December 15, 2022

Red Cat Holdings Reports Second Quarter Financial Results and Provides Corporate Update

SAN JUAN, Puerto Rico, Dec. 15, 2022 (GLOBE NEWSWIRE) -- Red Cat Holdings, Inc. (Nasdaq: RCAT) (“Red Cat” or “Company”), a military technology company that integrates robotic hardware and software to provide critical situational awareness and actionable intelligence to on-the-ground warfighters and battlefield commanders, reports financial results for its second quarter of fiscal 2023 (three months ended 10/31/2022) and provides a business update.

Recent Highlights:

Enterprise

- Skypersonic delivered drones, rover, and piloting platform to NASA’s Simulated Mars Mission
- Established partnership between Teal Drones (“Teal”) and Tomahawk Robotics that allows Teal's 4-Ship Multi-Vehicle Systems to simultaneously control air- and ground-based vehicles
- U.S. Border Patrol purchased over $1 million in drones
- Skypersonic demonstrated remote-piloted drone at LoveIT Detroit’s Aerospace Reception
- Teal received FAA waiver to hold public demonstration of its Eris technology that enables a single pilot to simultaneously control multiple drones
- Skypersonic demonstrated its “Fly Anywhere” technology on Mt. Etna, an active volcano in Sicily
- Teal demonstrated multi-drone mapping capability to U.S. military with partner Reveal Technology

Consumer

- Agreement signed to divest Consumer Business to Unusual Machines
- Gross sale price of $18 million will provide non-dilutive capital to support market opportunities in the Enterprise segment, especially with the military

Corporate and Financial Highlights:

- Mary Beth Long, former U.S. Assistant Secretary of Defense, joined Red Cat's Board of Directors

- Year-to-date revenues of $4.6 million compared to prior year revenues of $3.3 million, representing growth of more than 40%

- Cash and Investment balances of $32.9 million at October 31, 2022

- Inventory, including prepayments of $3.7 million, totaled $10.3 million at October 31, 2022, which fully address lingering supply chain challenges and positions Company to promptly deliver on Enterprise orders

- Expansion of manufacturing facility at Teal expected to be completed in fourth quarter of fiscal 2023 and will double production capacity

"Our second quarter was a pivotal one for focusing on the military and defense markets, domestically and globally," said Red Cat CEO Jeff Thompson. "In October, we received our first purchase order from U.S. Customs and Border Protection for more than $1 million as part of a previously-announced blanket purchase agreement (BPA) worth an estimated $90 million. We expect to ship this order in January 2023. These drones will be the first to come off the production line from our new U.S. factory in Salt Lake City, which has the capacity to build thousands of drones. We are also pleased to report that the U.S. Army's Short Range Reconnaissance Tranche 2 (SRR T2) program continues to expand in scope and value. Teal is working closely with the U.S. Army and will demonstrate the Teal Tranche 2 alpha prototype drone in January 2023."

"We are pleased to report year-to-date revenue growth of more than 40%," stated Joseph Hernon, Chief Financial Officer. "The divestiture of our Consumer business will generate a solid return on our investment and strongly position us to take advantage of greater sales opportunities in the commercial sector, especially with the military."

Conference Call Today

CEO Jeff Thompson and CFO Joseph Hernon will host an earnings conference call at 4:30 p.m. ET on Thursday, December 15, 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.

Interested parties can listen to the conference call by dialing 1-866-777-2509 (within the U.S.) or 1-412-317-5413 (international). Callers should dial in approximately ten minutes prior to the start time and ask to be connected to the Red Cat conference call. Participants can also pre-register for the call using the following link:
https://dpregister.com/sreg/10173780/f54fdc61f4

The conference call will also be available through a live webcast that can be accessed at:
https://event.choruscall.com/mediaframe/webcast.html?webcastid=wa74yYWn

A replay of the webcast will be available until March 15, 2023 and can be accessed through the above link or at www.redcatholdings.com. A telephonic replay will be available until December 29, 2022 by calling 1-877-344-7529 (domestic) or 1-412-317-0088 (international)

and using access code 8042140.

About Red Cat Holdings, Inc.

