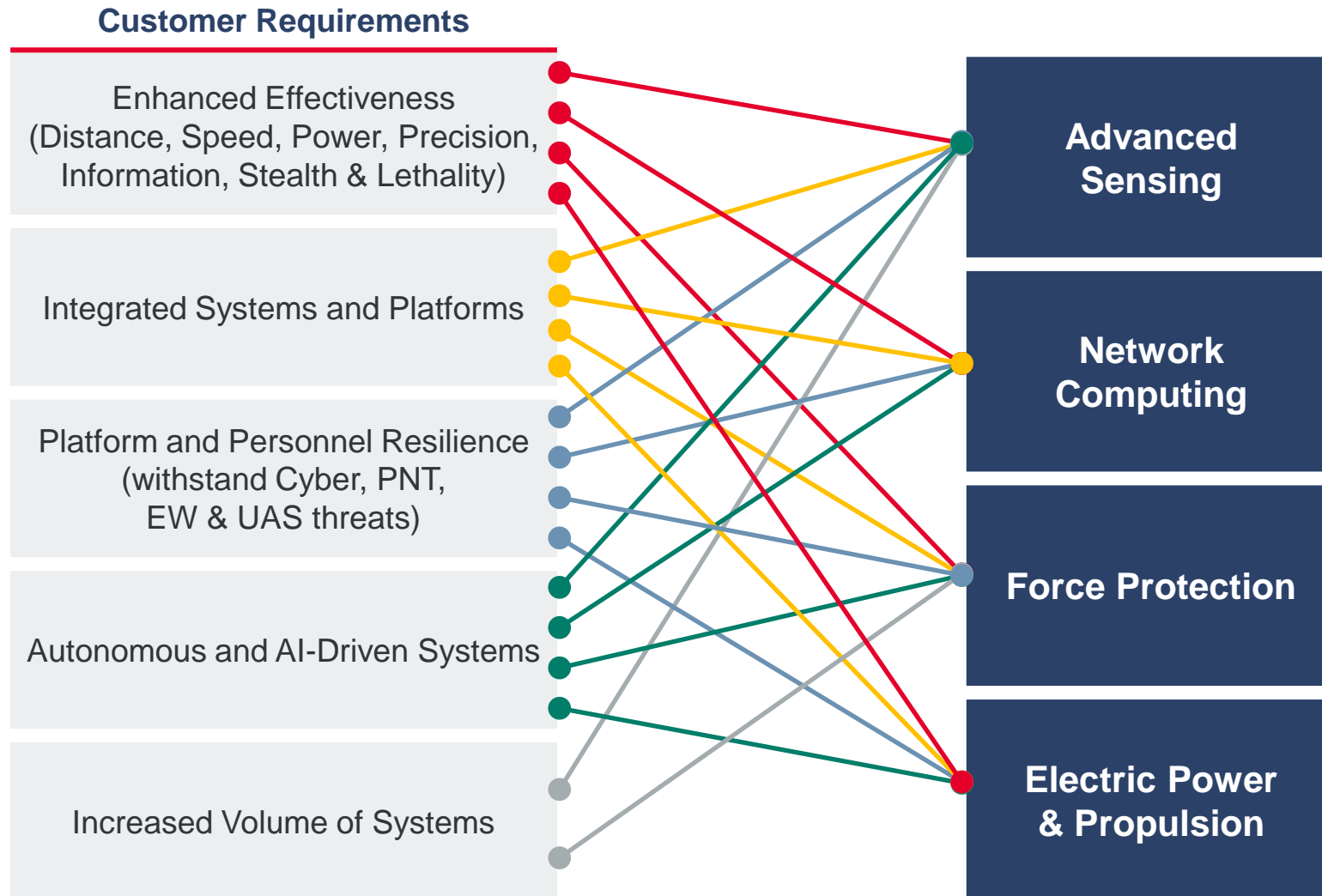
- Integrated Propulsion System
- Switchboard Components
- Electrical Conversion
- Motor Controllers
- Computing Infrastructure



- Night Vision Goggles
- Weapon Sights
- Long-Range Sniper Sight
- Targeting System
- Laser Designator
- EW / SIGINT System



# DRS is Well Positioned to Address Evolving Customer Requirements



**DRS capabilities and investments are helping our customers maintain their competitive edge**



# Evolving Mission Requirements Driving Leonardo DRS Capability Demand

## DRS Differentiation and Opportunity

### Mission Requirements

### DRS Capability

- Demonstrated electric power propulsion capability on Columbia Class
- Increased acoustic performance, power efficiency, endurance and surge power requirements driving electrification opportunity onto additional ship classes
- Integration of sensing and connectivity foundational to achieving JADC2
- DRS is well positioned to integrate sensing, communications and computing electronics to decipher the battlefield
- Diversity, proliferation and evolution of weaponized drones, missiles, loitering munitions and other threats requiring agility and reconfigurability in platform and force protection capabilities
- DRS's advanced sensing capabilities providing greater range, better granularity and wider spectrum aperture
- DRS's advanced sensing expertise in optimizing for SWaP requirements driving incremental addressable market expansion opportunities

