

**RECOMMENDATION: BUY / LONG**

# Karman Holdings Inc.

(NYSE: KRMN)

---

A Mission-Critical Play on the Next Generation of Defense  
& Space

---

PREPARED BY

Eyoel Tamiru

DATE

December 2025

SECTOR

Aerospace & Defense

• • •

# Executive Summary

## The Investment Hook

Karman is an IP-driven, "sole-source" supplier for the highest-priority defense programs—specifically **Hypersonics** and **Tactical Missiles**—and critical commercial space infrastructure.

Essential intellectual property and high switching costs create a formidable defensive moat, positioning KRMN to capture aggressive upside from the current defense super-cycle.

### WHY NOW?

Unlike speculative "New Space" ventures, KRMN generates significant free cash flow today and scales efficiently with production volume.

#### MARKET CAP (EST.)

**\$1.5B - \$2.0B**

Based on recent growth trajectory



#### TARGET UPSIDE

**+20%**

From current levels



#### FY24 REVENUE GROWTH

**23%**



#### ADJ. EBITDA GROWTH

**30%**



#### DEFENSIVE MOAT

High Switching Costs & Essential IP



# The Investment Thesis



01

DEFENSIVE MOAT

## High-Priority Defense

Karman is the leading provider of critical propulsion components for **hypersonic missiles**. This is currently the Pentagon's #1 R&D priority, ensuring funding stability even in uncertain budget environments.

✓ PENTAGON #1 PRIORITY



02

COMMERCIAL SPACE

## Profitable Space Exposure

Unlike speculative "New Space" stocks, KRMN is **profitable today**. It supplies essential fairings and payload systems for over 100 funded programs, including major constellations like Starlink.

✓ 100+ FUNDED PROGRAMS



FINANCIALS

## Operating Leverage

Business scales efficiently as production volume increases. EBITDA is growing significantly faster than Revenue (**30% vs 23%**), proving superior unit economics and margin expansion potential.

✓ SCALABLE ECONOMICS

03

# Market Dynamics & Customers

## The "Golden Age" of Defense

Global geopolitical tensions are driving a multi-year "super-cycle" for tactical missiles and interceptors. Budgets are shifting rapidly toward kinetic capabilities and hypersonic deterrence.

### 🔒 Barriers to Entry

Strict **ITAR regulations** and decades of required engineering validation create extremely high switching costs.

🚫 NEW COMPETITOR DISPLACEMENT: NEARLY IMPOSSIBLE

## Blue-Chip Customer Base

### Government

Primary End-Users

DOD (Dept. of Defense)

