Feb 23, 2026

Defense

KTOS
NASDAQ

Rating
Outperform
Unchanged

Current Price
$96.08
Target Price
$145.00

Market Capitalization
16.37b

Shares Outstanding
170.33m

Float
166.29m

Institutional Holdings
94.53%

12-Month Low/High
$23.90/$134.00

Average 90-Day Volume
3370000

Fiscal Year End
12/29/2026

Revenues ($ MIL)

Period	2024A	2025E	2026E
Q1	277.2A	302.6A	350.0E
Q2	300.1A	351.5A	400.0E
Q3	275.9A	347.6A	430.0E
Q4	283.1A	320.0E	430.0E
	1,136.3A	1,321.7E	1,610.0E

EPS ($)

Period	2024A	2025E	2026E
Q1	0.11A	0.12A	0.14E
Q2	0.14A	0.11A	0.19E
Q3	0.11A	0.14A	0.19E
Q4	0.13A	0.14E	0.18E
	0.49A	0.51E	0.70E

Kratos Defense & Security

An Acquisition, Awards, and More

Acquisition. In a 424B3 filing, Kratos disclosed that it acquired Nomad Global Communication Solutions, Incorporated, for an initial amount of 972,136 KTOS shares or approximately $100 million. Nomad provides mobile command, control, and communications systems for space and satellite systems, UAVs, counter UAVs, and other systems, with clients including all branches of the U.S. armed forces, Homeland Security, and other Agencies, among others. We expect management to provide additional detail and color on the earnings call.

Drone Dominance. Kratos has been selected to participate in the initial Phase 1 Gauntlet for the Office of the Secretary of War's Drone Dominance Program. This opportunity seeks to identify and evaluate platforms capable of demonstrating multiple one-way attack missions through a live competition. Upon successful completion of the Gauntlet, participants will be ranked and extended a prototype delivery award based on their performance and placement. The Drone Dominance Program represents a $1.1 billion investment in groundbreaking unmanned systems technologies. The program aims to procure approximately 350,000 units.

Hypersonic Materials. The Company was awarded a contract through the Department of War's Joint Hypersonics Transition Office to support test and evaluation of thermal protection systems for hypersonic vehicles. Kratos will leverage decades of expertise in hypersonics to analyze various missions and flight environments to understand appropriate testing conditions. Kratos will establish standard test conditions and techniques to accelerate materials development, which can be used as a baseline for other similar aerothermal test facilities.

Ground Equipment. Airbus Defence and Space has awarded Kratos a multi-million dollar contract to deliver a ground segment for its customer Space Communication Technologies (SCT) SPC to support the OmanSat-1 software-defined satellite. Kratos will deliver the ground segment that will include the capability to configure and monitor the satellite, optimize and set up the payload using integrated Airbus components, monitor the performance of the entire system from the satellite to the ground, and orchestrate part of the operations.

Conference Call. Kratos will hold its 4Q25 earnings call at 5 pm ET today. We will provide additional commentary and update our models following the call.

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Refer to the last two pages for Analyst Certification & Disclosures

Company Profile

Kratos Defense & Security Solutions is a National Security technology provider with proprietary expertise in the area of unmanned aerial vehicles, electronics for missile defense systems, electronic warfare systems, satellite control and management systems and support services for emerging naval weapon systems. Revenues from U.S. Government agency customers in aggregate accounted for approximately 67%, 69%, and 69% of total revenues in 2024, 2023, and 2022, respectively.