**Demonstrating Power Projection**

**Electrification**

**Enabling a Networked Battlefield**

**Integrated Defense Electronics**

**Countering Evolving Kinetic Threats to Platforms**

**Advanced Force Protection**

**Operating in Contested Domains**

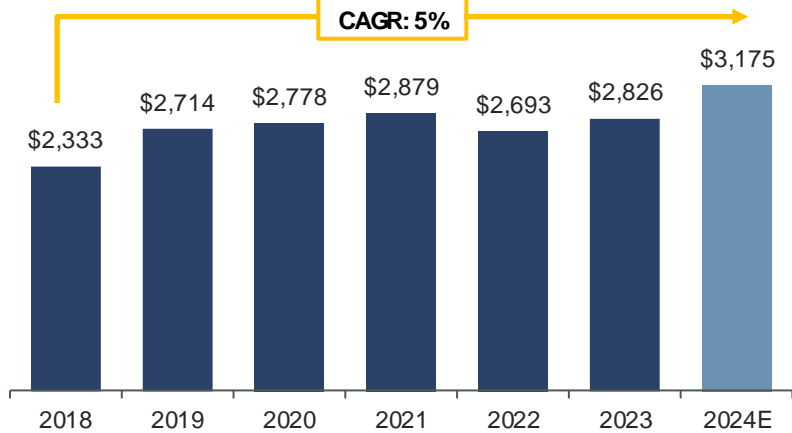
**Next Generation Sensors**



# Solid Financial Track Record and Growth Opportunity

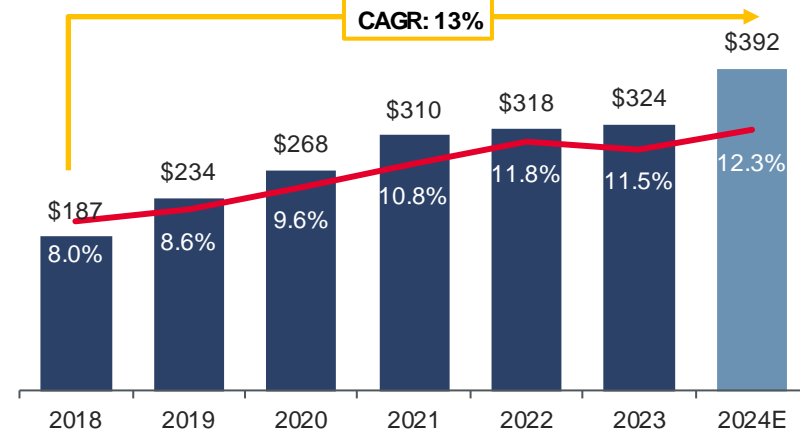
## Revenue

(Dollars in millions)



## Adjusted EBITDA and Margin (1)

(Dollars in millions)

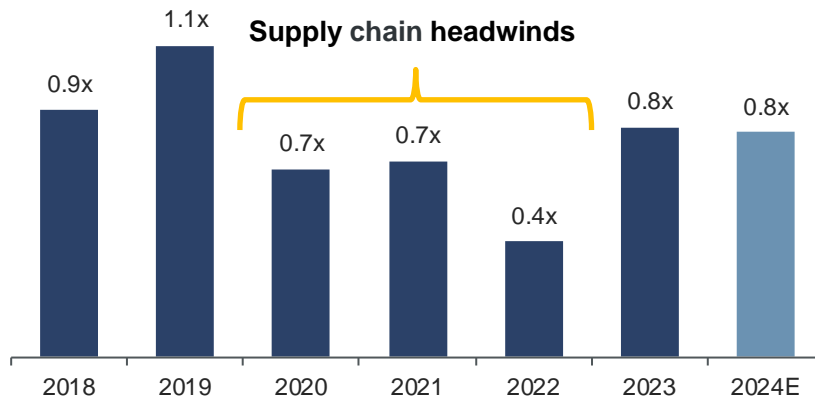


## Adjusted Diluted EPS (1)

CAGR: 17%



## FCF Conversion (of Adj. Net Earnings) (1)



✓ **Diverse program portfolio** with no single program comprising over 10% of revenue

✓ **Well-aligned to customer priorities** and Columbia Class (company's largest program) is a top priority for the DoD

✓ **Strong revenue visibility** driven by limited near-term recomplete risk and >60% of revenue derived from sole source positions

✓ **Efficient company funded R&D** at ~3% of revenue and similarly **low capital intensity**

