



Quarterly Earnings Presentation

Q4 | 2024

February 20, 2025

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 2025, and the other statements regarding our financial outlook are expressly made as of February 20, 2025 (the date of our fourth 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” and “Adjusted Diluted Earnings Per Share” (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 10 and should not rely on any single financial measure to evaluate our business.



Key Messages

1

Remarkable performance demonstrated by fourth quarter and full year 2024 financial results

- Full year 2024 organic revenue growth of 14% reflects the company's differentiated market positioning
- Adjusted EBITDA growth of 23% and margin expansion of 90 bps in 2024
- Healthy free cash flow generation throughout 2024 further bolsters the balance sheet

2

Robust bookings propelled total backlog to \$8.5 billion, a new company record

- Bookings of \$1.3 billion in Q4 and \$4.1 billion in 2024, represents a 1.3x book-to-bill ratio for both periods
- Broad-based customer demand evident across the company's four key technology areas (advanced sensing, network computing, electric power and propulsion and force protection)
- Tailwind from international customer demand clear in bookings and revenue for the year

3

Maintaining a sharp focus on driving continued growth through innovation, investment and execution

- Leveraging our differentiated technologies and strong market positions to broaden long-term growth vectors
- Increasing investments in internal research and development and capital expenditures
- Enhancing the strength and resilience of our diverse, platform agnostic portfolio to facilitate outperformance

4

Formalizing 2025 guidance and initiating capital deployment program

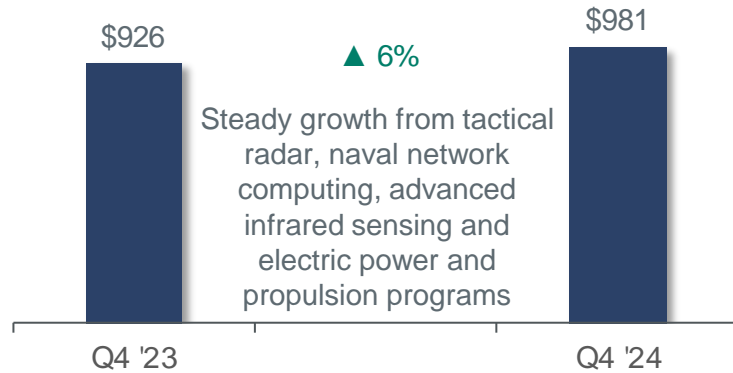
- 2025 guidance range implies 6% to 9% organic year-over-year revenue growth backstopped by clear backlog visibility
- Adjusted EBITDA growth exceeds topline at 9% to 14% year-over-year, accelerated by continued margin expansion
- DRS Board of Directors declared a \$0.09 cash dividend and authorized a two-year stock repurchase program of \$75 million



Q4 2024 Leonardo DRS Results Summary

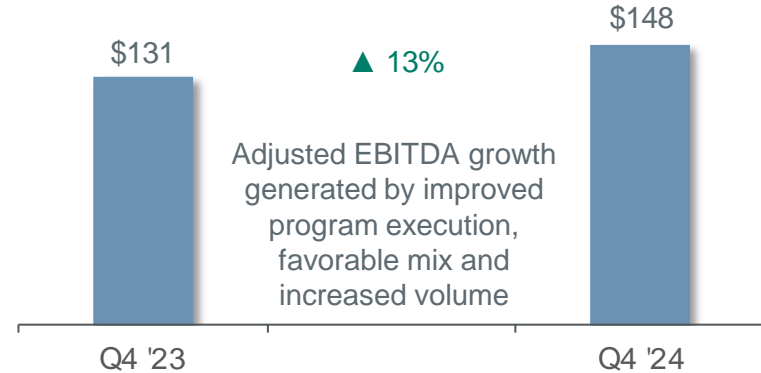
Revenue

(Dollars in millions)



