



Quarterly Earnings Presentation

Q3 | 2024

October 30, 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” 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 operational execution reflected in third quarter results

- Organic revenue growth of 16%, above internal expectations, aided by steady demand and favorable timing of material receipts
- Year-over-year adjusted EBITDA and adjusted diluted EPS exceeded the topline at 22% and 20%, respectively
- Significant increase in free cash flow generation over Q3 2023 on higher profitability and improved working capital efficiency

2

Growing total backlog backstopped by continued broad-based customer demand

- \$1.1 billion of bookings in the quarter resulted in a 1.3x book-to-bill ratio with backlog growing both year-over-year and sequentially
- Customer appetite evident across the DRS portfolio but most prominent for naval network computing, electric power and propulsion, force protection and advanced infrared sensing technologies in the quarter
- International orders for our critical technologies and solutions remain a tailwind to bookings

3

Our strategy, innovation and technology differentiation are further fortifying our market leading positions

- Unwavering commitment to innovation excellence – unveiled directed energy version of counter UAS capability, expanding radar portfolio into over-the-horizon applications and progressing next-generation sensing technologies
- Building on marquee positions in advanced infrared sensing and network computing through sole source follow-on work
- Diverse and resilient platform agnostic portfolio remains well positioned for long-term growth

4

Year-to-date outperformance spurring increase to 2024 guidance and initiation of preliminary 2025 framework

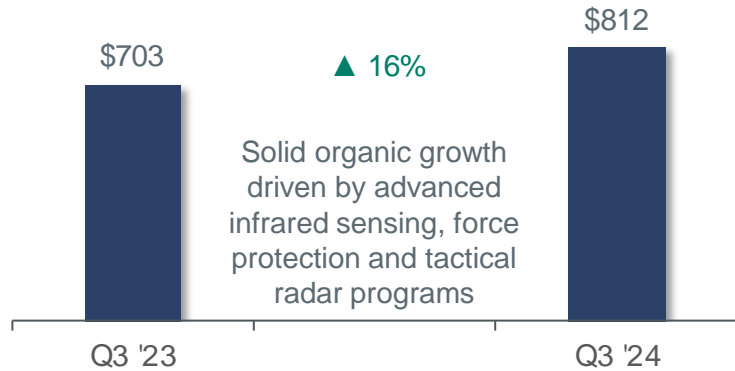
- 2024 revenue growth now expected to be 11% to 13% year-over-year
- Higher topline reflected in new range for adjusted EBITDA; increased profit range and lower effective tax rate of 19% incorporated into a higher adjusted diluted EPS range
- Initiating preliminary 2025 framework of 5% to 8% revenue growth (off current 2024 mid-point) at an adjusted EBITDA margin of ~13%



Q3 2024 Leonardo DRS Results Summary

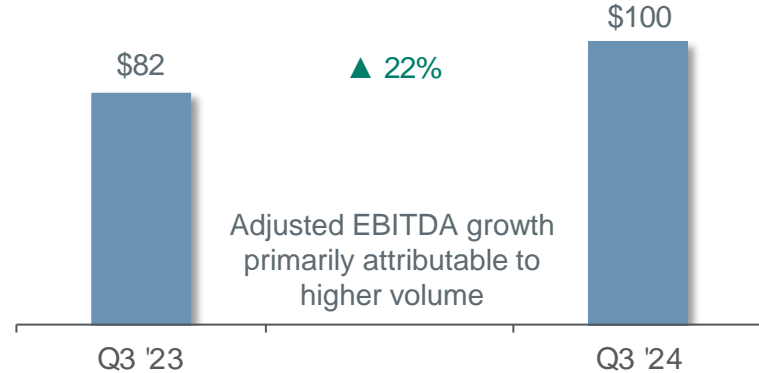
Revenue

(Dollars in millions)



