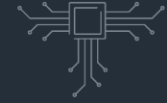




# A Strategic Transaction for Leonardo and Leonardo DRS

Rome

21 June 2022



Electronics



Helicopters



Aircraft



Cyber & Security



Space



Unmanned Systems



Aerostructures

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# Agenda

- **Situation update**
- Transaction highlights
- Value creation proposition
- Q&A

*Alessandro Profumo, Chief Executive Officer of Leonardo*

*William J. Lynn III, Chief Executive Officer of Leonardo DRS*

*Alessandro Profumo, Chief Executive Officer of Leonardo*



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## Building capabilities for today's and tomorrow's defense market

- Important strategic move to strengthen our position in a very attractive market
- Leonardo DRS + RADA very well placed to be a leader in rapidly growing Force Protection market
- Creating opportunities in the US and internationally, leveraging Leonardo's global presence
- Reshaping of Leonardo DRS portfolio as promised, focusing on its core strategic businesses
  - increasing exposure to high growth and high margin market segments
  - adding Israel as a new domestic market
- All-stock merger transaction to catch the opportunity of listing DRS in the current context of highly volatile markets and delivering on promises



# Leonardo DRS continued growth, refocused on its core business

A leading provider of advanced defense electronics products and technologies strongly positioned across rapidly growing segments in the US defence markets



Leonardo DRS<sup>1</sup>

2021 Revenue **€ 2.6 bn**

2018-2021 Revenues: **+8%**

2018-2021 EBITDA: **+19%**



## Growth path

- Strong product portfolio and backlog (funded and unfunded)
- Top line growth confirmed, well positioned towards US DoD key priorities
- Delivering on targets: confirmed significant margin expansion driven by programmes moving from development to production

## Business refocus

- Definitive agreements to sell Global Enterprise Solutions business to SES for \$450mIn, gross of taxes, and transfer of full ownership of Advanced Acoustic Systems to JV partner Thales

**Reshaping of Leonardo DRS portfolio as promised, focusing on its core strategic businesses and increasing exposure to high growth and high margin market segments**

<sup>1</sup> Financial information represents Leonardo DRS excluding previously announced divestitures. Please refer to the appendix for reconciliations to GAAP metrics.



# Leonardo DRS merger with RADA: excellent strategic fit, very well placed within Leonardo Group



- Increased addressable market and strong fit/diversity of programs
- Complementary technologies in force protection market
- Stronger position in US market and international expansion opportunities, leveraging Leonardo's global presence
- Strong balance sheet providing flexibility
- Exciting Value creation opportunity

## RADA in the wider LDO Group

Value proposition	➔	Complementary tactical radar sensors portfolio
Business strengthening	➔	Enhancement of market positioning in the tactical operational environment, enabling an integrated approach
Technological exploitation	➔	RADA products will allow Leonardo to bring innovative integrated solutions to market
Broader domestic footprint	➔	Adding Israel, a technology leader and advanced Defence customer, as a new domestic market
Exploit EU/international market	➔	Support RADA organic expansion accessing EU / export markets and new programmes



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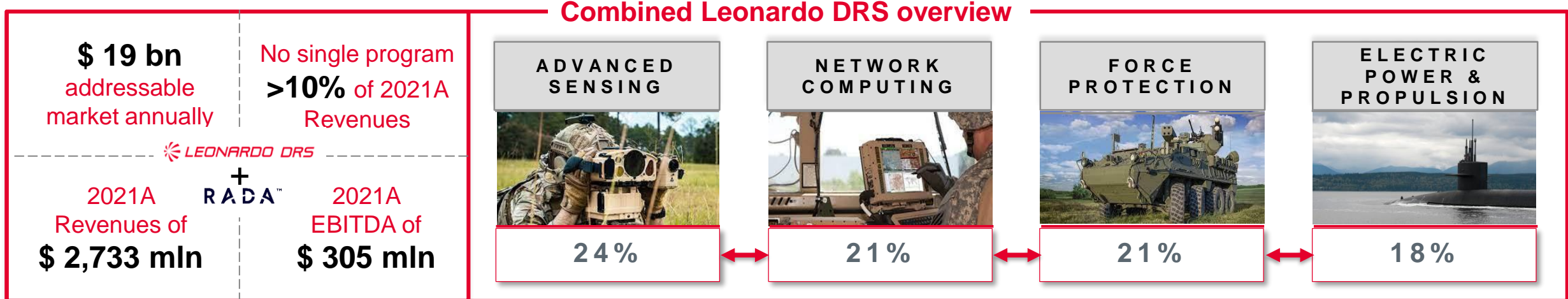
***William J. Lynn III, Chief Executive Officer of Leonardo DRS***

