



# Quarterly Earnings Presentation

Q3 | 2023

November 2, 2023

# 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 for the year ended December 31, 2022, 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 2023, and the other statements regarding our financial outlook are expressly made as of November 2, 2023 (the date of our third quarter 2023 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 7 and should not rely on any single financial measure to evaluate our business.



# Key Messages

1

## **Strong third quarter results continue to build upon the DRS team's execution track record**

- Results ahead of internal expectations and demonstrates the ability to achieve significant quarterly stair step progression
- Remain on track to close out first year as a public company on solid footing
- Focused on fourth quarter execution to meet full year commitments to shareholders

2

## **Global threat environment elevated and driving demand across portfolio**

- Ongoing conflict in Ukraine, recent conflict in Israel and other pacing global threats reinforce importance of defense investment
- Customer demand evident in robust quarterly bookings for technologies and capabilities spanning the broad DRS portfolio
- Backlog and pipeline clearly reflects multi-faceted growth opportunity validating platform agnostic strategy
- Subsequent to Q3, DRS awarded over \$3 billion contract for remaining seven Columbia Class electric power and propulsion systems

3

## **Complex and dynamic operating environment persists**

- Supply chain issues migrating and keeping conversion cycle from bookings to revenue elongated in medium-term
- Recent domestic political backdrop introducing short-term volatility with respect to FY24 appropriations
- Despite existing and evolving operating environment complexities, resilient program execution demonstrated in results

4

## **DRS strategically focused on executing to support customers' most challenging missions**

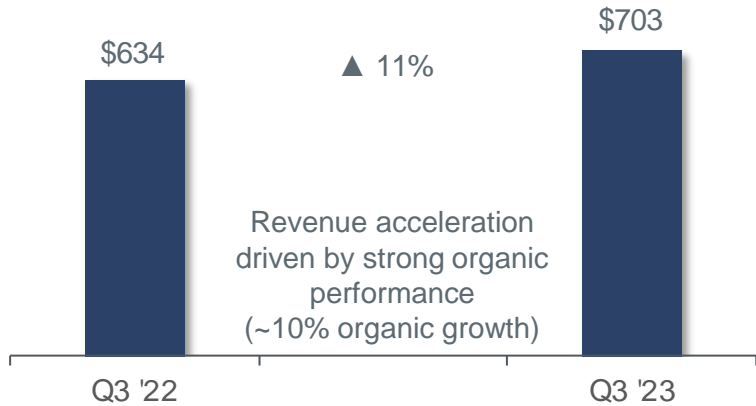
- Regularly evaluating organic investments to further enhance the long-term positioning of the business
- DRS's agility and differentiated portfolio well positions the company to deliver long-term value to shareholders
- Investor day confirmed for March 14, 2024 in New York City to discuss strategy, growth opportunities and multi-year targets



# Q3 2023 Leonardo DRS Results Summary

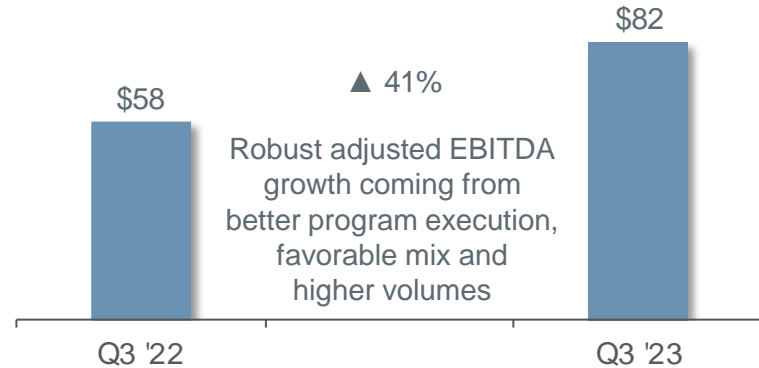
## Revenue

(Dollars in millions)



