



# Quarterly Earnings Presentation

Q1 | 2024

May 1, 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 May 1, 2024 (the date of our first 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” and “Free Cash Flow” (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 7 and should not rely on any single financial measure to evaluate our business.



# Key Messages

1

## **Strong first quarter results reflect a concerted focus on driving better quarterly linearity to achieve 2024 financial commitments**

- Generated robust revenue growth of 21% (all organic)
- Year-over-year adjusted EBITDA and adjusted diluted EPS growth significantly outpaced the topline at 43% and 100%, respectively
- Free cash usage in Q1 was also improved over prior year as the company diligently migrates programs from development to production

2

## **Diverse portfolio continues to experience healthy domestic and international demand**

- \$815 million of bookings, represents 1.2x book-to-bill in the quarter and pushed total backlog to a new company record
- Demand remains evident across the business for the company's technology solutions in its four key technology areas
- Focused on expanding our market positions to solidify and bolster future growth

3

## **Elevated global threat environment reinforces the necessity of continued defense investment**

- Recent passage of FY24 appropriations provides customers necessary funding clarity to effectively execute missions
- President's FY25 request conforms to previously agreed upon levels and is incorporated into company's multi-year outlook
- Defense supplemental aid to support allies in Ukraine, Israel and Taiwan presents long-term upside opportunity for DRS

4

## **Focused on execution to continue delivering successful outcomes for customers and shareholders**

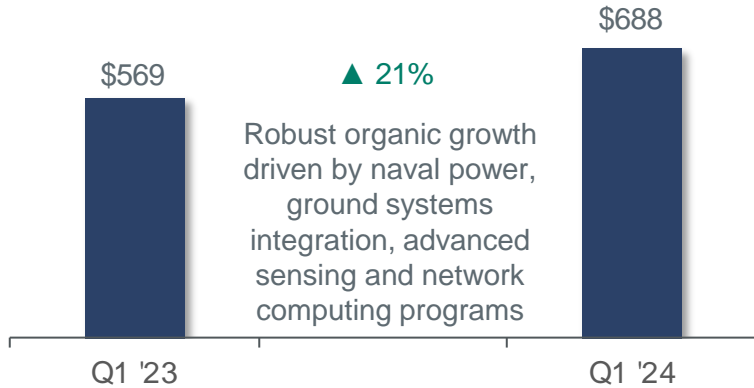
- Driving solid organic growth through steady conversion of record backlog
- Pursuing tangible, adjacent opportunities that leverage our domain and technology expertise
- Continuing to migrate development programs to production, fueling profitability expansion and solid free cash flow generation



# Q1 2024 Leonardo DRS Results Summary

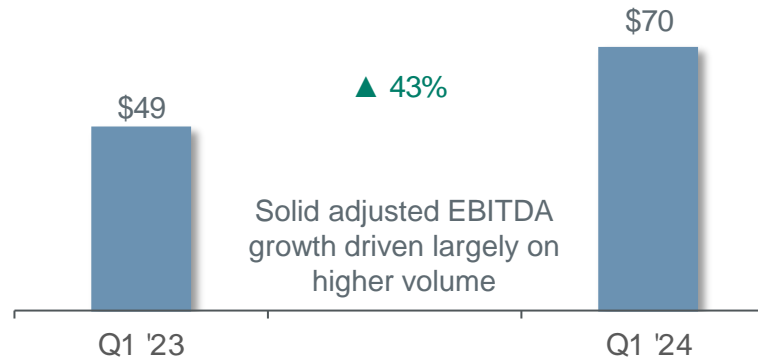
## Revenue

(Dollars in millions)



## Adjusted EBITDA \*

(Dollars in millions)



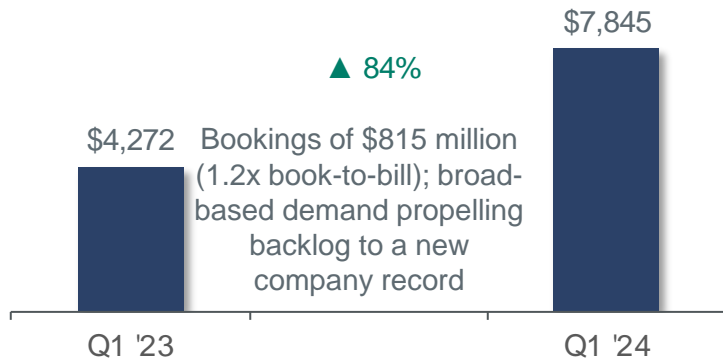
## Adjusted Net Earnings \*

(Dollars in millions)