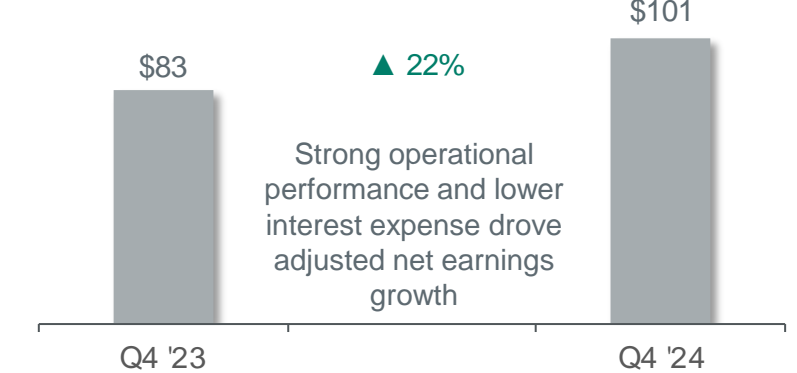
Adjusted EBITDA *

(Dollars in millions)



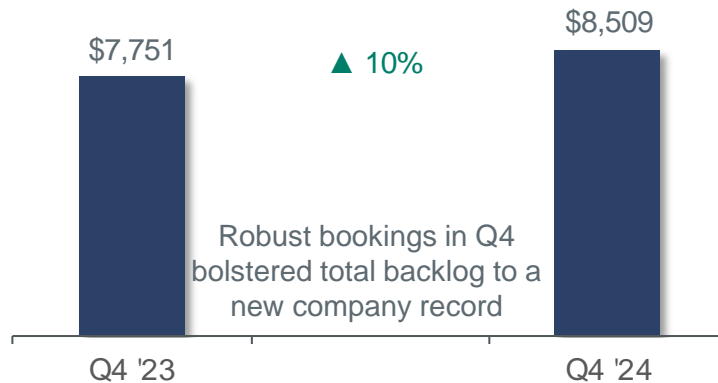
Adjusted Net Earnings *

(Dollars in millions)

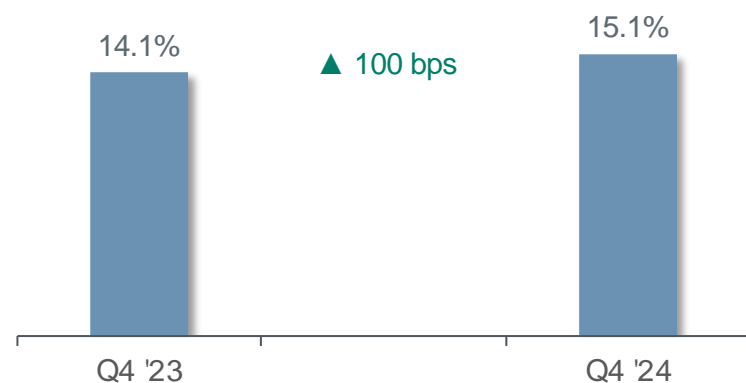


Total Backlog

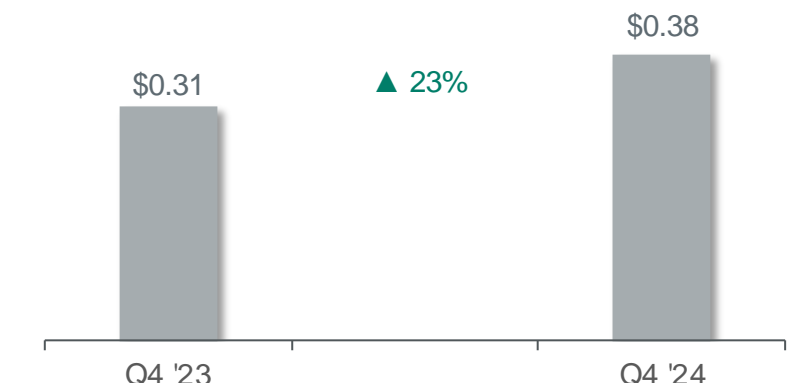
(Dollars in millions)



Adjusted EBITDA Margin *



Adjusted Diluted EPS *

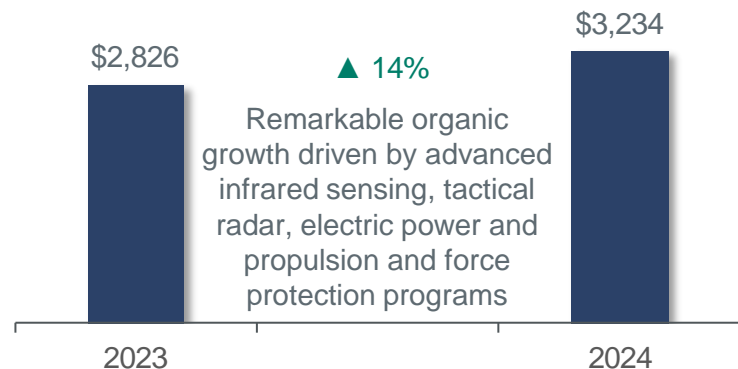


* See slide 10 "Non-GAAP Financial Measures" for definitions and reconciliations of the non-GAAP financial measures to the most comparable financial measures calculated and presented in accordance with GAAP