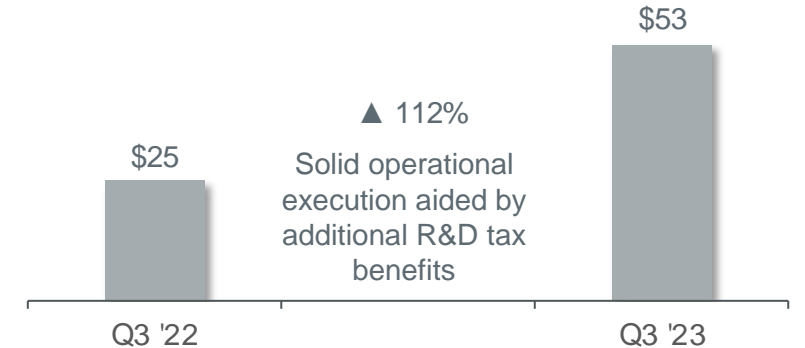
## Adjusted EBITDA \*

(Dollars in millions)



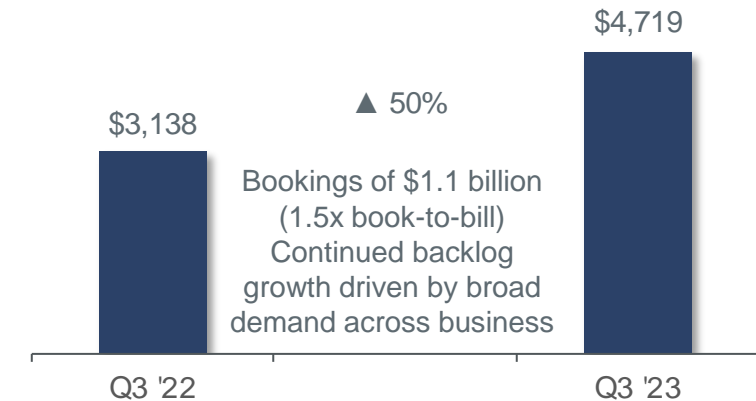
## Adjusted Net Earnings \*

(Dollars in millions)

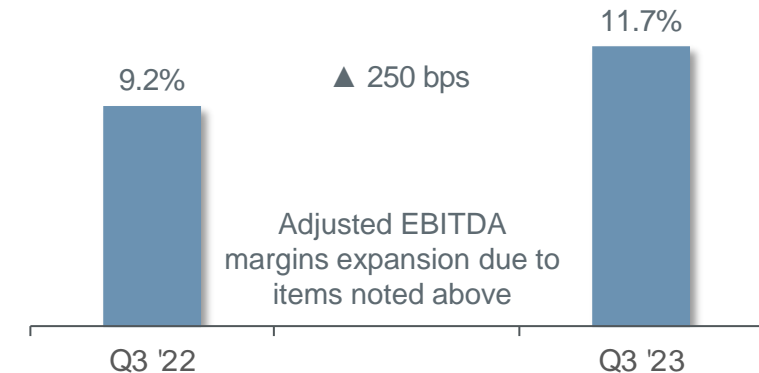


## Total Backlog

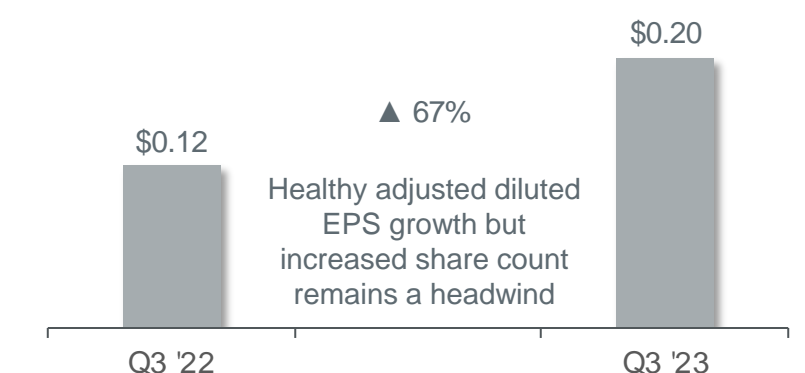
(Dollars in millions)