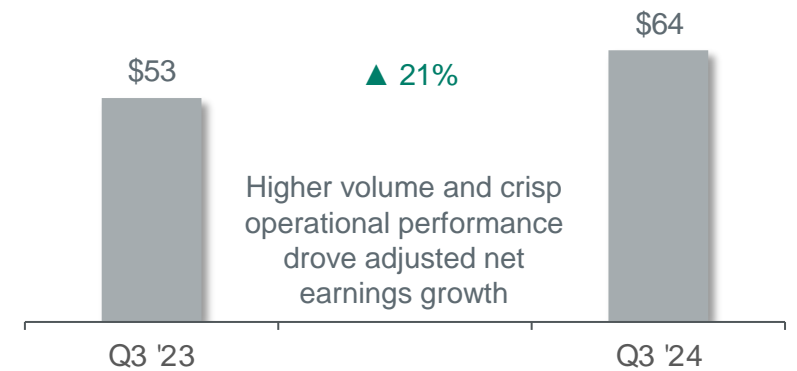
Adjusted EBITDA *

(Dollars in millions)



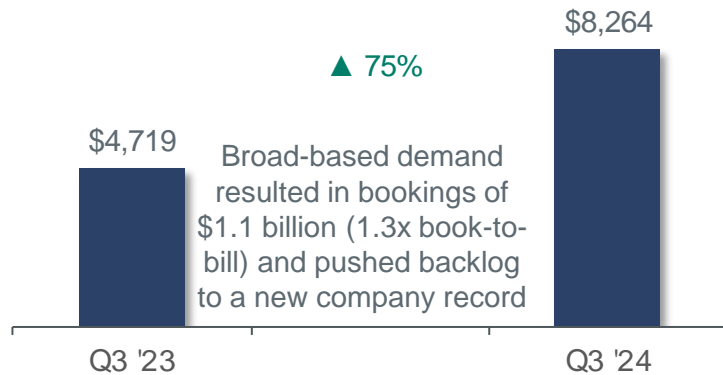
Adjusted Net Earnings *

(Dollars in millions)

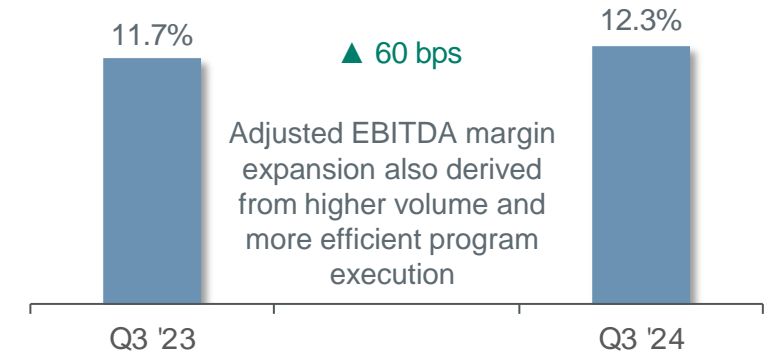


Total Backlog

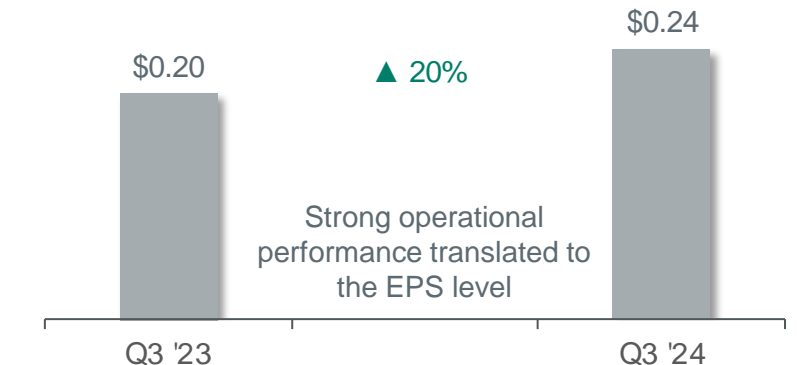
(Dollars in millions)