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# Combination with RADA is the logical next step for Leonardo DRS

- Transaction expected to elevate Leonardo DRS into a market leader in advanced sensing and force protection aligned with some of the fastest growing segments of the US DoD budget and current global military requirements and needs, ensuring robust growth outlook
- RADA's unique advanced tactical radar technologies improve DRS's position as an air defense, counter UAS and vehicle protection integrator and accelerate its transformation into a leading provider of integrated systems
- Together, the combined company will be well positioned to pursue global opportunities through Leonardo's global presence with focus on European and US allied countries



Note: Remaining 16% of revenue related to pilot training systems, flight recorders, logistics equipment (cargo handlers / loaders, fuel systems, etc.) and commercial markets; <sup>1</sup> Financial information represents a combined view of RADA and DRS excluding previously announced divestitures. Please refer to the appendix for reconciliations to GAAP metrics. <sup>2</sup> Combined revenue has been adjusted for intercompany eliminations. <sup>3</sup> Combined Adjusted EBITDA represents the sum of Adjusted EBITDA of RADA and DRS. <sup>4</sup> Per third-party research and DRS management estimates



# Combined global footprint creates opportunities in reshaped robust defence market

## Reshaped global defence market

DEFENSE

**Biden requests \$813B for national defense**

POLITICO

**U.S. to Send Ukraine \$700 Million in Military Aid, Including Advanced Rockets**

May 31, 2022  
Michael D. Shear

The New York Times

**Germany to increase defence spending in response to 'Putin's war' - Scholz**

REUTERS®

By Maria Sheahan and Sarah Marsh

**Europe must be more independent and shore up its defence, says Macron**

The Guardian

WORLD | EUROPE

**Germany to Raise Defense Spending Above 2% of GDP in Response to Ukraine War**

Decision breaks with decades of lower investment in defense than peers and a growing energy partnership with Russia

THE WALL STREET JOURNAL.

## Select opportunities

- ✓ Growth on existing US platforms and programmes
- ✓ Battle management systems for Eastern Europe
- ✓ IM-SHORAD and other counter small UAS solutions for Eastern Europe
- ✓ Javelin / stinger missile replenishment for Eastern Europe
- ✓ Broader penetration of RADA air defense solutions in European market
- ✓ Increased access for RADA technologies into the international market through US FMS

