

Leonardo DRS Announces Financial Results for First Quarter 2026

- **Revenue:** \$846 million, up 6% year-over-year
- **Net Earnings:** \$62 million, up 24% year-over-year
- **Adjusted EBITDA:** \$105 million, up 28% year-over-year
- **Diluted EPS:** \$0.23, up 21% year-over-year
- **Adjusted Diluted EPS:** \$0.26, up 30% year-over-year
- **Bookings:** \$885 million (book-to-bill ratio of 1.0x)
- **Funded Backlog:** \$4.7 billion, up 8% year-over-year
- **Raises 2026 guidance across key metrics**
- **Dividend:** Company declares \$0.09 cash dividend per share to be paid on June 2, 2026

ARLINGTON, Va., (BUSINESS WIRE) May 5, 2026 — Leonardo DRS, Inc. (Nasdaq: DRS), a leading provider of advanced defense technologies, today reported financial results for the first quarter 2026, which ended March 31, 2026.

CEO Commentary

“Leonardo DRS delivered a strong start to the year. Our first quarter 2026 results meaningfully outperformed expectations thanks to disciplined execution, program momentum and sustained demand for our differentiated technologies. We expanded profitability, while simultaneously increasing investment in innovation and expanding capacity to support the critical missions of our customers. We are encouraged by the performance in the first quarter but remain focused on delivering differentiated capabilities to our customers to generate consistent, profitable growth and long-term value for our stockholders,” said John Baylouny, President and CEO of Leonardo DRS.

Summary Financial Results

(In millions, except per share amounts)

	First Quarter		
	2026	2025	Change
Revenues	\$846	\$799	6%
Net Earnings	\$62	\$50	24%
Net Margin	7.3%	6.3%	100 bps
Diluted weighted average number of shares outstanding (WASO)	268.670	268.775	
Diluted Earnings Per Share (EPS)	\$0.23	\$0.19	21%
<u>Non-GAAP Financial Measures</u> ⁽¹⁾			
Adjusted EBITDA	\$105	\$82	28%
Adjusted EBITDA Margin	12.4%	10.3%	210 bps
Adjusted Net Earnings	\$69	\$54	28%
Adjusted Diluted EPS	\$0.26	\$0.20	30%

(1) The company reports its financials in accordance with U.S. generally accepted accounting principles (“GAAP”). Information about the company’s use of non-GAAP financial measures, including a reconciliation of the non-GAAP financial measures to the most comparable financial measures calculated and presented in accordance with U.S. GAAP, is provided under “Non-GAAP Financial Measures.”

First quarter 2026 revenue growth was 6% year-over-year, reflecting increases on programs supporting tactical radars, infrared sensing and electric power and propulsion.

Adjusted EBITDA grew 28% over the prior year and was accompanied by meaningful margin expansion. Increased Adjusted EBITDA profitability was driven by strong program execution across the portfolio, including Columbia Class, and also reflected operating leverage on higher volume.

First quarter net earnings, Adjusted Net Earnings, diluted EPS and Adjusted Diluted EPS were all higher year-over-year, driven primarily by higher operational profitability and lower net interest expense.

Cash Flow

Net cash flow used in operating activities was \$66 million for the first quarter. The company's free cash outflow was \$95 million in the quarter. Both operating and free cash outflows narrowed compared to first quarter 2025 driven by higher profitability and better working capital efficiency.

Dividends and Stock Repurchases

During the first quarter, the company paid dividends to stockholders totaling approximately \$24 million or \$0.09 per share of common stock. Leonardo DRS today announced that its Board of Directors declared a cash dividend of \$0.09 per share of common stock payable on June 2, 2026, to stockholders of record on May 19, 2026.

Additionally, the company repurchased 91,238 shares of its common stock for approximately \$4 million in the first quarter, pursuant to a previously announced stock repurchase program.

Balance Sheet

At first quarter end, the company had \$328 million of cash and no outstanding borrowings under the company's credit facility. The company's strong balance sheet provides ample financial flexibility to fund growth initiatives and return capital over time.

