August 12, 2021

Red Cat Holdings Reports Record Annual Revenues

HUMACAO, Puerto Rico, Aug. 12, 2021 /PRNewswire/ -- Red Cat Holdings, Inc. (Nasdaq: RCAT) ("Red Cat" or "Company"), a hardware-enabled software provider to the drone industry, reports its financial results for the fiscal year ended April 30, 2021, and provides a business update:

- Revenues for the fiscal year ended April 30, 2021, were approximately $5.0 million, representing a more than ten-fold increase compared to approximately $0.4 million for the fiscal year ended April 30, 2020
- Adjusted Net loss for the fiscal year ended April 30, 2021, which excludes non-cash charges associated with derivative liabilities, stock-based compensation, and the amortization of debt discount, was approximately $1.6 million, as compared to an adjusted net loss of $1.3 million for the fiscal year ended April 30, 2020
- Common Stock financings in May and July 2021 raised $76 million in gross proceeds

"We are pleased to report only a relatively modest increase in our adjusted net loss even while closing and integrating three acquisitions during the 16-month period through April 30, 2021," stated Joseph Hernon, Chief Financial Officer. "Our recent capital raises totaling gross proceeds of $76 million have strengthened our financial position, and we are well funded to execute on our growth initiatives."

"Since the beginning of 2019, we have completed three acquisitions, and we are working hard to close our fourth and most exciting acquisition, Teal Drones, as fast and efficiently as possible," stated Jeffrey Thompson, Chief Executive Officer. "Red Cat remains focused on building a portfolio of complementary products and services to support the continued growth and maturation of the drone industry in both the enterprise and consumer market segments. Our disciplined acquisition strategy targets companies with advanced product offerings and unique drone platforms and intellectual property. After the integration of Teal Drones, we would expect military applications and infrastructure inspections to be our most significant revenue drivers."

Conference Call Today:

Jeff Thompson, CEO and Joseph Hernon, CFO will conduct a conference call this afternoon at 5:00 p.m. ET and lead a discussion of fiscal year 2021 financial results along with a Q&A session to follow. To listen to the conference call, interested parties within the U.S. should dial 1-866-777-2509 (domestic) or 1-412-317-5413 (international). All callers should dial in approximately 10 minutes prior to the scheduled start time and ask to be joined into the Red Cat Holdings conference call.

The conference call will also be available through a live webcast that can be accessed at https://services.choruscall.com/mediaframe/webcast.html?webcastid=TxjwxSOS

The webcast replay will be available until November 12, 2021, and can be accessed through the above link. A telephonic replay will be available until August 26, 2021, by calling 1-877-344-7529 (domestic) or 1-412-317-0088 (international) and using access code 10159599.

The Company's complete financial statements are being filed today with the Securities and Exchange Commission and can be accessed via https://sec.report/Ticker/RCAT. A condensed summary of select financial data is provided below:

Statements Of Operations

	Year ended April 30,	
	2021	**2020**
Revenues	$ 4,999,517	$ 403,940
Cost of goods sold	3,929,832	325,379
Gross Margin	1,069,685	78,561
Operating Expenses		
Operations	590,342	—
Research and development	516,084	488,990
Sales and marketing	172,182	—
General and administrative	1,279,471	949,636
Stock based compensation	3,388,216	269,895
Total operating expenses	5,946,295	1,708,521
Operating loss	(4,876,610)	(1,629,960)
Other Expense (Income)		
Derivative expense	4,630,288	—
Change in fair value of derivative liability	2,492,894	—
Interest expense	1,223,767	29,186
Other, net	12,616	(57,215)
Other Expense (Income)	**$ 8,359,565**	**$ (28,029)**
Net loss	**$ (13,236,175)**	**$ (1,601,931)**

Condensed Balance Sheets

	April 30, 2021	**April 30, 2020**
ASSETS		
Cash and other assets	$ 1,643,863	$ 322,191
Intangible assets, net	2,032,169	20,000

Goodwill	8,017,333	2,466,073
TOTAL ASSETS	**11,693,365**	**2,808,264**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Warrant derivative liability	2,812,767	—
Payable to related party	2,143,209	333,684
Accounts payable and accrued expenses	1,202,049	376,811
Notes payable	269,045	568,771
Total Liabilities	6,427,070	1,279,266
Stockholders' Capital	21,076,223	4,102,751
Accumulated deficit	(15,809,928)	(2,573,753)
Total Stockholders' Equity	5,266,295	1,528,998
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 11,693,365**	**$ 2,808,264**

Condensed Statements of Cash Flows

	Year ended April 30,	
	2021	**2020**
Net cash used in operating activities	(1,399,001)	(811,584)
Net cash (used in) provided by investing activities	(48,368)	46,327
Net cash provided by financing activities	1,488,048	498,487

Non-GAAP Financial Measures

We have presented a supplemental non-GAAP financial measure in this earnings release. We believe that this supplemental information is useful to investors because it allows for an evaluation of the company with a focus on the performance of its core operations, including more meaningful comparisons of financial results to historical periods. Adjusted Net Loss is a non-GAAP financial measure which excludes certain non-cash expenses related to derivatives, stock-based compensation and the amortization of debt discounts. Our executive management team uses these same non-GAAP measures internally to assess the ongoing performance of the company.

Below is a reconciliation of Adjusted Net Loss to GAAP net loss for the 12 months ended April 30, 2021 and 2020:

	Adjusted net loss	
	2021	**2020**
Net loss	**$ (13,236,175)**	**$ (1,601,931)**
Stock based compensation	3,388,216	269,895
Derivative expense	4,630,288	—

Change in fair value of derivative liability	2,492,894	—
Non-cash portion of interest expense	1,100,000	—
Adjusted Net Loss	**$ (1,624,777)**	**$ (1,332,036)**

About Red Cat Holdings, Inc.

Red Cat provides products, services and solutions to the drone industry through its four wholly owned subsidiaries. Fat Shark Holdings is the leading provider of First Person View (FPV) video goggles to the drone industry. Rotor Riot, LLC is a leader in the sale of FPV drones and equipment, primarily to the consumer marketplace through its digital storefront located at www.rotorriot.com. Rotor Riot enjoys high visibility in social media through its Facebook page and its sponsorship of a professional drone racing team that has won numerous championships. Skypersonic provides software and hardware solutions that enable drones to complete inspection services in locations where GPS is not available, yet still record and transmit data even while being operated from thousands of miles away. Red Cat Propware is developing a Software-as-a-Solution ("SaaS") platform to provide drone flight data analytics and storage, as well as diagnostic products and services. Learn more at https://www.redcatholdings.com/.

Forward Looking Statements

This press release contains "forward-looking statements" that are subject to substantial risks and uncertainties. All statements, other than statements of historical fact, contained in this press release are forward-looking statements. Forward-looking statements contained in this press release may be identified by the use of words such as "anticipate," "believe," "contemplate," "could," "estimate," "expect," "intend," "seek," "may," "might," "plan," "potential," "predict," "project," "target," "aim," "should," "will" "would," or the negative of these words or other similar expressions, although not all forward-looking statements contain these words. Forward-looking statements are based on Red Cat Holdings, Inc.'s current expectations and are subject to inherent uncertainties, risks and assumptions that are difficult to predict. Further, certain forward-looking statements are based on assumptions as to future events that may not prove to be accurate. These and other risks and uncertainties are described more fully in the section titled "Risk Factors" in the final prospectus related to the public offering filed with the Securities and Exchange Commission. Forward-looking statements contained in this announcement are made as of this date, and Red Cat Holdings, Inc. undertakes no duty to update such information except as required under applicable law.

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