LEONARDO DRS




Quarterly Earnings Presentation

Q2 | 2023

August 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 August 2, 2023 (the date of our second 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,” “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 second quarter results consistent with expectations

- Continued momentum evidenced by solid quarterly and year to date performance
- Stair stepped progression still required in the second half 2023 to achieve full year guidance

2

Operating environment remains complex but the team remains focused on execution excellence

- No material improvement in supply chain but labor availability and inflation incrementally trending positively
- Conversion cycle from bookings to revenue remains elevated compared to historical norms
- Focused on improving program execution to deliver on customer and shareholder commitments

3

Well positioned for long-term growth

- Recent bipartisan debt ceiling agreement sets framework for defense spending levels in FY24 and FY25
- DRS benefits from a diverse program portfolio and platform agnostic approach
- Technology investment and differentiation reflected in growth of new business pipeline across the portfolio

4

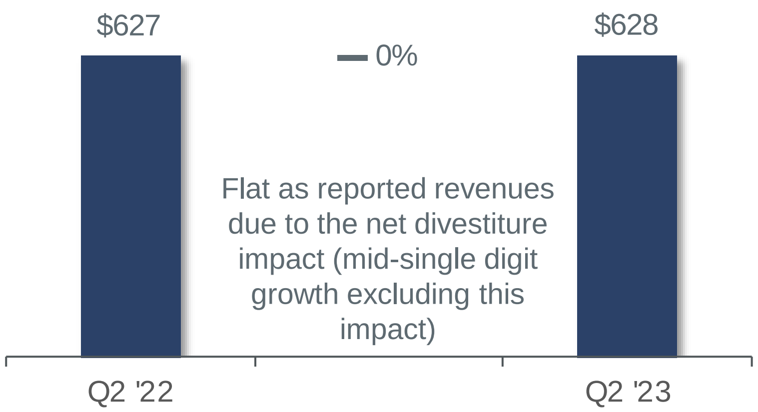
Focused on executing on our strategy to deliver long-term shareholder value

- Concerted efforts on converting backlog to accelerate growth throughout 2023
- Prudent organic investment to sharpen the long-term positioning of the business

Q2 2023 Leonardo DRS Results Summary

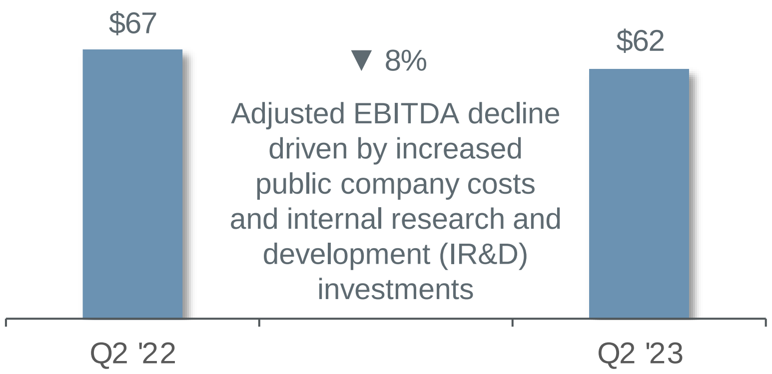
Revenue

(Dollars in millions)



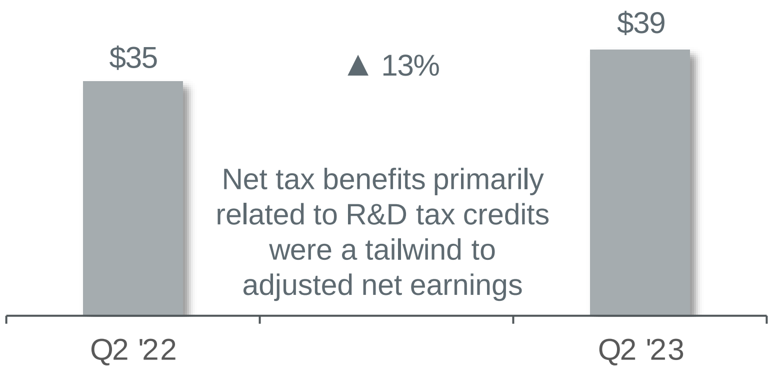
Adjusted EBITDA *

(Dollars in millions)



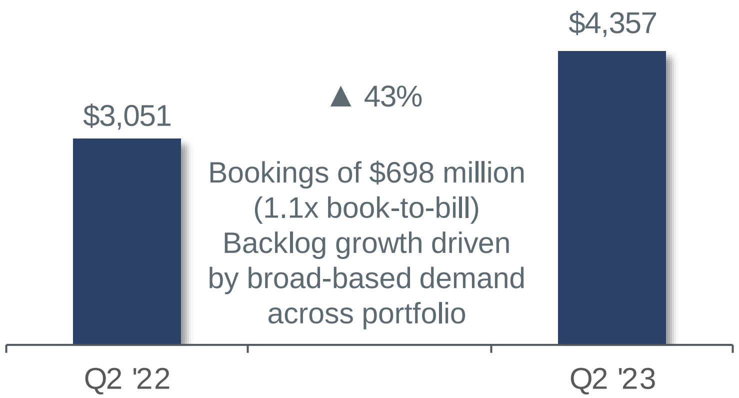
Adjusted Net Earnings *

(Dollars in millions)