Full Year 2024 Leonardo DRS Results Summary

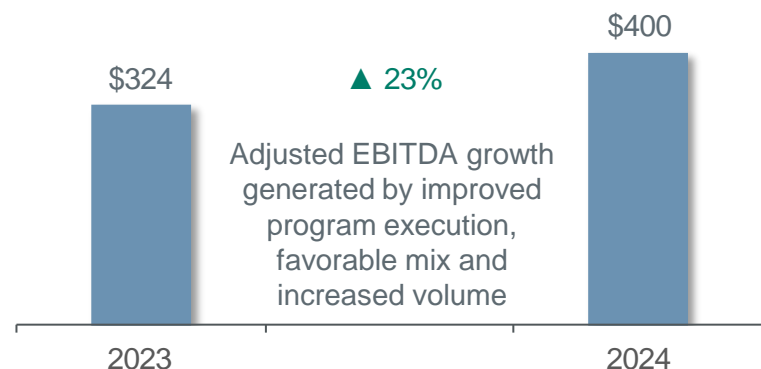
Revenue

(Dollars in millions)



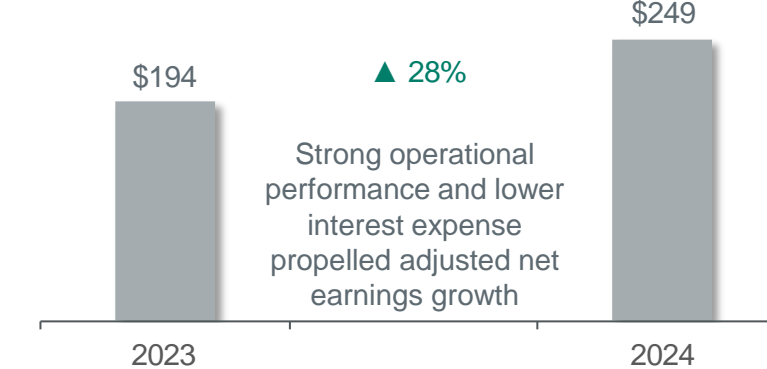
Adjusted EBITDA *

(Dollars in millions)



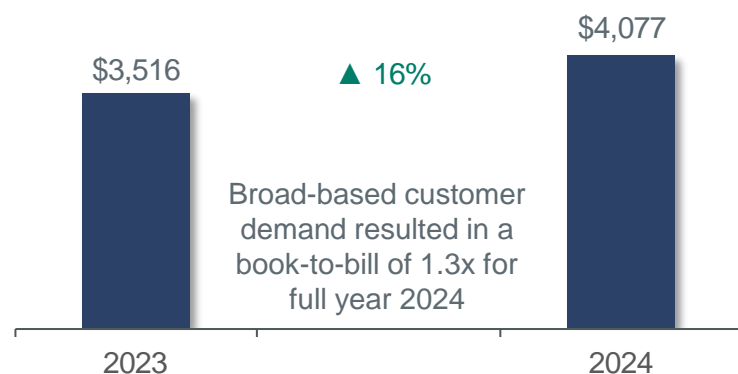
Adjusted Net Earnings *

(Dollars in millions)

