September 12, 2022

Red Cat Holdings Reports Record Quarterly Revenues for its First Quarter of Fiscal Year 2023 and Provides Corporate Update

SAN JUAN, Puerto Rico, Sept. 12, 2022 (GLOBE NEWSWIRE) -- Red Cat Holdings, Inc. (Nasdaq: RCAT) (“Red Cat” or “Company”), a hardware-enabled software provider to the drone industry, reports financial results for its first quarter of fiscal 2023 (three months ending 7/31/2022) and provides a business update.

Recent Corporate Highlights:

Enterprise

- Skypersonic demonstrated remote-piloted drone at LoveIT Detroit's Aerospace Reception
- Teal Drones received FAA waiver to hold public demonstration of its Eris technology that enables a single pilot to simultaneously control multiple drones
- Teal Drones secured exclusive license to use autonomous drone software and technology from Autonodyne
- Skypersonic demonstrated its "Fly Anywhere" technology on Mt. Etna, an active volcano in Sicily
- Skypersonic inspected a utility plant in Italy using a drone controlled by a pilot located in Florida using a cellphone connection
- Teal completed development and production of a four-drone, multi-vehicle system for defense, government, and public safety markets
- Skypersonic completed a two-year program under which General Motors used the Skycopter to perform crane rail inspections at 19 North American stamping facilities

Consumer

- Fat Shark launched a new FPV (first-person view) drone headset, the Dominator, which is a low-latency, 1080p digital goggle with an extended flight range over existing systems
- Consumer segment generated record quarterly revenues in 1Q23

First Quarter 2023 Financial Highlights:

- Record Revenues for any fiscal quarter since the Company's inception
- Revenues increased 120% year-over-year and 134% sequentially
- Cash and Investment balance of $43 million at July 31, 2022
- Inventory at July 31, 2022 of approximately $6.4 million established to address supply chain challenges and forecast demand

“Despite the inflationary and supply chain pressures that persisted during our fiscal first quarter, we executed well and delivered record quarterly revenue, including year-over-year and sequential revenue increases over 100%. We are encouraged by Teal’s strong pipeline, along with ramping sales of Fat Shark’s new Dominator goggle,” commented Red Cat CEO Jeff Thompson.

“The War in Ukraine has fundamentally changed the methods and tools of warfare. Smaller Class 1 drones like the Teal Golden Eagle can be an important tool for the warfighter. We expect accelerating demand from the defense spending renaissance in Eastern Europe for the foreseeable future. We also envision a complementary role for the innovative Skycopter, given its ability to navigate and inspect indoor and confined spaces, tunnels, and other dangerous environments on the battlefield,” concluded Thompson.

“Despite active construction at the Teal factory, we achieved record production volume during the quarter,” stated George Matus, Chief Executive Officer of Teal Drones. “It is clear that our investment to expand our manufacturing capacity and product development are bearing fruit, and we expect further increases in demand and unit production in future quarters.”

“Our fiscal 2023 year is off to a resounding start, as record quarterly revenues almost equaled half of total revenues for fiscal 2022,” stated Joseph Hernon, Chief Financial Officer. “Our financial position remains strong, with almost $43 million of cash and marketable securities and debt obligations of less than $2 million. Inventory levels are higher than normal, both in response to the challenges associated with supply chain delays and to meet growing customer demand.”

Conference Call Today

CEO Jeff Thompson and CFO Joseph Hernon will also host an earnings conference call at 8:30 a.m. ET on Monday, September 12th, 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/10170894/f452d40446

The conference call will also be available through a live webcast that can be accessed at: https://event.choruscall.com/mediaframe/webcast.html?webcastid=yfWG9lAg

The webcast replay will be available until December 12, 2022 and can be accessed through the above link or on the Company’s website. A telephonic replay will be available until September 26, 2022 by calling 1-877-344-7529 (domestic) or 1-412-317-0088 (international) and using access code 5208091.

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
E-mail: Investors@redcat.red
https://www.redcatholdings.com/

NEWS MEDIA:
Dalton Agency
(615) 515-4880 (o)
(615) 337-0964 (m)
Email: jbradford@daltonagency.com

RED CAT HOLDINGS
Condensed Consolidated Balance Sheets
(Unaudited)

	July 31, 2022	April 30, 2022
ASSETS		

Cash and marketable securities	$ 42,954,053	$ 48,875,184
Intangible assets including goodwill, net	27,781,121	27,837,281
Inventory, including deposits	6,389,375	5,602,955
Other	3,844,903	2,763,205
TOTAL ASSETS	**$ 80,969,452**	**$ 85,078,625**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	$ 1,642,681	$ 2,541,171
Debt obligations	1,755,011	1,970,661
Warrant derivative liability	1,700,419	1,607,497
Other	961,939	1,043,624
Total liabilities	6,060,050	7,162,953
Stockholders’ capital	107,556,395	106,885,000
Accumulated deficit/comprehensive loss	(32,646,993)	(28,969,328)
Total stockholders' equity	74,909,402	77,915,672
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 80,969,452**	**$ 85,078,625**

Condensed Consolidated Statements of Operations
(Unaudited)

	Three months ended July 31,	
	2022	**2021**
Revenues	$ 3,069,271	$ 1,396,751
Cost of goods sold	2,711,644	1,294,347
Gross margin	357,627	102,404
Operating expenses		
Operations	1,048,086	176,863
Research and development	532,770	244,254
Sales and marketing	602,231	100,633
General and administrative	1,117,565	876,180
Stock based compensation	755,471	384,086
Total operating expenses	4,056,123	1,782,016

Operating loss	(3,698,496)	(1,679,612)
Other expense (income)		
Change in fair value of derivative liability	92,922	(154,248)
Other, net	20,181	32,408
Other expense (income)	113,103	(121,840)
Net loss	**$ (3,811,599)**	**(1,557,772)**
Loss per share - basic and diluted	**$ (0.07)**	**(0.05)**
Weighted average shares outstanding - basic and diluted	**53,778,154**	**34,074,226**

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three months ended July 31,	
	2022	**2021**
Cash Flows from Operating Activities		
Net loss	$ (3,811,599)	$ (1,557,772)
Non-cash expenses	943,500	438,164
Changes in operating assets and liabilities	(1,945,716)	(2,953,434)
Net cash used in operating activities	(4,813,815)	(4,073,042)
Cash Flows from Investing Activities		
Proceeds from maturity of marketable securities, net	8,204,649	—
Other, net	(544,942)	13,502
Net cash provided by investing activities	7,659,707	13,502
Cash Flows from Financing Activities		
Payments of debt obligations	(215,650	(264,428)
Proceeds from issuance of equity, net	—	70,165,202
Payments from employee equity transactions	(469,631	—
Net cash (used in) provided by financing activities	(685,281	69,900,774
Net increase in Cash	2,160,611	65,841,234
Cash, beginning of period	4,084,815	277,347
Cash, end of period	6,245,426	66,118,581

Marketable securities	36,708,627	—
Cash and marketable securities	$42,954,053	$66,118,581

Source: Red Cat Holdings, Inc.