Bookings and Funded Backlog

(Dollars in millions)

	First Quarter	
	2026	2025
Bookings	\$885	\$991
Book-to-Bill	1.0x	1.2x
Funded Backlog	\$4,686	\$4,354

The company received \$885 million in new funded bookings in the first quarter. Customer demand was resilient across the portfolio, with the greatest momentum in electric power and propulsion, tactical radars and force protection. Exiting the first quarter, funded backlog reached a new record of \$4.7 billion and was up 8% over the prior year.

Segment Results

Advanced Sensing and Computing (ASC) Segment

(Dollars in millions)

	First Quarter		
	2026	2025	Change
Revenues	\$559	\$511	9%
Operating Earnings	\$40	\$25	60%
Operating Margin	7.2%	4.9%	230 bps
Bookings	\$429	\$669	
Book-to-Bill	0.8x	1.3x	

Non-GAAP Financial Measures ⁽¹⁾

Segment Adjusted EBITDA	\$62	\$42	48%
Segment Adjusted EBITDA Margin	11.1%	8.2%	290 bps

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ASC quarterly bookings reflected solid demand for multi-modal sensing, including tactical radars, infrared and RF-based sensing technologies. Revenue growth in the segment came from programs related to tactical radars and infrared sensing. Adjusted EBITDA increased meaningfully, driven by improved program execution, favorable mix and higher volume.

Integrated Mission Systems (IMS) Segment

(Dollars in millions)

	First Quarter		
	2026	2025	Change
Revenues	\$295	\$291	1%
Operating Earnings	\$37	\$34	9%
Operating Margin	12.5%	11.7%	80 bps
Bookings	\$456	\$322	
Book-to-Bill	1.5x	1.1x	

Non-GAAP Financial Measures ⁽¹⁾

Segment Adjusted EBITDA	\$43	\$40	8%
Segment Adjusted EBITDA Margin	14.6%	13.7%	90 bps

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Programs related to electric power and propulsion and force protection drove robust quarterly bookings in the IMS segment. Revenue increased modestly over first quarter 2025 on higher contribution from electric power and propulsion programs. Adjusted EBITDA growth and margin expansion were primarily driven by strong program execution throughout the segment, led by Columbia Class.

2026 Guidance

Leonardo DRS is increasing 2026 guidance as specified in the table below:

<u>Measure</u>	<u>Current 2026 Guidance</u>	<u>Prior 2026 Guidance</u>
Revenue	\$3,900 million - \$3,975 million	\$3,850 million - \$3,950 million
Adjusted EBITDA	\$515 million - \$530 million	\$505 million - \$525 million
<i>Tax Rate</i>	<i>18.5%</i>	<i>18.5%</i>
<i>Diluted WASO</i>	<i>269.0 million</i>	<i>269.0 million</i>
Adjusted Diluted EPS	\$1.26 - \$1.30	\$1.20 - \$1.26

The company does not provide a reconciliation of forward-looking Adjusted EBITDA and Adjusted Diluted EPS due to the inherent difficulty in forecasting and quantifying the adjustments that are necessary to calculate such non-GAAP measures without unreasonable effort. Material changes to any one of these items could have a significant effect on future GAAP results.

Conference Call

Leonardo DRS management will host a conference call beginning at 10:00 a.m. ET on May 5, 2026 to discuss the financial results for its first quarter 2026.

A live audio broadcast of the conference call along with a supplemental presentation will be available to the public through links on the Leonardo DRS Investor Relations website (<https://investors.leonardodrs.com>).

A replay of the conference call will be available on the Leonardo DRS website approximately 2 hours after the conclusion of the conference call.

About Leonardo DRS

Headquartered in Arlington, VA, Leonardo DRS, Inc. is an innovative and agile provider of advanced defense technology to U.S. national security customers and allies around the world. We specialize in the design, development and manufacture of advanced sensing, network computing, force protection and electric power and propulsion and other leading mission-critical technologies. Our innovative people are leading the way in developing disruptive technologies for autonomous, dynamic, interconnected and multi-domain capabilities to defend against new and emerging threats. For more information and to learn more about our full range of capabilities, visit www.LeonardoDRS.com.

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Forward-Looking Statements

In this press release, when using the terms the “company”, “Leonardo DRS”, “we”, “us” and “our,” unless otherwise indicated or the context otherwise requires, we are referring to Leonardo DRS, Inc. This press release 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 press release 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.

