

RECOMMENDATION: BUY / LONG

Karman Holdings Inc.

(NYSE: KRMN)

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

PREPARED BY	DATE	SECTOR
Eyoel Tamiru	December 2025	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

03



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

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)

Valuation & Financials



Valuation

~60x

FORWARD P/E RATIO

PEG Ratio

1.2x

High multiple justified by hyper-growth profile relative to peers.



Balance Sheet

3.2x → **<2.5x**

NET DEBT / EBITDA (2024 VS 2025E)

✓ Rapid De-leveraging

Driven by strong free cash flow conversion post-IPO

Operating Leverage







REVENUE VS. ADJ. EBITDA GROWTH (YEAR-OVER-YEAR)

Revenue Growth EBITDA Growth



RISK ASSESSMENT

Risks & Mitigants

POTENTIAL HEADWIND (RISK)	STRUCTURAL TAILWIND (MITIGANT)
<div><div></div><div><div>⚠️ VALUATION PREMIUM</div><div>High Multiple (60x P/E)</div><div>Current trading multiples are significantly higher than traditional defense primes.</div></div></div>	<div><div></div><div><div>QUALITY PREMIUM</div><div>High-Growth IP Justification</div><div>Unique, sole-source IP portfolio commands a "Quality Premium" over commodity manufacturers. Growth rate (30%+) far exceeds peers.</div></div></div>
<div><div></div><div><div>⚠️ LEVERAGE</div><div>Debt Burden</div><div>Elevated leverage ratios post-acquisition spree may constrain capital flexibility.</div></div></div>	<div><div></div><div><div>BALANCE SHEET ACTION</div><div>Aggressive De-leveraging</div><div>Management is prioritizing debt repayment. Strong free cash flow conversion expected to drive Net Debt/EBITDA < 2.5x by 2025.</div></div></div>
<div><div></div><div><div>⚠️ POLICY</div><div>Budget Delays</div><div>Government Continuing Resolutions (CRs) can delay program funding starts.</div></div></div>	<div><div></div><div><div>PROGRAM INSULATION</div><div>Mission Critical Status</div><div>Exposure is concentrated in Hypersonics & Space—strategic priorities that are historically insulated from broad budget cuts.</div></div></div>

Catalysts & Price Target

12-MONTH OUTLOOK
PATH TO VALUE

Upcoming Catalysts

Key milestones to unlock shareholder value