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

Q3 2024 Segment Results Summary

Revenue

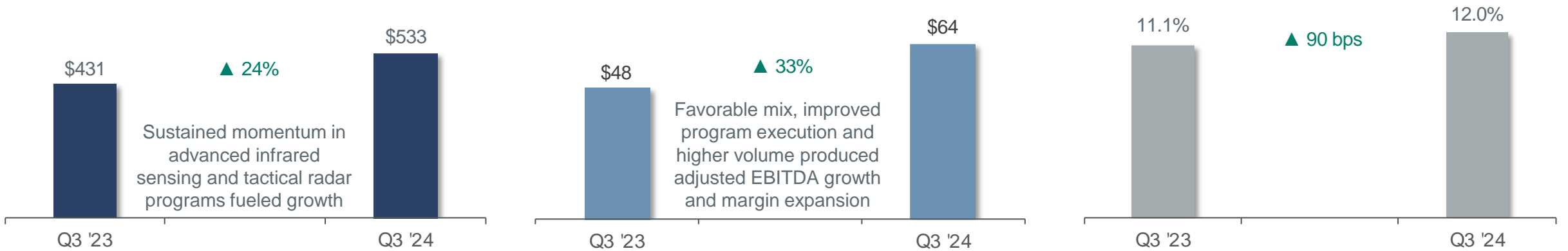
(Dollars in millions)

Adjusted EBITDA *

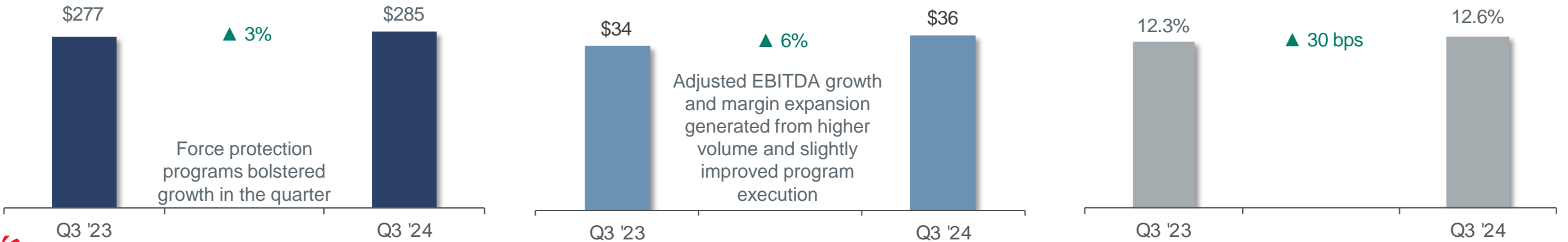
(Dollars in millions)

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

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
Revenue	\$3,150 - \$3,200	\$3,075 - \$3,175
<i>% Δ from 2023</i>	11% - 13%	9% - 12%
Adjusted EBITDA *	\$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
Adjusted Diluted EPS *	\$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

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 September 30,	
	2024	2023
Net earnings	\$57	\$47
Income tax provision	12	1
Interest expense	5	10
Amortization of intangibles	6	5
Depreciation	17	16
Deal related transaction costs	1	1
Restructuring costs	0	2
Other one-time non-operational events	2	0
Adjusted EBITDA	\$100	\$82
<i>Adjusted EBITDA Margin</i>	12.3%	11.7%

(In millions, except per share amounts)

	Three Months Ended September 30,	
	2024	2023
Net earnings	\$57	\$47
Amortization of intangibles	6	5
Deal related transaction costs	1	1
Restructuring costs	0	2
Other one-time non-operational events	2	0
Tax effect of adjustments ⁽¹⁾	(2)	(2)
Adjusted Net Earnings	\$64	\$53
Diluted WASO	268.299	265.000
Diluted earnings per share	\$0.21	\$0.18
Adjusted Diluted EPS	\$0.24	\$0.20

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