July 27, 2022

Red Cat Holdings Reports Financial Results for Fiscal Year Ended April 30, 2022 and Provides Corporate Update

SAN JUAN, Puerto Rico, July 27, 2022 (GLOBE NEWSWIRE) -- Red Cat Holdings, Inc. (Nasdaq: RCAT) ("Red Cat" or "Company"), a hardware-enabled software provider to the drone industry, reports its financial results for its fiscal year ended April 30, 2022 and provides a business update.

Fiscal 2022 and Recent Corporate Highlights:

- Acquired Teal Drones ("Teal") and Skypersonic, Inc. to better penetrate the military and industrial inspection markets, respectively
- Raised $76 million in gross proceeds from public market financings
- Strengthened management team with hiring of Dr. Allan Evans as Chief Operating Officer and Geoffrey Hitchcock as Senior Vice President of Global Defense Solutions

Teal

- Teal was among five contractors awarded a firm, fixed price, multiple-award, blanket purchase agreement worth an estimated $90 million in total over a five-year ordering period by the U.S. Customs and Border Protection
- Teal was selected from more than three dozen competitors by U.S. Army for the Short Range Reconnaissance Tranche 2 Drone Program; received a $1.5 million prototype contract
- Teal received an initial purchase order for 15 Golden Eagle drone units from a NATO member country for deployment in Ukraine
- Teal completed the development of the 4-Ship and 4-Ship+ multi-vehicle packages, which allow for a single drone pilot to control an up to four-drone system with applications for the defense, government, and public safety markets

Skypersonic

- Skypersonic was awarded a five-year contract by NASA to provide drone and rover software, hardware, and support for NASA's Simulated Mars mission
- Skypersonic completed a two-year program with General Motors using the Skycopter™ to perform crane rail inspections in all 19 of its North American stamping (metalworking) facilities

- Skypersonic successfully completed a trans-Atlantic inspection of an Italian utility plant with the pilot physically located in the U.S. while controlling a drone located at the plant using the Internet connection from a normal cellphone

Fat Shark

- Fat Shark launched a new first-person viewer (FPV) drone headset called the Dominator, a low-latency, 1080p digital goggle with an extended flight range higher than existing competing systems

Financial Highlights:

- Revenue for the fiscal year ended April 30, 2022 increased 29% year-over-year to $6.4 million

- Cash and marketable securities were approximately $49 million as of April 30, 2022

“As the drone industry continues to build momentum, we believe we are positioned well to maintain our emerging leadership position,” commented CEO Jeff Thompson. “With our strong cash position of nearly $49 million, we believe we have a clear path to profitability without the need for additional financing.

“Furthermore, we continue to steadily increase our monthly unit production at Teal with strong demand from the U.S. military, other government agencies, and other NATO countries as a response to the Ukraine conflict. Along with the potential from the U.S. Army’s Short Range Reconnaissance Tranche 2 Drone Program, our recent introduction of the 4-Ship should keep our pipeline of activity from Teal quite full for the next 12-24 months.

“Beyond Teal, we expect revenue growth for Fat Shark to be strong in fiscal 2023 thanks to the recent rollout of the Dominator FPV state-of-the-art goggles. With unmatched technical performance, the Dominator is the latest innovation from Fat Shark, and we believe it will appeal to professional drone pilots across the world.

“Additionally, once U.S. federal funds from the $1 trillion Infrastructure Bill begin to get apportioned, we feel Skypersonic is positioned well to capitalize on the inspection market. There are significant efficiencies in both cost and time from using drone technology, such as Skypersonic’s Skycopter drone, to perform the thousands of necessary inspections of roads, bridges, towers, etc. across the government landscape,” concluded Mr. Thompson.

"Fiscal 2022 was a momentous year in the evolution and growth of Red Cat,” stated Joseph Hernon, Chief Financial Officer. “We completed the acquisitions of Teal Drones and Skypersonic, which together will compose our Enterprise Segment in fiscal 2023. Our financial position remains strong with almost $49 million of cash and marketable securities and debt obligations of less than $2 million.”

Conference Call Today
CEO Jeff Thompson and CFO Joseph Hernon will also host an earnings conference call at 5:00 p.m. ET on Wednesday, July 27, 2022 to review financial results and provide an update on corporate developments. Following management’s formal remarks, there will be a

question-and-answer session.