✓ **Steady margin improvement** through program transitions to full rate production, program efficiencies and growth leveraging

Note: Historical periods are not pro forma for divestitures or acquisitions

2024E figures represent the mid-point of the guidance range

(1) See slide 19 "Non-GAAP Financial Measures" for definitions and reconciliations of the non-GAAP financial measures to the most comparable financial measures calculated and presented in accordance with GAAP

# Q3 2024 Financial Highlights

Revenue

**\$812 million**

▲ 16%

Bookings

**\$1.1 billion**

1.3x Book-to-Bill

Adjusted EBITDA <sup>(1)</sup>

**\$100 million**

12.3% Margin

Backlog

**\$8.3 billion**

▲ 75%

Adjusted Diluted EPS <sup>(1)</sup>

**\$0.24**

▲ 20%

Free Cash Flow <sup>(1)</sup>

**\$48 million**



(1) See slide 19 "Non-GAAP Financial Measures" for definitions and reconciliations of the non-GAAP financial measures to the most comparable financial measures calculated and presented in accordance with GAAP



# Increasing 2024 Guidance

## Driving Robust Organic Growth and Adjusted EBITDA Margin Expansion

### Revenue

- Increasing revenue range and growth on strong continued customer demand and favorable timing of material receipts
- High visibility into full year guidance however, the variability of performance will be subject to the pace of material receipts and progress of labor inputs in the fourth quarter

### Adjusted EBITDA

- Continue to anticipate healthy margin improvement largely propelled by transition from development to production on Columbia Class and operational leverage from higher volume
- Maintaining a steadfast operational focus on program execution

### Adjusted Diluted EPS

- Solid operational performance coupled with reduced interest expense and a lower effective tax rate resulting in higher adjusted diluted EPS
- Effective tax rate now expected to be 19% for the year
- Diluted shares outstanding held constant from prior guidance

### Other Modeling Items

- Targeting approximately 80% free cash flow conversion of adjusted net earnings
- Q4 expected to contribute significantly to full year revenue, adjusted EBITDA, adjusted net earnings and free cash flow

(In millions, except per share amounts)

2024 Guidance	Current	Prior
<b>Revenue</b>	\$3,150 - \$3,200	\$3,075 - \$3,175
<i>% Δ from 2023</i>	11% - 13%	9% - 12%
<b>Adjusted EBITDA *</b>	\$387 - \$397	\$375 - \$395
<i>% Δ from 2023</i>	19% - 23%	16% - 22%
<i>Tax Rate</i>	19.0%	20.5%
<i>Diluted Shares Outstanding</i>	268.0	268.0
<b>Adjusted Diluted EPS *</b>	\$0.88 - \$0.91	\$0.82 - \$0.88
<i>% Δ from 2023</i>	21% - 25%	12% - 21%



\* The company does not provide a reconciliation of forward-looking adjusted EBITDA and adjusted diluted EPS, due to inherent difficulty in forecasting and quantifying the non-GAAP exclusions that are necessary for such reconciliation without unreasonable effort. Material changes to any one of these items could have a significant effect on future GAAP results

## For More Information:



'GLASSDOOR'



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SVP, Investor Relations & Corporate Finance  
703-409-2906

[Stephen.Vather@drs.com](mailto:Stephen.Vather@drs.com)



# Non-GAAP Financial Measures

## Definitions and Reconciliations

In addition to the results reported in accordance with U.S. GAAP included throughout this presentation, the company has provided information regarding “Adjusted EBITDA,” “Adjusted EBITDA Margin,” “Adjusted Net Earnings,” “Adjusted Diluted Earnings per Share,” “Free Cash Flow” and “Free Cash Flow Conversion” (each, a non-GAAP financial measure).

**Adjusted EBITDA** and **Adjusted EBITDA Margin** are defined as net earnings before income taxes, interest expense, amortization of acquired intangible assets, depreciation, deal-related transaction costs, restructuring costs, other one-time non-operational events (which include non-service pension expense, legal liability accrual reversals, COVID-19 response costs and foreign exchange impacts) and gain on sale of dispositions, then in the case of adjusted EBITDA margin dividing adjusted EBITDA by revenues.

**Adjusted Net Earnings** and **Adjusted Diluted EPS** are defined as net earnings excluding amortization of acquired intangible assets, deal-related transaction costs, restructuring costs, other one-time non-operational events (which include non-service pension expense, legal liability accrual reversals, COVID-19 response costs and foreign exchange impacts), gain on sale of dispositions (net of taxes) and the related tax impacts, then in the case of adjusted diluted EPS dividing adjusted net earnings by the diluted weighted average number of shares outstanding (WASO).