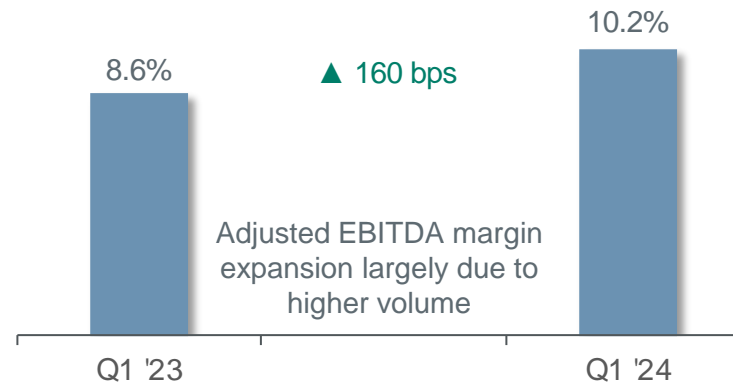


## Total Backlog

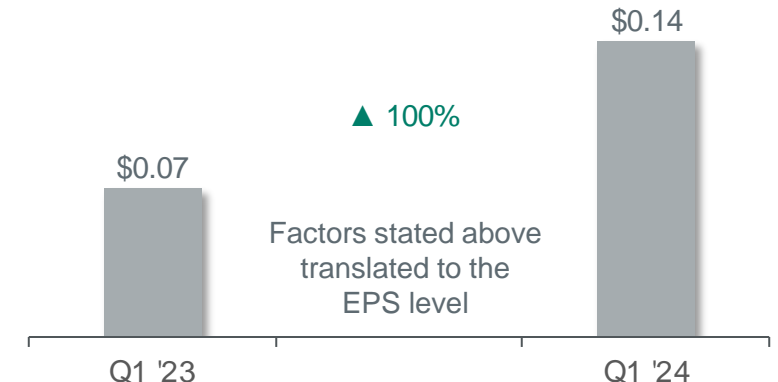
(Dollars in millions)



## Adjusted EBITDA Margin \*



## Adjusted Diluted EPS \*



\* See slide 7 "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

# Q1 2024 Segment Results Summary

## Revenue

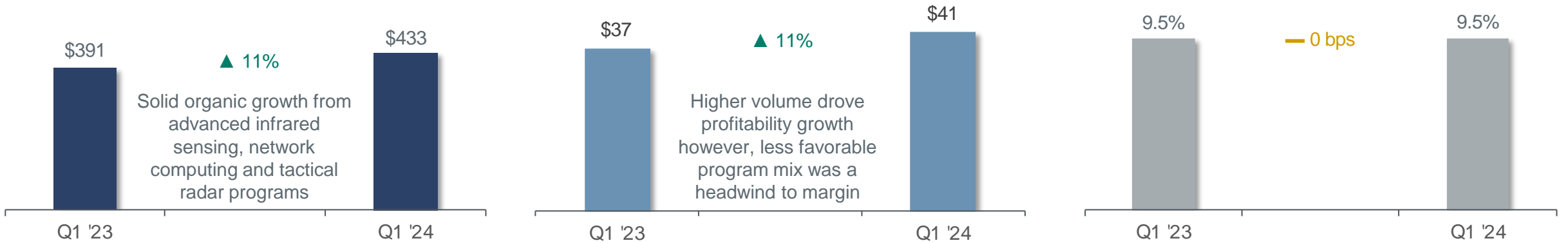
(Dollars in millions)