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, Inc. conference call. Participants can also pre-register for this event using the following link: https://dpregister.com/sreg/10169409/f3b79d8714

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

The webcast replay will be available until October 27, 2022 and can be accessed through the above link or on the Company's website. A telephonic replay will be available until August 10, 2022 by calling 1-877-344-7529 (domestic) or 1-412-317-0088 (international) and using access code 9552326.

About Red Cat Holdings, Inc.
Red Cat provides drone-based products, services, and solutions through its four subsidiaries and services the enterprise, military, and consumer markets. Teal Drones is a leader in unmanned aircraft systems (UAS), and its Golden Eagle is one of only five drones approved by the Department of Defense for reconnaissance, public safety, and inspection applications. Skypersonic's technology enables 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. Fat Shark is a leading provider of First Person View (FPV) video goggles. Rotor Riot, LLC is a reseller of FPV drones and equipment, primarily to the consumer marketplace. 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.

Contact:

INVESTORS:
CORE IR
Phone: (516) 222-2560

NEWS MEDIA:
Dalton Agency
(615) 515-4880 (o)

E-mail: Investors@redcat.red (615) 337-0964 (m)
Website: https://www.redcatholdings.com/ Email: jbradford@daltonagency.com

RED CAT HOLDINGS
Condensed Consolidated Balance Sheets

	April 30, 2022	April 30, 2021
ASSETS		
Cash and marketable securities	$ 48,875,184	$ 277,347
Intangible assets including goodwill, net	27,837,281	10,049,502
Inventory, including deposits	5,602,955	841,011
Other	2,763,205	525,505
TOTAL ASSETS	**$ 85,078,625**	**$ 11,693,365**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	$ 2,541,171	$ 1,202,049
Debt obligations	1,970,661	2,412,254
Warrant derivative liability	1,607,497	2,812,767
Other	1,043,624	—
Total liabilities	7,162,953	6,427,070
Stockholders' capital	106,885,000	21,076,223
Accumulated deficit/comprehensive loss	(28,969,328)	(15,809,928)
Total stockholders' equity	77,915,672	5,266,295
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 85,078,625**	**$ 11,693,365**

Red Cat Holdings
Condensed Consolidated Statements of Operations

	Year ended April 30,	
	2022	**2021**
Revenues	$ 6,428,963	$ 4,999,517
Cost of goods sold	5,503,448	3,929,832
Gross margin	925,515	1,069,685
Operating expenses		
Operations	1,353,904	590,342
Research and development	2,606,141	516,084
Sales and marketing	1,127,532	172,182
General and administrative	5,548,589	1,279,471
Stock based compensation	3,291,635	3,388,216
Total operating expenses	13,927,801	5,946,295
Operating loss	(13,002,286)	(4,876,610)
Other (income) expense		
Derivative expense, net	(1,042,129)	7,123,182
Other	(271,029)	1,236,383
Other (income) expense	(1,313,158)	8,359,565
Net loss	**$ (11,689,128)**	**$ (13,236,175)**
Loss per share - basic and diluted	**$ (0.24)**	**$ (0.56)**
Weighted average shares outstanding - basic and diluted	**48,220,265**	**23,655,743**

Red Cat Holdings
Condensed Consolidated Statements of Cash Flows

	Year ended April 30,	
	2022	**2021**
Cash Flows from Operating Activities		
Net loss	$ (11,689,128)	$ (13,236,175)

Non-cash expenses	2,764,709	11,648,229
Changes in operating assets and liabilities	(7,094,901)	188,945
Net cash used in operating activities	(16,019,320)	(1,399,001)
Cash Flows from Investing Activities		
Purchases of marketable securities, net	(47,264,663)	—
Other, net	(338,823)	(48,368)
Net cash used in investing activities	(46,603,486)	(48,368)
Cash Flows from Financing Activities		
Payments (proceeds) of debt obligations	(2,900,709)	1,286,799
Proceeds from issuance of equity, net	70,165,202	201,249
(Payments) proceeds from employee equity transactions	(834,219)	—
Net cash provided by financing activities	66,430,274	1,488,048
Net increase in Cash	3,807,468	40,679
Cash, beginning of period	277,347	236,668
Cash, end of period	4,084,815	277,347
Marketable securities	44,790,369	—
Cash and marketable securities	$ 48,875,184	$ 277,347

Source: Red Cat Holdings, Inc.