## 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

# Q3 2023 Segment Results Summary

## Revenue

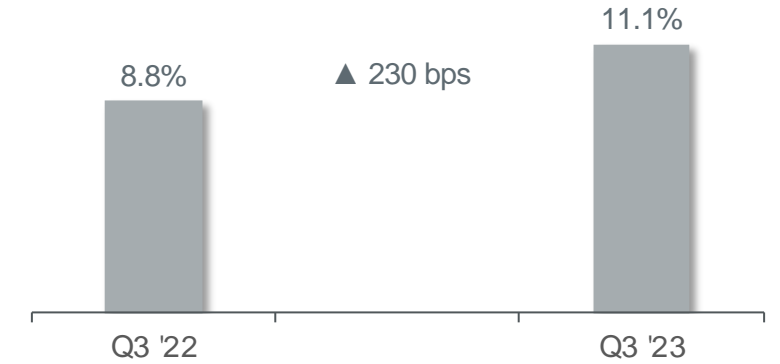
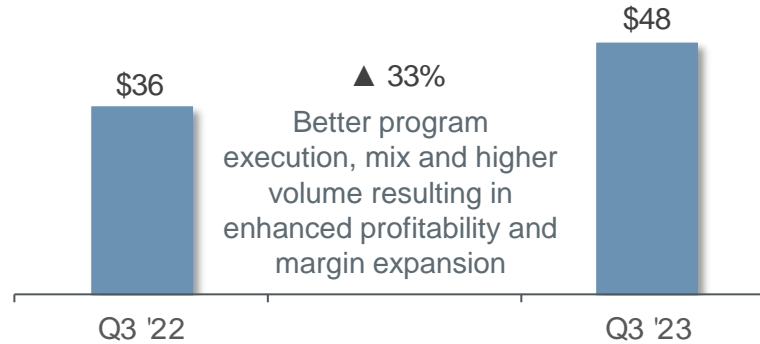
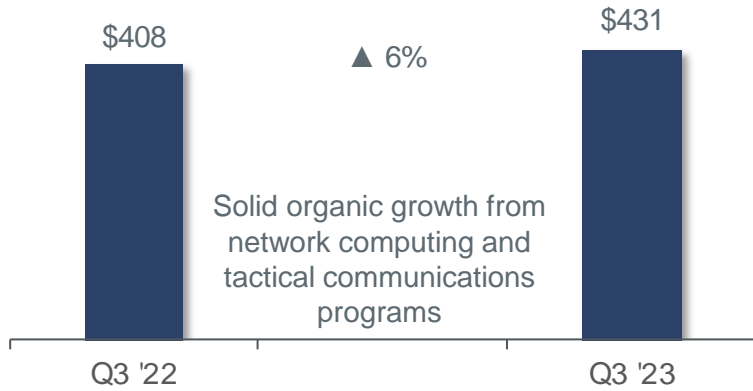
(Dollars in millions)

## Adjusted EBITDA \*

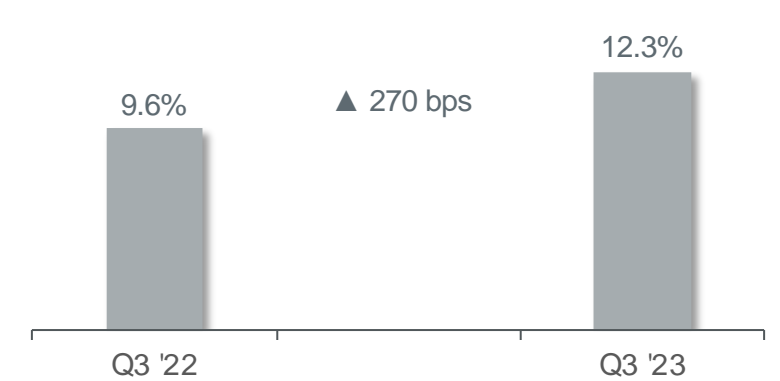
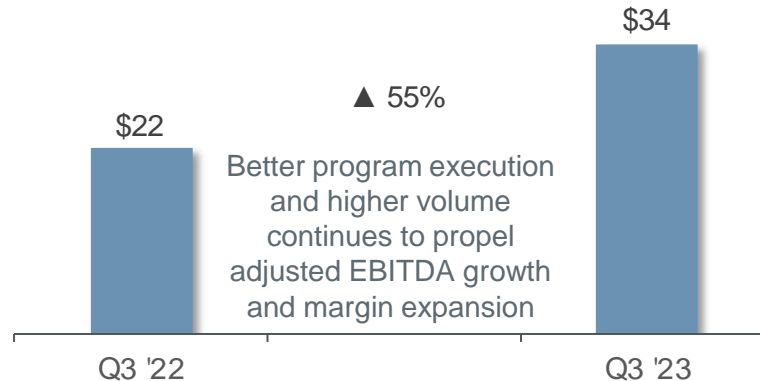
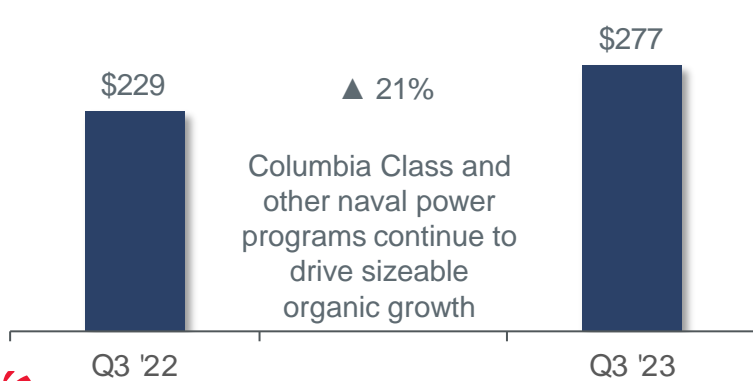
(Dollars in millions)