Fundamental Analysis — 4.5/5.0 checks

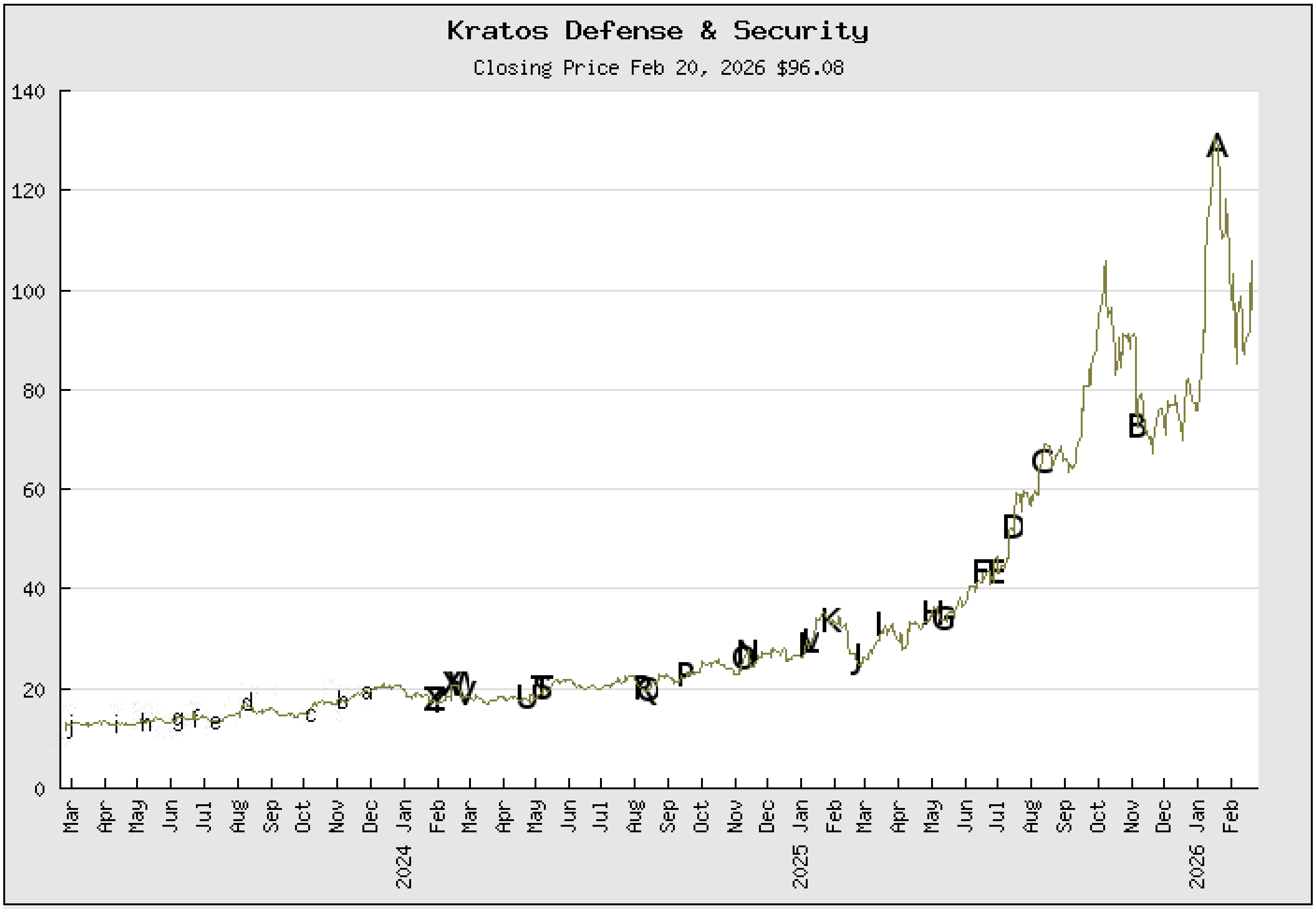
In our assessment, we give the KTOS 4.5 checks out of 5.0, which falls within our "Superior" range of 4.5 to 5.0 checks. Given the long term visibility of growth from several areas of the business, and the multi-decade nature of major UAS platforms, we believe KTOS has a significant market opportunity ahead. Furthermore, given switching costs, intellectual property, and competitors that cannot effectively compete within the low cost unmanned space, KTOS has developed a unique competitive position to capitalize on macro trends. The Kratos management team has developed this position with a patient and effective M&A strategy over the years, and we believe management has minimized execution risk as major platforms transition to production. As such, we believe the management team is of high quality. Finally, while the company is financially strong, given the low to mid-teen ceiling on the margin structure of the business, operating and financial leverage is a tick below our top possible rating, but still of meaningful quality. For further explanation of our fundamental analysis, refer to the disclosures at the end of this report.

Valuation Summary

We are maintaining our Outperform rating and $145 price target on KTOS shares. We believe the abundant opportunities across the business, potential positive increases in the defense budget, and solid execution, present strong financial upside potential. We believe the time has arrived for Kratos, with many prior investments poised to deliver.

Projected increased spending on defense, not only in the U.S. but across other parts of the world, bodes well for the Company. Department of Defense Secretary Hegseth's directive to "unleash U.S. military drone dominance" is a significant benefit for Kratos, in our view. We believe the recent spate of new awards and expected coming awards are a testament to the Company's long-term potential. We believe the Company to be well positioned to capitalize on new and emerging trends in defense. We believe the Company's technology, intellectual property, proprietary products, and designed-in positions on customers' programs, platforms, and systems provide Kratos with a competitive advantage.

Risks include: defense budget funding risks; timing of contract awards and protest risks; competition from larger prime contractors; fixed price performance risks and the risk of new system development.