NASA

### Primes

Strategic Partners

Lockheed Martin

Raytheon

Boeing

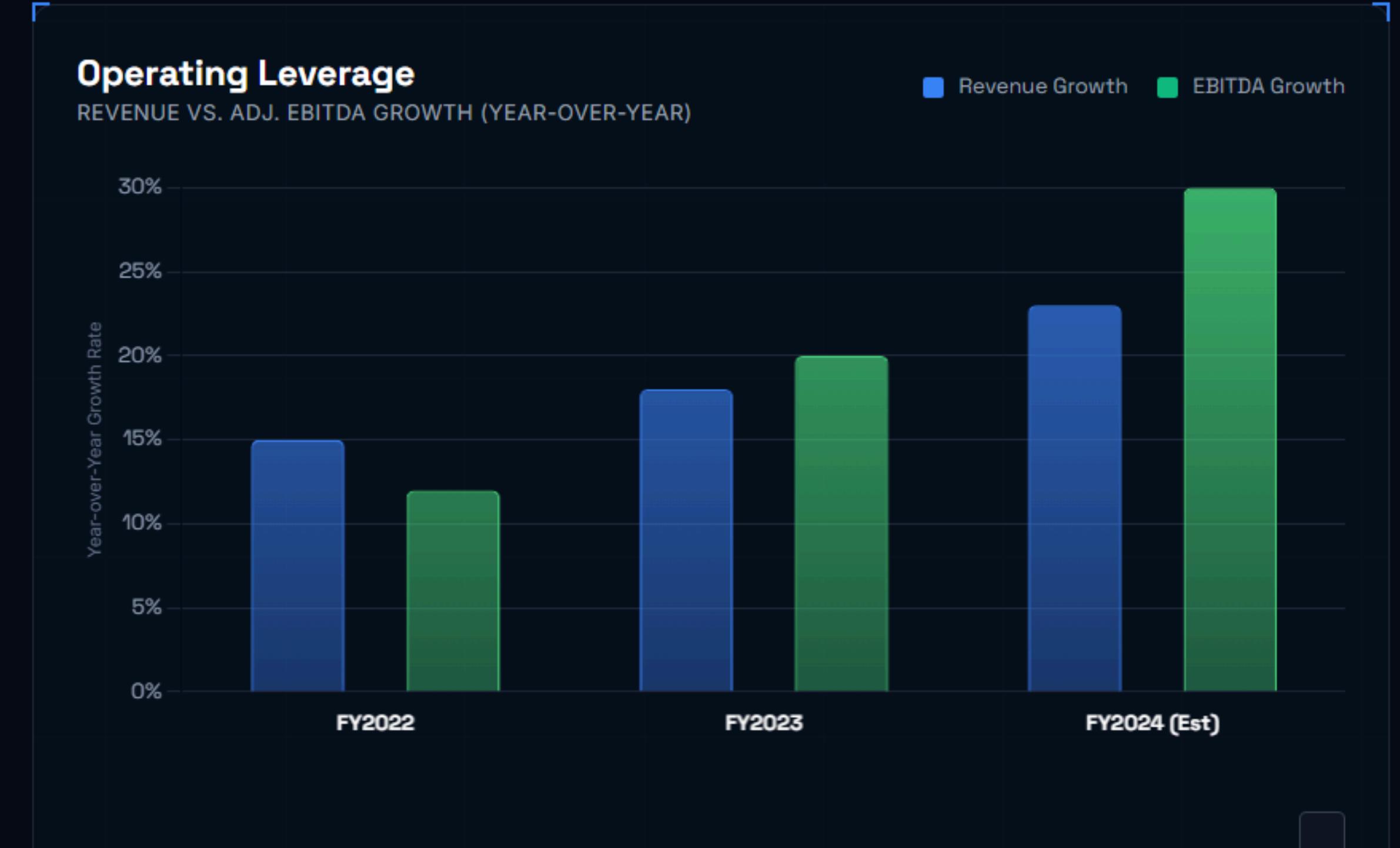
### Commercial

High Growth

SpaceX (Starlink)

## FINANCIAL FRAMEWORK

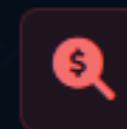
# Valuation & Financials



## RISK ASSESSMENT

# Risks & Mitigants

### POTENTIAL HEADWIND (RISK)



#### ▲ VALUATION PREMIUM

### High Multiple (60x P/E)

Current trading multiples are significantly higher than traditional defense primes.

### STRUCTURAL TAILWIND (MITIGANT)



#### QUALITY PREMIUM

### High-Growth IP Justification

Unique, sole-source IP portfolio commands a "Quality Premium" over commodity manufacturers. Growth rate (30%+) far exceeds peers.



#### ▲ LEVERAGE

### Debt Burden

Elevated leverage ratios post-acquisition spree may constrain capital flexibility.



#### BALANCE SHEET ACTION

### Aggressive De-leveraging

Management is prioritizing debt repayment. Strong free cash flow conversion expected to drive Net Debt/EBITDA < 2.5x by 2025.



#### ▲ POLICY

### Budget Delays

Government Continuing Resolutions (CRs) can delay program funding starts.



#### PROGRAM INSULATION

### Mission Critical Status

Exposure is concentrated in Hypersonics & Space—strategic priorities that are historically insulated from broad budget cuts.

# Catalysts & Price Target

12-MONTH OUTLOOK  
PATH TO VALUE

## Upcoming Catalysts

Key milestones to unlock shareholder value



### Q4 Earnings Call

Near Term

Expected to confirm FY2025 de-leveraging targets and free cash flow conversion guidance.



### New Program Award

Mid Term

Potential contract win for **Next-Generation Interceptor (NGI)** propulsion components.



### Index Inclusion

Long Term

Potential addition to the **Russell 2000**, driving passive institutional buying pressure.