## Adjusted EBITDA \*

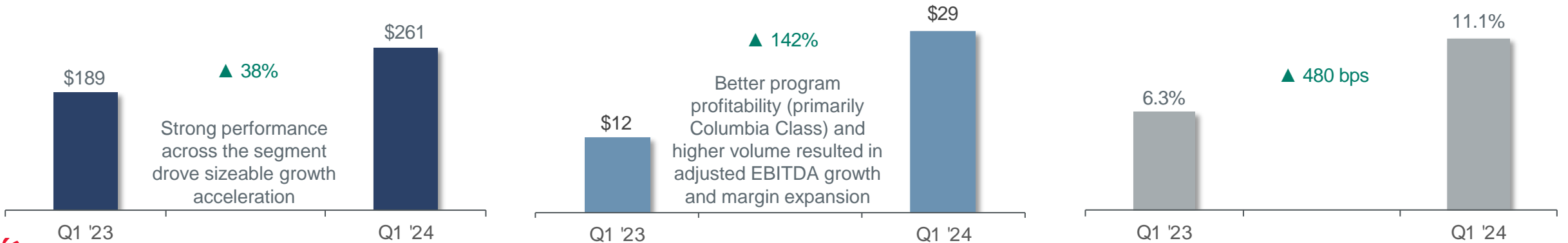
(Dollars in millions)

## Adjusted EBITDA Margin \*

### Advanced Sensing and Computing (ASC)



### Integrated Mission Systems (IMS)



\* See slide 7 "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

# Confirms Solid 2024 Guidance

## Well Positioned to Maintain Organic Growth and Expand Adjusted EBITDA Margin

(In millions, except per share amounts)

	2024 Guidance	2023 Actuals	% Δ from 2023
<b>Revenue</b>	\$2,925 - \$3,025	\$2,826	4% - 7%
<b>Adjusted EBITDA *</b>	\$365 - \$390	\$324	13% - 20%
<i>Tax Rate</i>	22.5%	12.5%	
<i>Diluted Shares Outstanding</i>	268.0	264.2	
<i>Depreciation % of Revenue</i>	2.4%	2.2%	
<b>Adjusted Diluted EPS *</b>	\$0.74 - \$0.82	\$0.73	1% - 12%

### Revenue

Revenue output 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 largely driven by the transition of development programs to production (Columbia Class and others)

### Adjusted Diluted EPS

Anticipating adjusted diluted EPS growth in 2024 despite a normalized tax rate of 22.5% and modest diluted share count increase

### Other Modeling Items

Targeting free cash flow of adjusted net earnings conversion of approximately 80% for 2024. 2024 quarterly cadence expected to remain comparable to prior years for revenue, profit and free cash flow



\* 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 significant effect on future GAAP results



# 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 shares outstanding.

**Free Cash Flow** is defined as the sum of the cash flows provided by (used in) operating activities, transaction-related expenditures (net of tax), capital expenditures and proceeds from sale of assets.

(Dollars in millions)


	Three Months Ended March 31,	
	2024	2023
Net earnings	\$29	\$12
Income tax provision	8	4
Interest expense	5	8
Amortization of intangibles	5	6
Depreciation	17	16
Deal related transaction costs	1	2
Restructuring costs	4	0
Other one-time non-operational events	1	1
<b>Adjusted EBITDA</b>	<b>\$70</b>	<b>\$49</b>
<i>Adjusted EBITDA Margin</i>	<i>10.2%</i>	<i>8.6%</i>

(In millions, except per share amounts)

	Three Months Ended March 31,	
	2024	2023
Net earnings	\$29	\$12
Amortization of intangibles	5	6
Deal related transaction costs	1	2
Restructuring costs	4	0
Other one-time non-operational events	1	1
Tax effect of adjustments <sup>(1)</sup>	(2)	(2)
<b>Adjusted Net Earnings</b>	<b>\$38</b>	<b>\$19</b>
Diluted weighted average common shares	266.443	262.378
Diluted earnings per share	\$0.11	\$0.05
<b>Adjusted Diluted EPS</b>	<b>\$0.14</b>	<b>\$0.07</b>

(Dollars in millions)

	Three Months Ended March 31,	
	2024	2023
Net cash used in operating activities	(\$265)	(\$334)
Transaction related expenditures, net of tax	0	2
Capital expenditures	(10)	(15)
Proceeds from sales of assets	0	1
<b>Free Cash Flow</b>	<b>(\$275)</b>	<b>(\$346)</b>

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