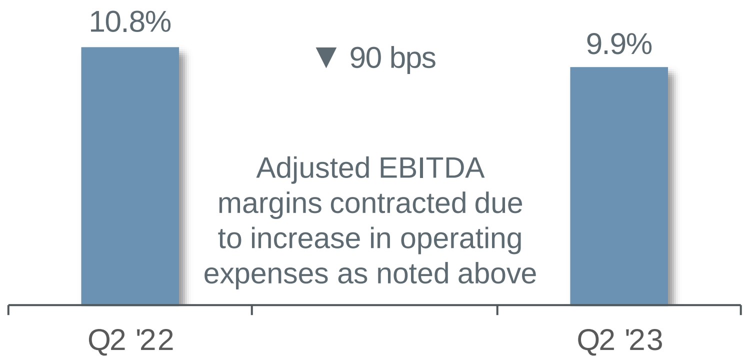


Total Backlog

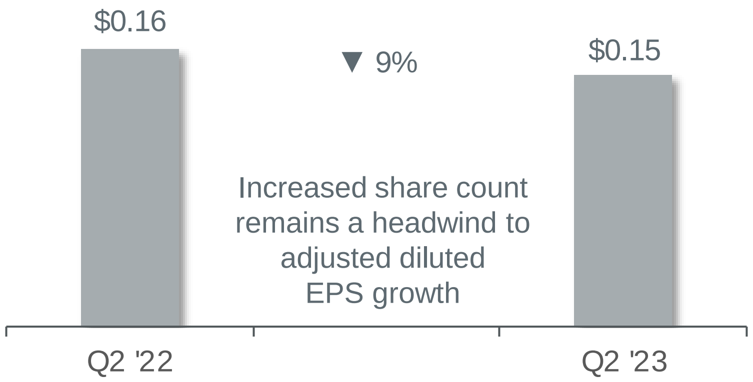
(Dollars in millions)



Adjusted EBITDA Margin *



Adjusted Diluted EPS *

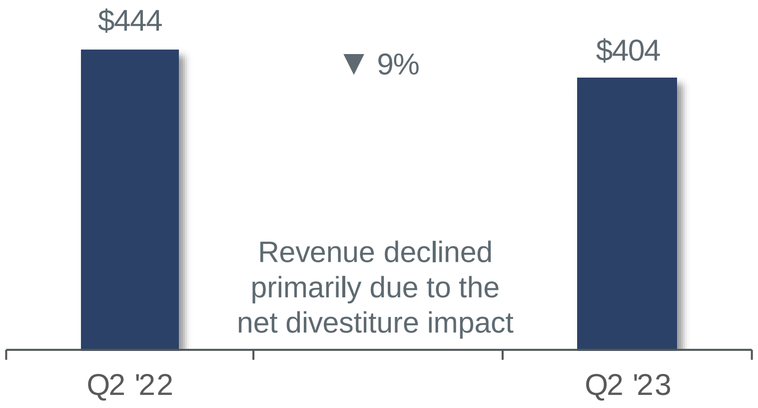


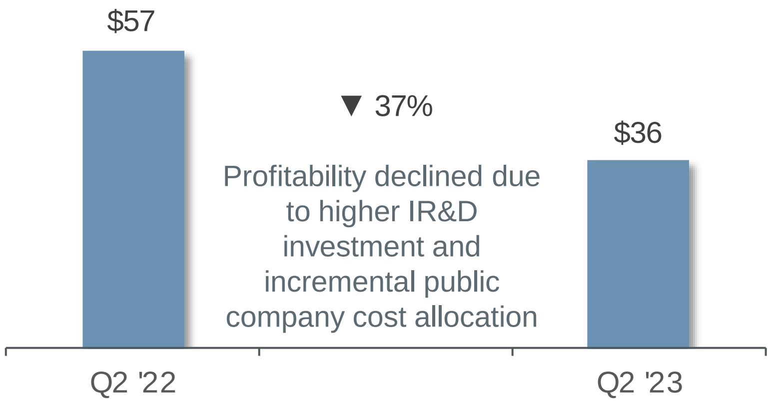
* See slide 7 "Non-GAAP Financial Measures" for definitions and reconciliations of the non-GAAP financial measures to the most comparable financial measures calculated and presented in accordance with GAAP