Forward-looking statements are subject to known and unknown risks and uncertainties, many of which may be beyond our control. We caution you that forward-looking statements are not guarantees of future performance or outcomes and that actual performance and outcomes may differ materially from those made in or suggested by the forward-looking statements contained in this press release. In addition, even if future performance and outcomes are consistent with the forward-looking statements contained in this press release, those results or developments may not be indicative of results or developments in subsequent periods. New factors emerge from time to time that may cause our business not to develop as we expect and it is not possible for us to predict all of them. Factors that could cause actual results and outcomes to differ from those reflected in forward-looking statements include, without limitation: disruptions, including from government shutdowns, or deteriorations in our relationship with the relevant agencies of the U.S. government, as well as any failure to pass routine audits or otherwise comply with governmental requirements including those related to security clearance or procurement rules, including the False Claims Act; significant delays, including from government shutdowns, or reductions in appropriations for our programs and changes in U.S. government priorities and spending levels more broadly; any failure to comply with the amended and restated proxy agreement with the U.S. Department of War (“DoW”); the effect of inflation and other cost pressures on our supply chain and/or our labor costs; our mix of fixed-price, cost-plus and time-and-materials type contracts and any resulting impact on our cash flows due to cost overruns; failure to properly comply with various covenants of the agreements governing our debt could negatively impact our business; our dependence on U.S. government contracts, which often are only partially funded and are subject to immediate termination, some of which are classified and the concentration of our customer base in the U.S. defense industry; our use of estimates in pricing and accounting for many of our programs that are inherently uncertain and which may not prove to be accurate; our ability to realize the full value of our backlog; our ability to predict future capital needs or to obtain additional financing if needed, on terms acceptable to us, if at all; our ability to respond to the rapid technological changes in the markets in which we compete; the effect of global and regional economic downturns and rising interest rates; our ability to maintain an effective system of internal control over financial reporting; our inability to appropriately manage our inventory; our inability to fully realize the value of our total estimated contract value or bookings; our ability to compete efficiently, including due to U.S. government organizational conflict of interest rules which may limit new contract opportunities or require us to wind down existing contracts; our relationships with other industry participants, including any contractual disputes or the inability of our key suppliers to timely deliver our components, parts or services; preferences or set-asides for small or small disadvantaged businesses could impact our ability to be a prime contractor; any failure to meet our contractual obligations including due to potential impacts to our business from supply chain risks, such as longer lead times and shortages of electronics and other components; any security breach, including any cyber-attack, cyber intrusion, insider threat, or other significant disruption of our IT networks and related systems, as well as any act of terrorism or other threat to our physical security and personnel; our ability to fully exploit or obtain patents or other intellectual property protections necessary to secure our proprietary technology, including our ability to avoid infringing upon the intellectual property of third parties or prevent third parties from infringing upon our own intellectual property; the conduct of our employees, agents, affiliates, subcontractors, suppliers, business partners or joint ventures in which we participate which may impact our reputation and ability to do business; the outcome of litigation, arbitration, investigations, claims, disputes, enforcement actions and other legal proceedings in which we are involved; various geopolitical and economic factors, laws and regulations including the Foreign Corrupt Practices Act, the Export Control Act, the International Traffic in Arms Regulations, the Export Administration Regulations, recent U.S. tariffs imposed or threatened to be imposed on other countries and any related retaliatory actions taken by such countries and those that we are exposed to as a result of our international business; our ability to obtain export licenses necessary to conduct certain operations abroad, including any attempts by Congress to prevent proposed sales to certain foreign governments; our ability to attract and retain technical and other key personnel; the occurrence of prolonged work stoppages; the unavailability or inadequacy of our insurance coverage, customer indemnifications or other liability protections to cover all of our significant risks or to pay for material losses we incur; future changes in U.S. tax laws and regulations or interpretations thereof; future changes in the DoW’s and other governments’ budgets; certain limitations on our ability to use our net operating losses to offset future taxable income; termination of our leases or our