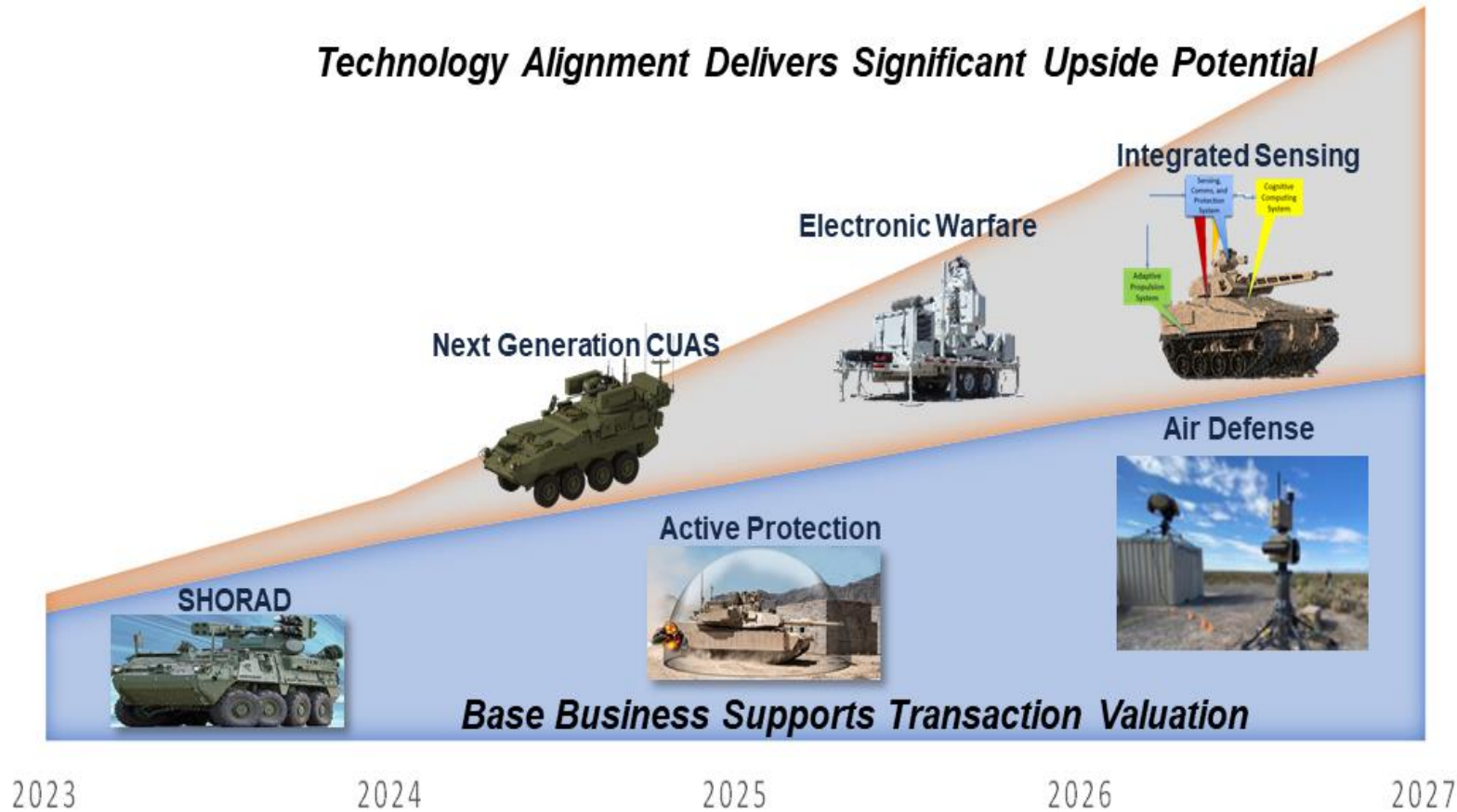




# Future market opportunities enabled by DRS

## REVENUE OPPORTUNITY

*Technology Alignment Delivers Significant Upside Potential*



- RADA's base business of software defined, solid state radars provides strong long-term growth and supports the transaction valuation
- The merger of RADA & DRS provides significant upside beyond the base case by combining the advanced sensing capabilities of DRS with the tactical radars provided by RADA



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# Transaction allows capture new opportunities and a strong value creation potential

- An all-stock merger which will result in a publicly listed company post close (“DRS” NASDAQ & TASE)
- Leonardo to own 80.5% of the strategically improved combined company post-close

## Unlock value for Leonardo

- ✓ The implied valuation multiple on DRS highlights the US company value within Leonardo’s portfolio

## Acquisition premium

- ✓ Reflecting the fundamental value of RADA assessed by DRS and the expected boost to DRS growth and margin expansion profile

## Value creation potential over time for all shareholders

- ✓ Multiple expansion in the medium to long-term providing upside potential towards peers’ trading levels