## 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

# Updating 2023 Guidance

## Well Positioned to Meet Financial Commitments Based on Strong Execution to Date

- **Narrowing the ranges for revenue and adjusted EBITDA and raising adjusted diluted EPS based on year-to-date performance**
- **Revenue Growth**
  - Total growth between 2% to 3% and implied organic growth of 3% to 5% (reflects impact from divestiture of GES and acquisition of RADA)
- **Adjusted EBITDA Margins**
  - Margin improvement from the transition of the Columbia Class program to production offset by inflation as well as increased expenditures related to company funded R&D and incremental public company costs
  - Focused on cost discipline to drive long-term margin improvement
- **Quarterly Cadence**
  - Fourth quarter still contributes sizeable percentage of annual revenue, profit and cash flow
  - Level of fourth quarter revenue contribution dependent on timing of material receipts in year with profit performance highly dependent on overall volume and mix
- **Modeling Items**
  - Tax rate lowered to reflect incremental discrete tax benefits in Q3

(In millions, except per share amounts)

2023 Guidance	Current	Previous
<b>Revenue</b>	\$2,735 - \$2,785	\$2,725 - \$2,800
<b>Adjusted EBITDA *</b>	\$319 - \$325	\$318 - \$328
<i>Tax Rate</i>	13%	19%
<i>Diluted Shares Outstanding</i>	266	266
<b>Adjusted Diluted EPS *</b>	\$0.70 - \$0.72	\$0.66 - \$0.69



\* 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, 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 impact from net earnings, then in the case of adjusted diluted EPS dividing adjusted net earnings by the diluted weighted average shares outstanding.

(Dollars in millions)

	Three Months Ended	
	September 30,	
	2023	2022
Net earnings	\$47	\$279
Income tax provision	1	88
Interest expense	10	9
Amortization of intangibles	5	3
Depreciation	16	14
Deal related transaction costs	1	16
Restructuring costs	2	0
Other one-time non-operational events	0	(1)
Gain on sale of dispositions	0	(350)
<b>Adjusted EBITDA</b>	<b>\$82</b>	<b>\$58</b>
Adjusted EBITDA Margin	11.7%	9.2%

(In millions, except per share amounts)

	Three Months Ended	
	September 30,	
	2023	2022
Net earnings	\$47	\$279
Amortization of intangibles	5	3
Deal related transaction costs	1	16
Restructuring costs	2	0
Other one-time non-operational events	0	(1)
Gain on sale of dispositions, net of taxes	0	(270)
Tax effect of adjustments <sup>(1)</sup>	(2)	(2)
<b>Adjusted Net Earnings</b>	<b>\$53</b>	<b>\$25</b>
Diluted weighted average common shares	265.000	210.445
Diluted earnings per share	\$0.18	\$1.33
<b>Adjusted Diluted EPS</b>	<b>\$0.20</b>	<b>\$0.12</b>

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