Red Cat is a military technology company that integrates robotic hardware and software to provide critical situational awareness and actionable intelligence to on-the-ground warfighters and battlefield commanders. Its mission is to enhance the effectiveness and safety of military operations domestically and globally – and to “Dominate the Night.” Red Cat’s suite of solutions includes Teal Drones, developer of the Golden Eagle, a small unmanned system with the highest resolution imaging for nighttime operations, and Skypersonic, a leading provider of unmanned aircraft for interior spaces and other dangerous environments. 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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RED CAT HOLDINGS
Condensed Consolidated Balance Sheets
(Unaudited)

	October 31,	**April 30,**

	2022	2022
ASSETS		
Cash and marketable securities	$ 32,885,639	$ 48,875,184
Intangible assets including goodwill, net	27,617,491	27,837,281
Inventory, including deposits	10,265,945	5,602,955
Other	4,275,307	2,763,205
TOTAL ASSETS	**$ 75,044,382**	**$ 85,078,625**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	$ 2,313,746	$ 2,541,171
Debt obligations	1,589,838	1,970,661
Warrant derivative liability	1,013,675	1,607,497
Other	899,852	1,043,624
Total liabilities	5,817,111	7,162,953
Stockholders' capital	108,470,808	106,885,000
Accumulated deficit/comprehensive loss	(39,243,537)	(28,969,328)
Total stockholders' equity	69,227,271	77,915,672
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 75,044,382**	**$ 85,078,625**

Condensed Consolidated Statements of Operations
(Unaudited)

	Three months ended October 31,		Six months ended October 31,	
	2022	2021	2022	2021
Revenues	$ 1,530,462	$ 1,863,239	$ 4,599,733	$ 3,259,990
Cost of goods sold	1,296,807	1,710,657	4,008,451	3,005,004
Gross Margin	233,655	152,582	591,282	254,986
Operating Expenses				
Operations	1,752,873	283,249	2,800,959	460,112
Research and development	1,354,914	493,441	1,887,684	737,695
Sales and marketing	731,769	185,385	1,334,000	286,018

General and administrative	1,919,637	1,050,708	3,037,202	1,926,888
Stock based compensation	1,246,796	899,937	2,002,267	1,284,023
Total operating expenses	7,005,989	2,912,720	11,062,112	4,694,736
Operating loss	(6,772,334)	(2,760,138)	(10,470,830)	(4,439,750)
Other Expense (Income)				
Change in fair value of derivative liability	(686,744)	(118,813)	(593,822)	(273,061)
Other	158,887	99,276	179,068	131,684
Other Expense (Income)	**$ (527,857)**	**$ (19,537)**	**$ (414,754)**	**$ (141,377)**
Net loss	**$ (6,244,477)**	**$ (2,740,601)**	**$ (10,056,076)**	**$ (4,298,373)**
Loss per share - basic and diluted	**$ (0.12)**	**$ (0.05)**	**$ (0.19)**	**$ (0.10)**
Weighted average shares outstanding - basic and diluted	**54,078,111**	**52,147,541**	**53,928,133**	**43,110,884**

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six months ended October 31,	
	2022	**2021**
Cash Flows from Operating Activities		
Net loss	$ (10,056,076)	$ (4,298,373)
Non-cash expenses	1,748,455	1,299,468
Changes in operating assets and liabilities	(5,226,518)	(5,568,602)
Net cash used in operating activities	(13,534,139)	(8,567,507)
Cash Flows from Investing Activities		
Proceeds from (purchases of) maturity of marketable securities, net	13,241,836	(48,122,657)
Other, net	(1,280,935)	(5,281)
Net cash provided by (used in) investing activities	11,960,901	(48,127,938)
Cash Flows from Financing Activities		

Payments of debt obligations	(367,419)	(2,187,346)
Proceeds from issuance of equity, net	—	70,165,202
Payments from employee equity transactions	(561,407)	—
Net cash (used in) provided by financing activities	(928,826)	67,977,856
Net (decrease) increase in Cash	(2,502,064)	11,282,411
Cash, beginning of period	4,084,815	277,347
Cash, end of period	1,582,751	11,559,758
Marketable securities	31,302,888	48,122,657
Cash and marketable securities	$ 32,885,639	$ 59,682,415

Source: Red Cat Holdings, Inc.