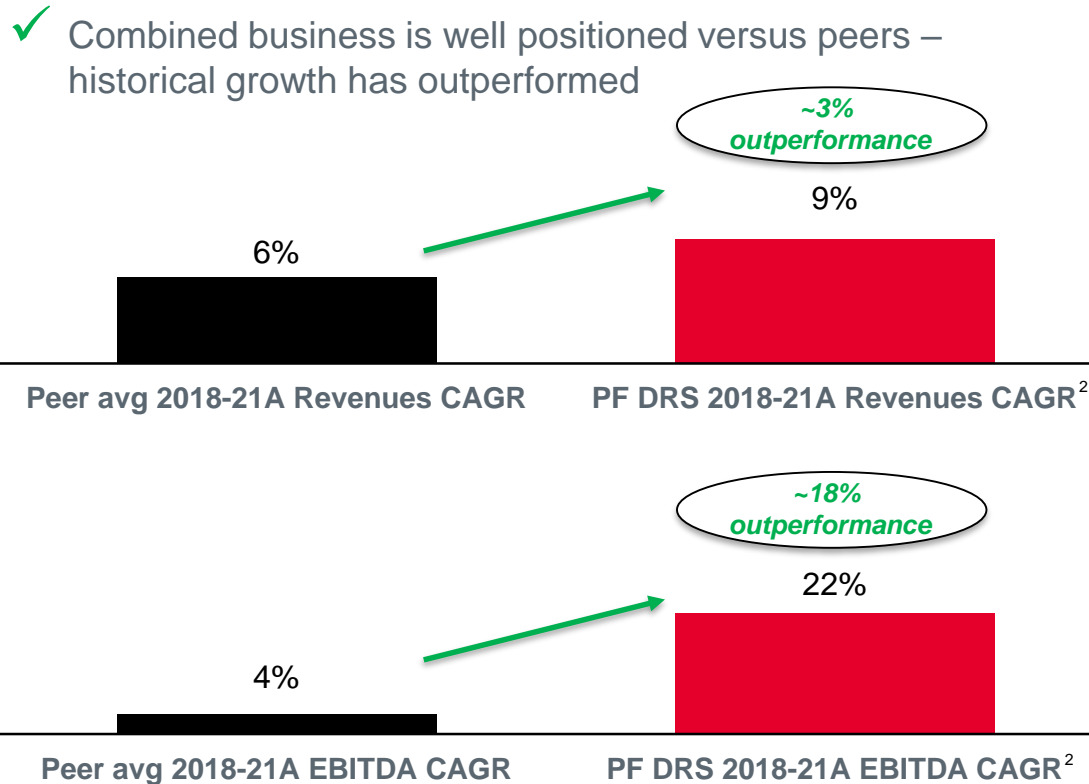


# Value creation opportunity over time for all shareholders

Strategically relevant for Leonardo and at a better valuation vs. 2021 IPO attempt