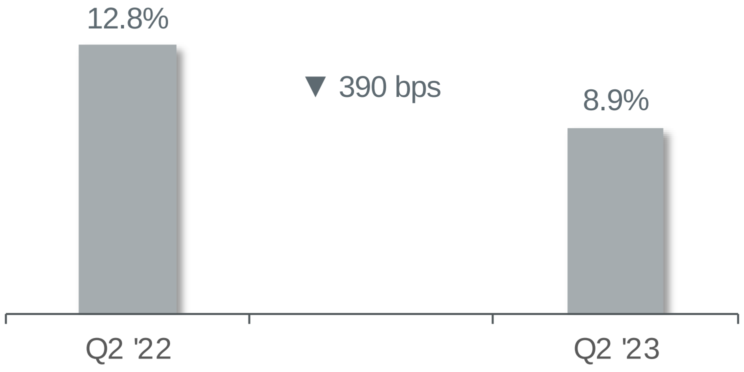
Q2 2023 Segment Results Summary

Revenue	Adjusted EBITDA *	Adjusted EBITDA Margin *
(Dollars in millions)	(Dollars in millions)	

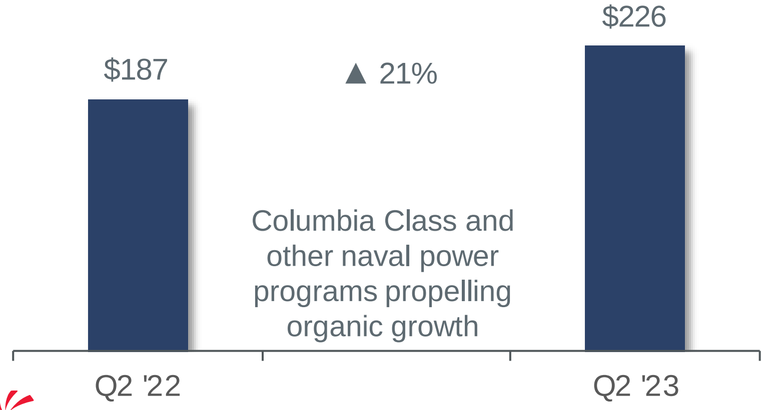
Advanced Sensing & Computing (ASC)

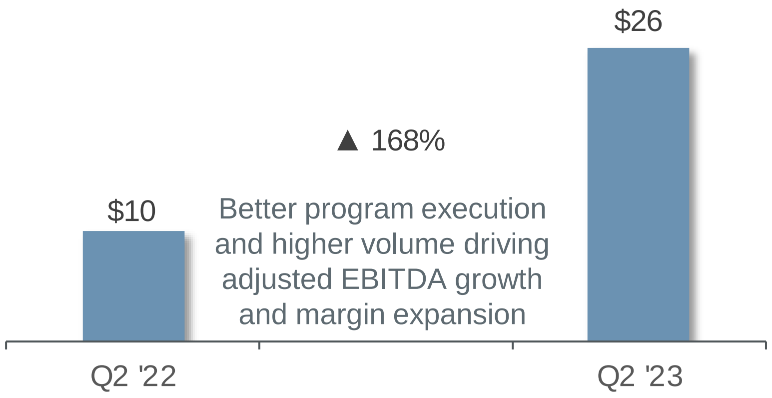






Integrated Mission Systems (IMS)





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Updating 2023 Guidance

Remain Well-Positioned to Achieve Solid Organic Growth in 2023

- **Narrowing the ranges for revenue, adjusted EBITDA and adjusted diluted EPS based on year-to-date performance**
- **Revenue Growth**
  – Total growth of up to 4% and implied organic growth of 3% to 6% (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**
  – Stair-stepped revenue trajectory and slightly steeper profit trajectory remains for the balance of 2023
  – Fourth quarter contributes the greatest percentage of annual revenue, profit and cash flow
- **Modeling Items**
  – Lower tax rate reflects year to date discrete tax benefits
  – Diluted shares higher based on greater than expected option exercises

(In millions, except per share amounts)

2023 Guidance	Current	Previous
Revenue	$2,725 - $2,800	$2,700 - $2,800
Adjusted EBITDA *	$318 - $328	$315 - $330
Tax Rate	*19%*	*24%*
Diluted Shares Outstanding	*266.0*	*263.1*
Adjusted Diluted EPS *	$0.66 - $0.69	$0.64 - $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 these 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,” “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, 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, other one-time non-operational events (which include non-service pension expense, legal liability accrual reversals, COVID-19 response costs, foreign exchange impacts) 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 June 30, 2023	Three Months Ended June 30, 2022
Net earnings	$35	$25
Income tax provision (benefit)	(2)	7
Interest expense	9	10
Amortization of intangibles	5	2
Depreciation	15	14
Deal related transaction costs	1	8
Restructuring costs	8	0
Other one-time non-operational events	(9)	1
Adjusted EBITDA	**$62**	**$67**
Adjusted EBITDA Margin	9.9%	10.8%

(In millions, except per share amounts)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022
Net earnings	$35	$25
Amortization of intangibles	5	2
Deal related transaction costs	1	8
Restructuring costs	8	0
Other one-time non-operational events	(9)	1
Tax effect of adjustments [(1)]	(1)	(2)
Adjusted Net Earnings	**$39**	**$35**
Diluted weighted average common shares	263.675	210.445
Diluted earnings per share	$0.13	$0.12
Adjusted Diluted EPS	**$0.15**	**$0.16**

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