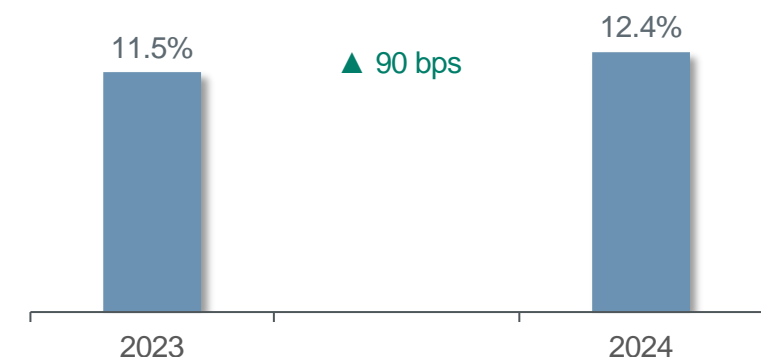


Bookings

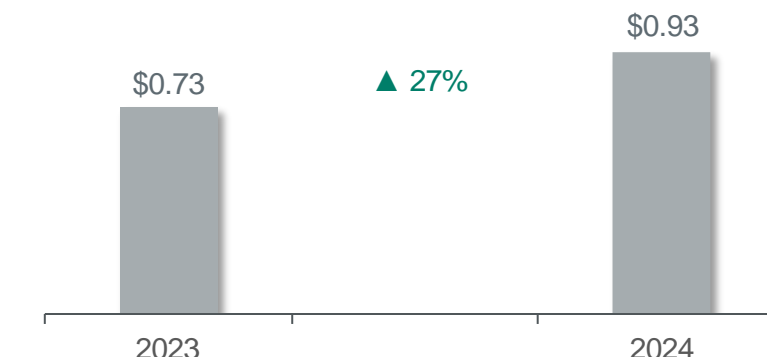
(Dollars in millions)



Adjusted EBITDA Margin *



Adjusted Diluted EPS *



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Formalizing 2025 Guidance

Driving Continued Healthy Organic Growth and Adjusted EBITDA Margin Expansion

Revenue

- High visibility and backlog coverage to begin 2025
- Execution variability subject to the pace of material receipts and progress of labor inputs as well as the timing and level of customer orders

Adjusted EBITDA

- Projected margin improvement driven by improved profitability on Columbia Class, continued transition from development to production on smaller sensing programs, favorable program mix and operational leverage from higher volume

Adjusted Diluted EPS

- Forecasting an effective tax rate of 19% for the year
- Modest increase to diluted shares outstanding from 2024
- Impact of stock buyback program to be reflected upon execution

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)

	2025 Guidance
Revenue	\$3,425 - \$3,525
<i>% Δ from 2024</i>	6% - 9%
Adjusted EBITDA *	\$435 - \$455
<i>% Δ from 2024</i>	9% - 14%
<i>Tax Rate</i>	19%
<i>Diluted Shares Outstanding</i>	270
Adjusted Diluted EPS *	\$1.02 - \$1.08
<i>% Δ from 2024</i>	10% - 16%



* 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



Segment Results

Q4 2024 Segment Results Summary

Revenue

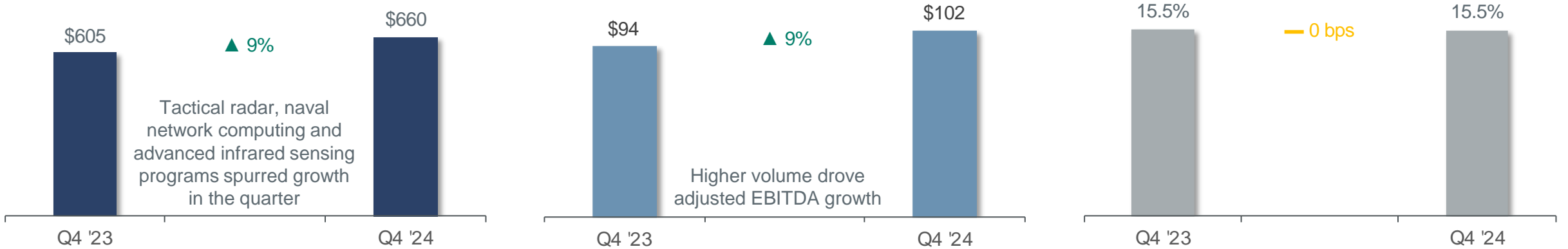
(Dollars in millions)