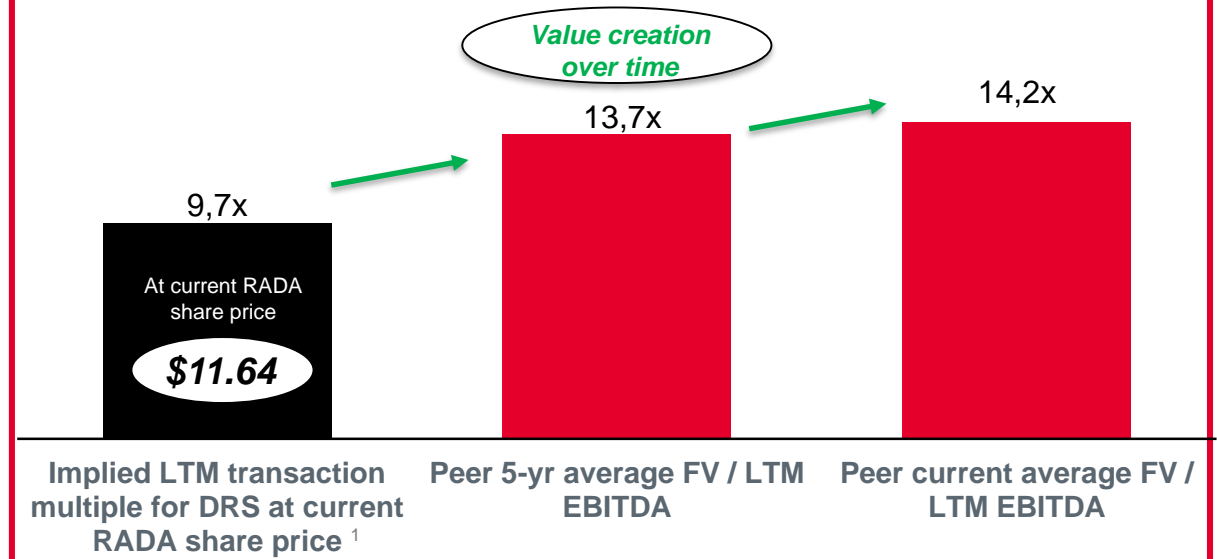
- Strategically positions DRS in a highly attractive segment of today and tomorrow's defence market
- Allowing the opportunity to list DRS in the current context of highly volatile markets, thus delivering on promises
- Additional value creation expected for Leonardo shareholders from future multiple re-rating prospects

## Combined Leonardo DRS versus peers



## Multiple uplift would unlock value for shareholders

- ✓ Attractive implied transaction multiple for DRS relative to peers
- ✓ Multiple expansion over time would create value for all shareholders and lead to higher valuation of DRS in Leonardo's SOTP



Note: Peer data sourced from public filings, FactSet. Peers include General Dynamics, L3Harris, Lockheed Martin, Northrop Grumman, Raytheon Technologies, Elbit Systems, Curtiss-Wright, Mercury Systems, Chemring; <sup>1</sup> Based on RADA share price as of 6/17/2022, fully diluted RADA share count of ~51.5 (pre-transaction) and 80.5% PF ownership for DRS; <sup>2</sup> Financial information represents a combined view of RADA and DRS excluding previously announced divestitures. Please refer to the appendix for reconciliations to GAAP metrics



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## Key takeaway messages

- **We are fully convinced about the strong strategic and financial value of this transaction for Leonardo**
  - We have delivered the plan as promised on a DRS stand-alone basis
  - We have refocused DRS on its core business
  - We have reinforced it through this transaction
  - Finding a way to list it in highly volatile market conditions



**So we have fully delivered on our promises**



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# Q&A



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# APPENDIX



# LEONARDO DRS RECONCILIATIONS

## Revenue (Adjusted for Previously Announced Divestitures)

(\$ in millions)	2018	2019	2020	2021
Total revenues	\$2,333	\$2,714	\$2,778	\$2,879
Less divestiture impact	\$256	\$236	\$254	\$232
Revenue less divestitures	\$2,077	\$2,478	\$2,524	\$2,647

## Adjusted EBITDA

(\$ in millions)	2018	2019	2020	2021	2021 Q1	2022 Q1	LTM
Net earnings	(\$10)	\$75	\$85	\$154	\$28	\$36	\$162
Income tax provision	(7)	20	27	46	13	12	46
Amortization of intangibles	93	9	9	9	2	2	9
Depreciation	35	42	44	49	12	13	50
Restructuring costs	14	20	12	5	0	0	5
Interest expense	58	65	64	35	9	8	27
Deal related transaction costs	0	0	9	5	4	2	7
Foreign exchange	3	0	1	1	0	0	1
COVID-19 response costs	0	0	12	6	3	0	3
Non-service pension expense	1	3	5	0	0	0	3
Adjusted EBITDA	\$187	\$234	\$268	\$310	\$71	\$73	\$312
Less divestitures:							
Net earnings	15	20	28	22	4	4	22
Income tax provision	5	6	8	7	1	1	6
Depreciation	1	1	1	3	1	0	2
Adjusted EBITDA less divestitures	\$166	\$207	\$231	\$278	\$64	\$68	\$281