A – 01/20/2026 Outperform Target $145.00 Current $128.68	B – 11/06/2025 Outperform Target $95.00 Current $72.41
C – 08/11/2025 Outperform Target $75.00 Current $65.41	D – 07/14/2025 Outperform Target $60.00 Current $51.99
E – 07/01/2025 Outperform Target $44.00 Current $43.07	F – 06/17/2025 Outperform Target $44.00 Current $43.23
G – 05/12/2025 Outperform Target $38.00 Current $33.93	H – 05/01/2025 Outperform Target $38.00 Current $34.93
I – 03/19/2025 Outperform Target $38.00 Current $32.56	J – 02/27/2025 Outperform Target $38.00 Current $26.27
K – 01/28/2025 Outperform Target $38.00 Current $33.48	L – 01/10/2025 Outperform Target $30.00 Current $29.37
M – 01/07/2025 Outperform Target $30.00 Current $28.61	N – 11/11/2024 Outperform Target $30.00 Current $27.08
O – 11/08/2024 Outperform Target $26.00 Current $25.97	P – 09/17/2024 Outperform Target $26.00 Current $22.43
Q – 08/12/2024 Outperform Target $22.00 Current $19.62	R – 08/08/2024 Outperform Target $22.00 Current $19.75
S – 05/10/2024 Outperform Target $22.00 Current $19.85	T – 05/08/2024 Outperform Target $22.00 Current $19.84
U – 04/22/2024 Outperform Target $22.00 Current $17.83	V – 02/27/2024 Outperform Target $22.00 Current $18.68
W – 02/20/2024 Outperform Target $22.00 Current $20.50	X – 02/14/2024 Outperform Target $22.00 Current $20.82
Y – 02/01/2024 Outperform Target $22.00 Current $17.24	Z – 01/29/2024 Outperform Target $22.00 Current $17.63
a – 11/27/2023 Outperform Target $22.00 Current $19.52	b – 11/06/2023 Outperform Target $18.00 Current $17.56
c – 10/06/2023 Outperform Target $18.00 Current $15.13	d – 08/08/2023 Outperform Target $18.00 Current $17.18
e – 07/10/2023 Outperform Target $18.00 Current $13.64	f – 06/23/2023 Outperform Target $18.00 Current $13.87
g – 06/06/2023 Outperform Target $18.00 Current $14.11	h – 05/08/2023 Outperform Target $18.00 Current $13.21
i – 04/10/2023 Outperform Target $18.00 Current $12.88	j – 02/27/2023 Outperform Target $18.00 Current $12.64

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Noble has managed or co-managed a public offering in the past 12 months. Noble has received compensation for investment banking services in the past 12 months.

Noble intends to seek compensation for investment banking services and non-investment banking services (securities and non-securities related) within the next 3 months.

Noble is not a market maker in the Company.

FUNDAMENTAL ASSESSMENT

The fundamental assessment rating system is designed to provide insights on the company's fundamentals both on a macro level, which incorporates a company's market opportunity and competitive position, and on a micro/company specific level. The micro/company specific attributes include operating & financial leverage, and corporate governance/management. The number of check marks that a company receives is designed to provide a quick reference and easy determination of the company's fundamentals based upon the following five attributes of the company (weighting reflects the importance of each attribute in the overall scoring of company's fundamental analysis):

Attribute	Weighting
Corporate Governance/Management	20%
Market Opportunity Analysis	20%
Competitive Position	20%
Operating Leverage	20%
Financial Leverage	20%

For each attribute, the analysts score the company from a low of zero to a high of ten based upon the analysis described below. The final rating and resulting check marks is a result of dividing the overall score (out of 100%) by ten.

Rating	Score	Checks
Superior	9.1 to 10	Five Checks
Superior	8.1 to 9	Four & A Half Checks
Above Average	7.1 to 8	Four Checks
Above Average	6.1 to 7	Three & A Half Checks
Average	5.1 to 6	Three Checks
Average	4 to 5	Two & A Half Checks
Below Average	3 to 3.9	Two Checks
Below Average	2 to 2.9	One & A Half Checks
Low Quality	0 to 1.9	One Check

While these are the attributes currently used for the analyst's fundamental analysis, the attributes and weighting may be reviewed, updated with additional attributes, and/or changed in the future based on discussions with the analysts and recommendations from the Director of Research.

Following is the description of each attribute in the fundamental analysis.

Corporate Governance/Management

We believe that a review of corporate governance and assessment of the senior management are important tools to determine investment merit. Good corporate governance aligns management with the interests of stakeholders. As such, analysts are to rank the company on the basis of good corporate governance principles that may include rules and procedures, board composition and staggered term limits, rights and responsibilities, corporate objectives, monitoring of actions and policies, and accountability. In addition, analysts will assess issues with controlling shareholders and whether decisions have been made in the past that were in the interests of all shareholders. In addition, management will be assessed based on industry experience, expertise, and/or track record.