**Free Cash Flow** and **Free Cash Flow Conversion** are defined as the sum of the cash flows provided by (used in) operating activities, transaction related expenditures (net of tax), tax payments on disposals, capital expenditures, proceeds from sale of assets and dividends from investments then in the case of free cash flow conversion, dividing free cash flow by adjusted net earnings.

(Dollars in millions)


	Twelve Months Ended						Three Months Ended	
	December 31,						September 30,	
	2018	2019	2020	2021	2022	2023	2024	2023
<b>Net earnings</b>	<b>(\$10)</b>	<b>\$75</b>	<b>\$85</b>	<b>\$154</b>	<b>\$405</b>	<b>\$168</b>	<b>\$57</b>	<b>\$47</b>
Income tax provision (benefit)	(7)	20	27	46	120	24	12	1
Interest expense	58	65	64	35	34	36	5	10
Amortization of intangibles	93	9	9	9	10	22	6	5
Depreciation	35	42	44	49	55	63	17	16
Deal related transaction costs	0	0	9	5	43	7	1	1
Restructuring costs	14	20	12	5	3	11	0	2
Other one-time non-operational events	4	3	18	7	2	(7)	2	0
Gain on sale of dispositions	0	0	0	0	(354)	0	0	0
<b>Adjusted EBITDA</b>	<b>\$187</b>	<b>\$234</b>	<b>\$268</b>	<b>\$310</b>	<b>\$318</b>	<b>\$324</b>	<b>\$100</b>	<b>\$82</b>
<i>Adjusted EBITDA Margin</i>	<i>8.0%</i>	<i>8.6%</i>	<i>9.6%</i>	<i>10.8%</i>	<i>11.8%</i>	<i>11.5%</i>	<i>12.3%</i>	<i>11.7%</i>

(In millions, except per share amounts)

	Twelve Months Ended						Three Months Ended	
	December 31,						September 30,	
	2018	2019	2020	2021	2022	2023	2024	2023
<b>Net earnings</b>	<b>(\$10)</b>	<b>\$75</b>	<b>\$85</b>	<b>\$154</b>	<b>\$405</b>	<b>\$168</b>	<b>\$57</b>	<b>\$47</b>
Amortization of intangibles	93	9	9	9	10	22	6	5
Deal related transaction costs	0	0	9	5	43	7	1	1
Restructuring costs	14	20	12	5	3	11	0	2
Other one-time non-operational events	4	3	18	7	2	(7)	2	0
Gain on sale of dispositions, net of taxes	0	0	0	0	(275)	0	0	0
Tax effect of adjustments <sup>(1)</sup>	(27)	(8)	(11)	(6)	(9)	(7)	(2)	(2)
<b>Adjusted Net Earnings</b>	<b>\$74</b>	<b>\$99</b>	<b>\$122</b>	<b>\$174</b>	<b>\$179</b>	<b>\$194</b>	<b>\$64</b>	<b>\$53</b>
Diluted WASO	210.445	210.445	210.445	210.445	215.133	264.175	268.299	265.000
<b>Diluted earnings per share</b>	<b>(\$0.05)</b>	<b>\$0.36</b>	<b>\$0.40</b>	<b>\$0.73</b>	<b>\$1.88</b>	<b>\$0.64</b>	<b>\$0.21</b>	<b>\$0.18</b>
<b>Adjusted Diluted EPS</b>	<b>\$0.35</b>	<b>\$0.47</b>	<b>\$0.58</b>	<b>\$0.83</b>	<b>\$0.83</b>	<b>\$0.73</b>	<b>\$0.24</b>	<b>\$0.20</b>

(Dollars in millions)

	Twelve Months Ended						Three Months Ended	
	December 31,						September 30,	
	2018	2019	2020	2021	2022	2023	2024	2023
<b>Net cash provided by (used in) operating activities</b>	<b>\$105</b>	<b>\$157</b>	<b>\$125</b>	<b>\$178</b>	<b>\$33</b>	<b>\$205</b>	<b>\$59</b>	<b>\$36</b>
Transaction related expenditures, net of tax	0	0	8	4	25	13	0	1
Tax payment on disposals	0	0	0	0	78	0	0	0
Capital expenditures	(40)	(55)	(56)	(60)	(65)	(60)	(12)	(15)
Proceeds from sales of assets	0	8	5	0	0	1	1	(1)
Dividends from investments	0	0	0	0	3	0	0	0
<b>Free Cash Flow</b>	<b>\$65</b>	<b>\$110</b>	<b>\$82</b>	<b>\$122</b>	<b>\$74</b>	<b>\$159</b>	<b>\$48</b>	<b>\$21</b>
Adjusted Net Earnings	\$74	\$99	\$122	\$174	\$179	\$194		
Conversion of Adjusted Net Earnings	0.9x	1.1x	0.7x	0.7x	0.4x	0.8x		

 (1) Calculation uses an estimated statutory tax rate on non-GAAP adjustments