December 15, 2023

Red Cat Holdings Reports Financial Results for Fiscal Second Quarter 2024 and Provides Corporate Update

SAN JUAN, Puerto Rico, Dec. 15, 2023 (GLOBE NEWSWIRE) -- Red Cat Holdings, Inc. (Nasdaq: RCAT) ("Red Cat" or "Company"), a drone technology company integrating robotic hardware and software for military, government, and commercial operations, reports its financial results for the second quarter ended October 31, 2023 and provides a business update.

Operating Highlights:

- Selected by U.S. Army as a finalist for its Short Range Reconnaissance (SRR) Tranche 2 Drone Program
- Received orders for 344 drones with a total value of approximately $5.2 million from a U.S. federal government agency
- Secured contract with U.S. Customs and Border protection for 106 Teal 2 Drone systems
- Partnered with aerospace engineering firm ES Aero to facilitate rapid completion of customer specific projects
- Remote ID certification received from the Federal Aviation Administration (FAA)
- Teal 2 sUAS now available for purchase through federal government's GSA Advantage
- Continued global expansion with entry into Latin America

Financial Highlights:

- Record revenues of almost $4 million for fiscal second quarter ending October 31, 2023, representing growth of more than 400% compared to the prior-year period and 125% on a sequential basis
- Gross margin tripled sequentially to more than 30% in the second quarter of fiscal 2024 compared to 10% in the first quarter of fiscal 2024, driven by continued improvements in the manufacturing process, an increase in units shipped, and higher margins on the SRR prototype contract
- Backlog grew to $4.5 million at October 31, 2023 and $7.4 million in early December 2023

- Raised $9.2 million in gross proceeds from an equity offering

“Our Q2 results exceeded our guidance by 30% and was the highest quarterly revenue in Company history due to our launch of the Teal 2 drone in April 2023,” commented Jeff Thompson, Chief Executive Officer. “This brand new system is now fully integrated with artificial intelligence and computer vision capabilities, including Athena AI, AeroVironment’s Tomahawk Kinesis, Reveal Technologies’s Farsight, and ATAK by PAR Government. This technology stack gives the frontline warfighter a feature-rich capability never seen on a rucksack portable drone.

“We are extremely honored to be downselected by the U.S. Army as a finalist for the Short Range Reconnaissance (SRR) program of record. With the ongoing shift to small tactical drones in warfare, we are very optimistic that our Teal sUAS will be needed globally as the premier ISR system for the warfighter. Given our record performance, growing backlog, and recent U.S. Army downselection, we reiterate our Q3 revenue guidance of $5 million, which would be another successful quarter of record revenue,” concluded Thompson.

"We are reporting record revenues, gross margin, and backlog for the second quarter of fiscal 2024, each of which represents clear indicators that the Teal 2 is resonating in the marketplace," stated Joseph Hernon, Chief Financial Officer. "With our state-of-the-art manufacturing facility in Salt Lake City continuing to scale production capacity and refine the manufacturing process, we are confident in our ability to fulfill our backlog with increasing product gross margins."

Earnings Conference Call

CEO Jeff Thompson and CFO Joseph Hernon will host an earnings conference call at 4:30 p.m. ET on Friday, December 15, 2023 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 1-844-413-3977 (within the U.S.) or 1-412-317-1803 (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/10184976/fb36c42d00

The conference call will also be available through a live webcast that can be accessed at: https://event.choruscall.com/mediaframe/webcast.html?webcastid=4p3YUvHy

A replay of the webcast will be available until December 15, 2024 and can be accessed through the above link or at www.redcatholdings.com. A telephonic replay will be available until December 29, 2023 by calling 1-877-344-7529 (domestic) or 1-412-317-0088 (international) and using access code 8771219.