inability to renew our leases on acceptable terms; changes in estimates used in accounting for our pension plans, including with respect to the funding status thereof; changes in future business or other market conditions that could cause business investments and/or recorded goodwill or other long-term assets to become impaired; adverse consequences from any acquisitions such as operating difficulties, dilution and other harmful consequences or any modification, delay or prevention of any future acquisition or investment activity by the Committee on Foreign Investment in the United States; natural disasters, severe weather or other significant disruptions; failure to properly contain a global pandemic in a timely manner could materially affect how we and our business partners operate; our compliance with environmental laws and regulations and any environmental liabilities that may affect our reputation or financial position; any conflict of interest that may arise because Leonardo US Holding, LLC, our majority stockholder, or Leonardo S.p.A., our indirect majority stockholder, may have interests that are different from, or conflict with, those of our other stockholders, including as a result of any ongoing business relationships Leonardo S.p.A. may have with us and their significant ownership in us may discourage change of control transactions (our amended and restated certificate of incorporation provides that we waive any interest or expectancy in corporate opportunities presented to Leonardo S.p.A); or our obligations to provide certain services to Leonardo S.p.A., which may divert human and financial resources from our business.

You should read this press release completely and with the understanding that actual future results may be materially different from expectations. All forward-looking statements made in this press release are qualified by these cautionary statements. These forward-looking statements are made only as of the date of this filing and we do not undertake any obligation, other than as may be required by law, to update or revise any forward-looking or cautionary statements to reflect changes in assumptions, the occurrence of events, unanticipated or otherwise and changes in future operating results over time or otherwise.

Other risks, uncertainties and factors, including those discussed in our latest SEC filings under “Risk Factors” of our latest Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, all of which may be viewed or obtained through the investor relations section of our website at www.LeonardoDRS.com, could cause our actual results to differ materially from those projected in any forward-looking statements we make. Readers should read the discussion of these factors carefully to better understand the risks and uncertainties inherent in our business and underlying any forward-looking statements.

Consolidated Statements of Earnings (Unaudited)

(Dollars in millions, except per share amounts)

	Three Months Ended March 31,	
	2026	2025
Revenues	846	799
Cost of revenues	(634)	(618)
Gross profit	212	181
General and administrative expenses	(130)	(117)
Amortization of acquired intangible assets	(5)	(5)
Operating earnings	77	59
Interest expense, net	—	(1)
Earnings before taxes	77	58
Income tax provision	(15)	(8)
Net earnings	\$62	\$50
Net earnings per share from common stock:		
Basic earnings per share	\$0.23	\$0.19
Diluted earnings per share	\$0.23	\$0.19

Consolidated Balance Sheets (Unaudited)

(Dollars in millions, except per share amounts)

	March 31, 2026	December 31, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	\$328	\$647
Accounts receivable, net	324	334
Contract assets	975	931
Inventories	371	352
Prepaid expenses	27	26
Other current assets	31	36
Total current assets	2,056	2,326
Noncurrent assets:		
Property, plant and equipment, net	512	512
Intangible assets, net	106	112
Goodwill	1,238	1,238
Deferred tax assets	89	88
Other noncurrent assets	210	210
Total noncurrent assets	2,155	2,160
Total assets	\$4,211	\$4,486
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings and current portion of long-term debt	\$11	\$26
Accounts payable	187	351
Contract liabilities	640	585
Other current liabilities	267	269
Total current liabilities	1,105	1,231
Noncurrent liabilities:		
Long-term debt	140	321
Pension and other postretirement benefit plan liabilities	32	35
Deferred tax liabilities	4	3
Other noncurrent liabilities	160	166
Total noncurrent liabilities	\$336	\$525
Stockholders' equity:		
Preferred stock, \$0.01 par value: 10,000,000 shares authorized; none issued	\$—	\$—
Common stock, \$0.01 par value: 350,000,000 shares authorized; 265,965,593 and 265,822,404 shares issued and outstanding as of March 31, 2026 and December 31, 2025, respectively	3	3
Additional paid-in capital	5,062	5,083
Accumulated deficit	(2,253)	(2,315)
Accumulated other comprehensive loss	(42)	(41)
Total stockholders' equity	2,770	2,730
Total liabilities and stockholders' equity	\$4,211	\$4,486

Consolidated Statements of Cash Flows (Unaudited)

(Dollars in millions)