Adjusted EBITDA *

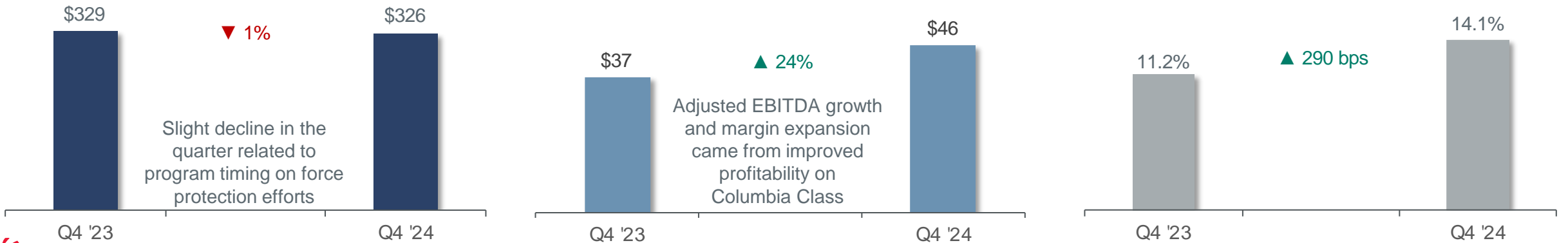
(Dollars in millions)

Adjusted EBITDA Margin *

Advanced Sensing and Computing (ASC)



Integrated Mission Systems (IMS)



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Full Year 2024 Segment Results Summary

Revenue

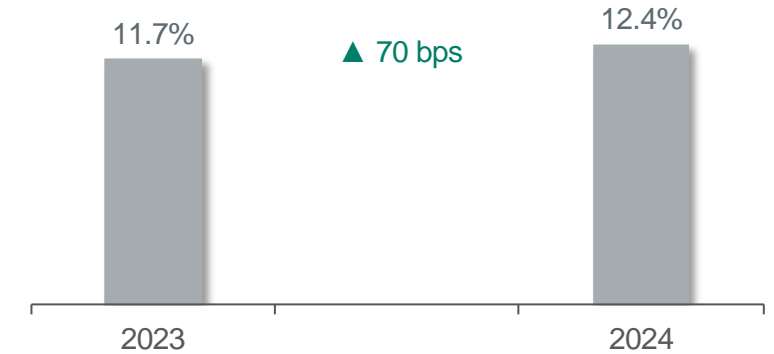
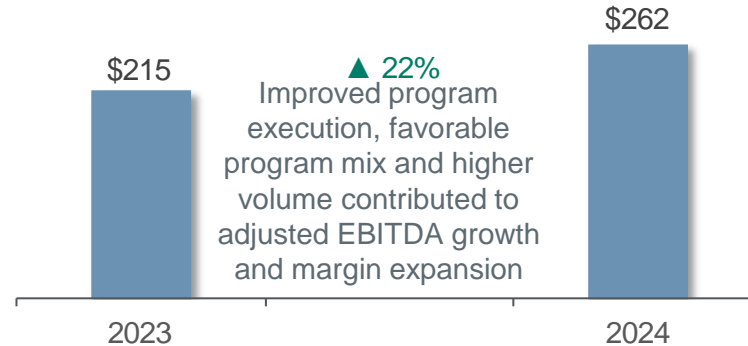
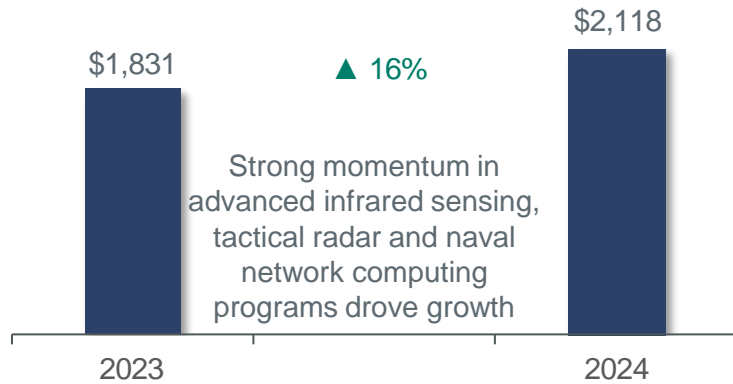
(Dollars in millions)