About Red Cat Holdings, Inc.
Red Cat (Nasdaq: RCAT) 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

	October 31, 2023	April 30, 2023
ASSETS		
Cash and marketable securities	$ 4,024,266	$ 15,987,687
Intangible assets including goodwill, net	23,901,101	24,335,836
Inventory, including deposits	10,871,809	9,280,073
Accounts receivable, net	2,989,054	719,862
Other	4,580,519	4,478,080

Assets of discontinued operations	4,239,895	5,391,552
TOTAL ASSETS	**$ 50,606,644**	**$ 60,193,090**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	$ 2,323,380	$ 1,957,975
Debt obligations	1,044,581	1,323,707
Warrant derivative liability	399,203	588,205
Other	525,612	661,263
Liabilities of discontinued operations	438,993	1,052,315
Total liabilities	4,731,769	5,583,465
Stockholders’ capital	112,158,387	110,057,535
Accumulated deficit/comprehensive loss	(66,283,512)	(55,447,910)
Total stockholders' equity	45,874,875	54,609,625
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 50,606,644**	**$ 60,193,090**

Condensed Consolidated Statements of Operations

	Three months ended October 31,		Six months ended October 31,	
	2023	**2022**	**2023**	**2022**
Revenues	$ 3,930,868	$ 747,612	$ 5,678,997	$ 1,874,163
Cost of goods sold	2,730,286	623,761	4,303,750	1,668,192
Gross Margin	1,200,582	123,851	1,375,247	205,971
Operating Expenses				
Operations	440,445	1,581,818	1,148,348	2,468,121
Research and development	1,987,890	1,266,956	3,126,017	1,716,920
Sales and marketing	675,490	563,756	1,662,398	970,709
General and administrative	1,460,073	1,815,314	2,903,229	2,877,718
Stock based compensation	1,196,325	1,246,796	2,107,931	2,002,267
Total operating expenses	5,760,223	6,474,640	10,947,923	10,035,735
Operating loss	(4,559,641)	(6,350,789)	(9,572,676)	(9,829,764)
Other (income) expense	522,176	(519,807)	1,076,916	(406,580)

Net loss from continuing operations	**$ (5,081,817)**	**$ (5,830,982)**	**$(10,649,592)**	**$ (9,423,184)**
Loss from discontinued operations	(599,511)	(413,495)	(842,084)	(632,892)
Net loss	**$ (5,681,328)**	**$ (6,244,477)**	**$(11,491,676)**	**$(10,056,076)**
Loss per share - basic and diluted	**$ (0.10)**	**$ (0.12)**	**$ (0.21)**	**$ (0.19)**
Weighted average shares outstanding - basic and diluted	**55,606,336**	**54,078,111**	**55,270,838**	**53,928,133**

Condensed Consolidated Statements of Cash Flows

	Six months ended October 31,	
	2023	**2022**
Cash Flows from Operating Activities		
Net loss from continuing operations	$(10,649,592)	$ (9,423,184)
Non-cash expenses	3,222,395	1,748,455
Changes in operating assets and liabilities	(3,813,162)	(1,852,743)
Net cash used in operating activities	(11,240,359)	(9,527,472)
Cash Flows from Investing Activities		
Proceeds from sale of marketable securities	10,205,501	13,241,836
Purchases of property and equipment	(139,860)	(1,280,935)
Net cash provided by investing activities	10,065,641	11,960,901
Cash Flows from Financing Activities		
Payments of debt obligations, net	(279,126)	(367,419)
Payments related to employee equity transactions	(16,292)	(561,407)
Proceeds from issuance of common stock through ATM facilities, net	9,212	—
Net cash used in financing activity	(286,206)	(928,826)
Net cash used in discontinued operations	(384,094)	(4,006,667)
Net decrease in Cash	(1,845,018)	(2,502,064)
Cash, beginning of period	3,260,305	4,084,815
Cash, end of period	1,415,287	1,582,751

Less: Cash of discontinued operations	(6,310)	(90,810)
Cash of continuing operations, end of period	1,408,977	1,491,941
Marketable securities	2,615,289	31,302,888
Cash of continuing operations and marketable securities	$ 4,024,266	$ 32,794,829

Source: Red Cat Holdings, Inc.