	Three Months Ended	
	March 31,	
	2026	2025
Operating activities		
Net earnings	\$62	\$50
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation and amortization	24	23
Deferred income taxes	—	1
Stock-based compensation expense	4	8
Changes in assets and liabilities:		
Accounts receivable	10	(1)
Contract assets	(44)	(110)
Inventories	(19)	(27)
Prepaid expenses	(1)	(1)
Other current assets	4	14
Other noncurrent assets	4	6
Defined benefit obligations	(3)	(5)
Accounts payable	(152)	(126)
Contract liabilities	55	68
Other current liabilities	(3)	(32)
Other noncurrent liabilities	(7)	(6)
Net cash used in operating activities	(66)	(138)
Investing activities		
Capital expenditures	(30)	(32)
Proceeds from sales of assets	1	—
Net cash used in investing activities	(29)	(32)
Financing activities		
Net (decrease) increase in borrowings (maturities of 90 days or less)	(4)	2
Repayments of borrowings	(191)	(3)
Proceeds from stock issuance	3	—
Repurchases of common stock	(4)	(3)
Payments of employee taxes withheld from stock-based awards	—	(17)
Dividends paid	(7)	(7)
Dividends paid to related party	(17)	(17)
Other	(4)	(3)
Net cash used in financing activities	(224)	(48)
Effect of exchange rate changes on cash and cash equivalents	—	—
Net decrease in cash and cash equivalents	(319)	(218)
Cash and cash equivalents at beginning of year	647	598
Cash and cash equivalents at end of year	\$328	\$380

Non-GAAP Financial Measures (Unaudited)

In addition to the results reported in accordance with U.S. GAAP included throughout this document, the company has provided information regarding “Adjusted EBITDA,” “Adjusted EBITDA Margin,” “Segment Adjusted EBITDA,” “Segment 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 below, 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 discussed below, 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 below and should not rely on any single financial measure to evaluate our business.

We define these non-GAAP financial measures as:

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, executive transition costs and foreign exchange impacts), then in the case of Adjusted EBITDA Margin dividing Adjusted EBITDA by revenues.

(Dollars in millions)

	Three Months Ended	
	March 31,	
	2026	2025
Net earnings	\$62	\$50
Income tax provision	15	8
Interest expense, net	—	1
Amortization of intangibles	5	5
Depreciation	19	18
Other one-time non-operational events	4	—
Adjusted EBITDA	\$105	\$82
Adjusted EBITDA Margin	12.4 %	10.3 %

Segment Adjusted EBITDA and **Segment Adjusted EBITDA Margin** are defined as operating earnings before amortization of acquired intangible assets, depreciation, deal-related transaction costs, restructuring costs and other one-time non-operational events, then in the case of Segment Adjusted EBITDA Margin dividing Segment Adjusted EBITDA by revenues.

Advanced Sensing & Computing (ASC) Segment Adjusted EBITDA

(Dollars in millions)

	Three Months Ended	
	March 31,	
	2026	2025
Operating earnings	\$40	\$25
Amortization of intangibles	5	5
Depreciation	13	12
Other one-time non-operational events	4	—
Segment Adjusted EBITDA	\$62	\$42
Segment Adjusted EBITDA Margin	11.1 %	8.2 %

Integrated Mission Systems (IMS) Segment Adjusted EBITDA

(Dollars in millions)

	Three Months Ended	
	March 31,	
	2026	2025
Operating earnings	\$37	\$34
Depreciation	6	6
Segment Adjusted EBITDA	\$43	\$40
Segment Adjusted EBITDA Margin	14.6 %	13.7 %

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, executive transition costs 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).

(In millions, except per share amounts)

	Three Months Ended	
	March 31,	
	2026	2025
Net earnings	\$62	\$50
Amortization of intangibles	5	5
Other one-time non-operational events	4	—
Tax effect of adjustments ⁽¹⁾	(2)	(1)
Adjusted Net Earnings	\$69	\$54
<u>Per share information</u>		
Diluted WASO	268.670	268.775
Diluted EPS	\$0.23	\$0.19
Adjusted Diluted EPS	\$0.26	\$0.20

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

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,	
	2026	2025
Net cash used in operating activities	(\$66)	(\$138)
Capital expenditures	(30)	(32)
Proceeds from sales of assets	1	—
Free Cash Flow	(\$95)	(\$170)