High ranking example: Board and management that is aligned with the interests of shareholders with incentives based on stock price appreciation and with an experienced management team known for exceptional shareholder returns.

Low ranking example: Concentrated ownership without independent directors that do not necessarily align with all shareholders' interests.

The Market Opportunity Analysis

In this review, the analyst assesses the company's macro environment as a measure of understanding the industry. Factors considered include the size and growth potential of the industry under various economic conditions, the emerging demands in the market, technological benefits/disruptions, competition, geographical opportunities, and customer demands/needs, and an assessment of supply and distribution channels. In addition, the analyst will review legal and regulatory trends, as well as potential shifts in consumer or social behavior and natural environment changes.

High rank example: A company in an industry that is growing revenues well above GDP rates (which are on average 2% plus) and/or may have unmet or under-served needs in a rapidly growing market opportunity.

Low rank example: A mature industry that is in secular decline and likely to grow below GDP rates.

Competitive Position

The evaluation of the company's competitive position is another macro environment attribute designed to measure the relevance, market share, position and value proposition, and sustainable differentiations of the company and its products/services within its industry. Ease of entry into the industry and the ability of other well-funded players to potentially enter the market would be determined. As such, the assessment would consider the company's strengths and advantages of its products/services against weaknesses and limitations. This may include the company's current brand awareness, pricing and cost structure, current market strategies and geographic penetration that may affect demand for its products/services. In addition, the company's competitors would be evaluated.

High rank example: An analyst would consider the company's product to be superior to its competitors and that should allow the company to gain market share.

Low rank example: A company with a "me-too" product that does not have any significant technology advantages in an industry that has low barriers to entry.

Operating Leverage

Simplistically, operating leverage is determined by the operating income relative to changes in revenue. The analyst will calculate the impact on sensitivity on gross margins and variable costs to determine operating leverage. The analyst will take into account the ability of the company to cut fixed and variable costs in a challenged revenue environment and technological changes that may impact operating expenses. In addition, the analyst is to assess corporate strategies that include capital investment, which may be required for sustainable revenue growth, marketing expenses, and the company's ability to attract and retain talent and/or employees. The analyst should focus on the revenue opportunity and determine the price elasticity of demand for the company's products or services. In other words, the analyst is to rank the company based on improved operating margins going forward on an absolute and relative basis.

High rank example: A company that has improving margins for the foreseeable future, with significant price elasticity.

Low rank example: A company that is in a challenged revenue environment with a fixed cost structure and limited ability to cut costs, indicating an outlook for declining margins.

Financial Leverage

A strict definition of financial leverage is total debt divided by total shareholder's equity. Financial leverage analysis is to determine the company's ability to improve shareholder value by means of utilizing its balance sheet to grow organically or to acquire assets. Analysts may look at the company's debt to cash flow leverage ratio, interest coverage ratios, or debt to equity ratios. In addition, the interest rate environment and the outlook for interest rates are a factor in determining the company's ability to manage financial leverage. Finally, the analyst is expected to determine the ability to service the debt given the industry and/or company profile, such as cyclicality, barriers to entry, history of bankruptcy, consistency in revenue and profit growth, or predictability in sales and profits and large cash reserves. The analyst is expected to take into account capital intensity of the company and the anticipated of capital allocation decisions.

High rank example: A company with predictable and growing revenue and cash flow with modest debt levels. This may indicate that the company could improve shareholder value through growth investments, including acquisitions, using debt financing.

Low rank example: A company in a cyclical industry in a late stage economic cycle that has above average debt leverage and is in an industry that has a history of financial challenges, including bankruptcies.

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Senior Generalist Equity Analyst. Chartered Financial Analyst©. Over 25 years experience as a Generalist Analyst focused in the small to mid-cap space. MBA in Finance from Pace University and a BS in Agricultural Economics from Cornell University.
FINRA licenses 6, 7, 24, 63, 86, 87.

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NOBLE RATINGS DEFINITIONS	% OF SECURITIES COVERED	% IB CLIENTS
Outperform: potential return is >15% above the current price	84%	15%
Market Perform: potential return is -15% to 15% of the current price	16%	5%
Underperform: potential return is >15% below the current price	0%	0%

NOTE: On August 20, 2018, Noble Capital Markets, Inc. changed the terminology of its ratings (as shown above) from "Buy" to "Outperform", from "Hold" to "Market Perform" and from "Sell" to "Underperform." The percentage relationships, as compared to current price (definitions), have remained the same.

Additional information is available upon request. Any recipient of this report that wishes further information regarding the subject company or the disclosure information mentioned herein, should contact Noble Capital Markets, Inc. by mail or phone.

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