# RADA RECONCILIATIONS

## Adjusted EBITDA

(US dollars in millions)	2018	2019	2020	2021	2021 Q1	2022 Q1	LTM
Net income (loss)	(\$0.2)	(\$2.3)	\$5.6	\$25.1	\$3.8	(\$0.7)	\$20.6
Tax expense	0.0	0.0	0.0	(4.9)	0.0	(0.2)	(5.0)
Financial expense (income), net	0.3	0.2	(0.2)	0.2	(0.2)	(0.0)	0.4
Depreciation	0.8	1.2	2.3	3.7	0.8	1.2	4.1
Employee option compensation	0.9	1.1	1.4	3.0	0.5	0.9	3.4
Other non-cash amortization	0.0	0.1	0.5	0.2	0.0	0.1	0.3
Adjusted EBITDA	\$1.8	\$0.4	\$9.7	\$27.3	\$4.8	\$1.3	\$23.8



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# SAFE HARBOR STATEMENT

NOTE: Some of the statements included in this document are not historical facts but rather statements of future expectations, also related to future economic and financial performance, to be considered forward-looking statements. These forward-looking statements are based on Company's views and assumptions as of the date of the statements and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Given these uncertainties, you should not rely on forward-looking statements.

The following factors could affect our forward-looking statements: the ability to obtain or the timing of obtaining future government awards; the availability of government funding and customer requirements both domestically and internationally; changes in government or customer priorities due to programme reviews or revisions to strategic objectives (including changes in priorities to respond to terrorist threats or to improve homeland security); difficulties in developing and producing operationally advanced technology systems; the competitive environment; economic business and political conditions domestically and internationally; programme performance and the timing of contract payments; the timing and customer acceptance of product deliveries and launches; our ability to achieve or realise savings for our customers or ourselves through our global cost-cutting programme and other financial management programmes; and the outcome of contingencies (including completion of any acquisitions and divestitures, litigation and environmental remediation efforts).

These are only some of the numerous factors that may affect the forward-looking statements contained in this document.

The Company undertakes no obligation to revise or update forward-looking statements as a result of new information since these statements may no longer be accurate or timely.



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# SAFE HARBOR STATEMENT

## ADDITIONAL INFORMATION ABOUT THE TRANSACTION AND WHERE TO FIND IT

DRS will file with the U.S. Securities and Exchange Commission (SEC) a registration statement on Form S-4, which will include a prospectus of DRS, and certain other documents in connection with the transaction. SHAREHOLDERS OF RADA ARE URGED TO READ THE PROSPECTUS AND ANY OTHER DOCUMENTS FILED OR TO BE FILED WITH THE SEC IN CONNECTION WITH THE TRANSACTION WHEN THEY BECOME AVAILABLE, AS THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT DRS, RADA, THE TRANSACTION AND RELATED MATTERS. The registration statement and prospectus and other documents filed or furnished by DRS and RADA with the SEC, when filed, will be available free of charge at the SEC's website at [www.sec.gov](http://www.sec.gov). Alternatively, stockholders will be able to obtain free copies of the registration statement, prospectus and other documents which will be filed or furnished with the SEC by DRS by contacting DRS at +1 877-538-0912 or 2345 Crystal Drive Suite 1000 Arlington, Virginia 22202.

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# CONTACTS

**Valeria Ricciotti**

Head of Investor Relations and Credit Rating Agencies

+39 06 32473.697

[valeria.ricciotti@leonardo.com](mailto:valeria.ricciotti@leonardo.com)

Leonardo Investor Relations and Credit Rating Agencies

+39 06 32473.512

[ir@leonardo.com](mailto:ir@leonardo.com)