Adjusted EBITDA *

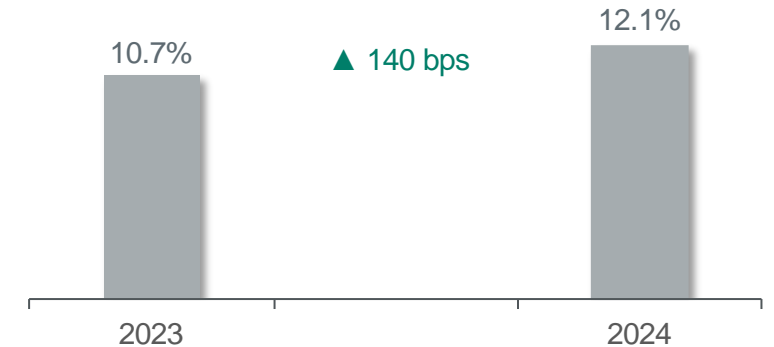
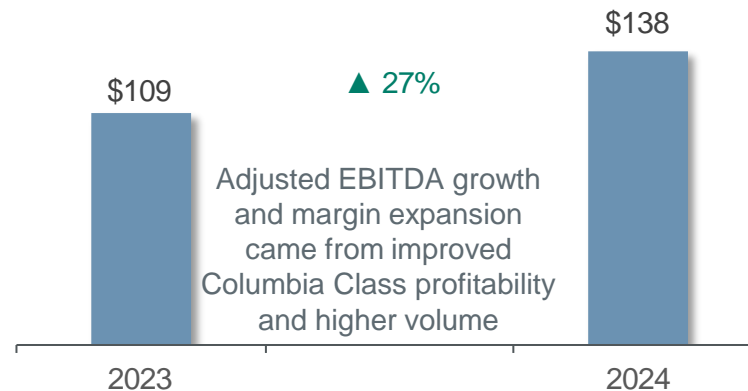
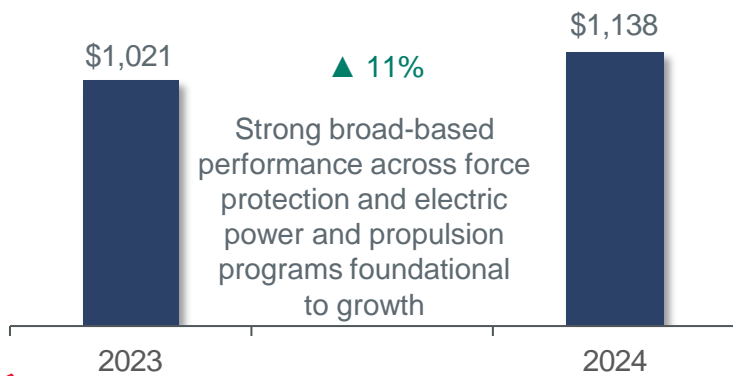
(Dollars in millions)

Adjusted EBITDA Margin *

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Integrated Mission Systems (IMS)



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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” and “Adjusted Diluted Earnings Per Share” (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 and other one-time non-operational events (which include non-service pension expense, legal liability accrual reversals and foreign exchange impacts), 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 and other one-time non-operational events (which include non-service pension expense, legal liability accrual reversals and foreign exchange impacts), 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).

(Dollars in millions)

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2023	2024	2023	2024
Net earnings	\$74	\$89	\$168	\$213
Income tax provision	21	22	24	51
Interest expense	9	4	36	21
Amortization of intangibles	6	5	22	22
Depreciation	16	18	63	69
Deal related transaction costs	3	2	7	7
Restructuring costs	1	3	11	8
Other one-time non-operational events	1	5	(7)	9
Adjusted EBITDA	\$131	\$148	\$324	\$400
<i>Adjusted EBITDA Margin</i>	<i>14.1%</i>	<i>15.1%</i>	<i>11.5%</i>	<i>12.4%</i>

(In millions, except per share amounts)

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2023	2024	2023	2024
Net earnings	\$74	\$89	\$168	\$213
Amortization of intangibles	6	5	22	22
Deal related transaction costs	3	2	7	7
Restructuring costs	1	3	11	8
Other one-time non-operational events	1	5	(7)	9
Tax effect of adjustments ⁽¹⁾	(2)	(3)	(7)	(10)
Adjusted Net Earnings	\$83	\$101	\$194	\$249
Diluted WASO	265.700	268.955	264.175	267.733
Diluted earnings per share	\$0.28	\$0.33	\$0.64	\$0.80
Adjusted Diluted EPS	\$0.31	\$0.38	\$0.73	\$0.93

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