December 16, 2024

Red Cat Holdings Reports Financial Results for Fiscal Second Quarter 2025 and Provides Corporate Update

SAN JUAN, Puerto Rico, Dec. 16, 2024 (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 fiscal second quarter ended October 31, 2024 and provides a corporate update.

Recent Operational Highlights:

- Announced selection as the winner of the U.S. Army's Short Range Reconnaissance (SRR) Program of Record.
- Announced a strategic partnership with Palantir Technologies Inc. (Nasdaq: PLTR) to integrate Visual Navigation software (VNav) into Red Cat's Black Widow drones.
- Announced several executive leadership team updates, including Geoffrey Hitchcock's promotion from General Manager of Teal Drones to Chief Revenue Officer (CRO) for Red Cat and Chris Rill's transition from Director of Partner Integration to President of Teal Drones.
- Secured a $1 million contract for its Edge 130 Blue drones from the United States Army Communications-Electronics Command (CECOM).
- Introduced its ARACHNID™ family of unmanned intelligence, surveillance, and reconnaissance (ISR) and precision strike systems at AUSA 2024.
- Closed on acquisition of Flight Wave giving us a completely new revenue stream.
- Secured a Tactical Funding Increase (TACFI) contract from the U.S. Air Force, validating FlightWave's drone technology for mission-critical defense applications.
- Broke ground on a plan for new manufacturing facility, significantly enhancing production capacity to fulfill existing contracts and scale future operations.

First Quarter 2025 Financial Highlights:

- Year-to-date revenue of $4.3 million
- Ended the quarter with cash and accounts receivable of $5.7 million
- Closed an additional $6 million financing since quarter end
- Guidance of $80-$120 million for calendar year 2025 including SRR-related sales

"In the second half of 2024, our company decided to focus on the Black Widow, anticipating its success in the SRR final production contract," said Jeff Thompson, Red Cat CEO. "We halted production of the Teal 2 to retool for the Black Widow, prioritizing long-term growth over short-term revenue. This strategy has proven successful, enabling us to meet the demands of the new Army contract and all other Black Widow sales and programs of record while managing critical technology integration through our Red Cat Futures Initiative partners. We are now well-positioned to fulfill these demands."

“We are also pleased to announce our partnership with Palantir,” added Thompson. “With Palantir’s Artificial Intelligence and visual navigation, we believe the Black Widow is one of the most capable drones ever fielded by the Department of Defense. This rucksack-portable drone, powered by Palantir’s software, will boost revenue per drone and increase gross margins.”

“This quarter’s accomplishments highlight Red Cat's growing momentum and strong positioning in the drone technology sector,” said Leah Lunger, Red Cat CFO. “Having been selected as the winner of the U.S. Army’s Short Range Reconnaissance Program of Record reflects the effectiveness of our strategic initiatives and we are now well-positioned to support our projected revenue guidance for calendar year 2025 while continuing to invest in scaling our operations and manufacturing capacity.”

Conference Call Today

CEO Jeff Thompson, CFO Leah Lunger, and CRO Geoffrey Hitchcock will host an earnings conference call at 4:30 p.m. ET on Monday, December 16, 2024 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 attend the conference call through a live webcast that can be accessed at:
https://zoom.us/webinar/register/WN_t_SJfhxGSdyvpDz43XANqg

About Red Cat Holdings, Inc.

Red Cat (Nasdaq: RCAT) is a drone technology company integrating robotic hardware and software for military, government, and commercial operations. Through two wholly owned subsidiaries, Teal Drones and FlightWave Aerospace, Red Cat has developed a leading-edge Family of Systems. This includes the flagship Black Widow™, a small unmanned ISR system that was awarded the U.S. Army’s Short Range Reconnaissance (SRR) Program of Record contract. The Family of Systems also includes TRICHON™, a fixed wing VTOL for extended endurance and range, and FANG™, the industry's first line of NDAA compliant FPV drones optimized for **military operations with precision strike capabilities. Learn more at www.redcat.red.**

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 Form 10-K filed with the Securities and Exchange Commission on July 27, 2023. 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, 2024	April 30, 2024
ASSETS		
Cash and marketable securities	$ 4,611,092	$ 6,067,169
Accounts receivable, net	1,121,398	4,361,090
Inventory, including deposits	12,554,330	8,610,125
Intangible assets including goodwill, net	26,403,796	12,882,939
Other	6,401,772	7,473,789
Equity method investee	—	5,142,500
Note receivable	—	4,000,000
TOTAL ASSETS	**$ 51,092,388**	**$ 48,537,612**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	$ 3,244,776	$ 2,703,922
Debt obligations	356,964	751,570
Operating lease liabilities	1,551,316	1,517,590
Convertible notes payable	11,911,307	—
Acquisition consideration payable	7,000,000	—
Total liabilities	24,064,363	4,973,082
Stockholders’ capital	133,909,751	124,690,641
Accumulated deficit/comprehensive loss	(106,881,726)	(81,126,111)
Total stockholders' equity	27,028,025	43,564,530
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 51,092,388**	**$ 48,537,612**

Condensed Consolidated Statements of Operations

	Three months ended October 31,		Six months ended October 31,	
	2024	**2023**	**2024**	**2023**
Revenues	$ 1,534,727	$ 3,930,868	$ 4,311,262	$ 5,678,997
Cost of goods sold	1,558,202	2,730,286	4,818,128	4,303,750
Gross (loss) profit	(23,475)	1,200,582	(506,866)	1,375,247
Operating Expenses				
Research and development	2,231,470	2,222,137	3,857,910	3,575,688
Sales and marketing	2,343,779	1,032,645	4,385,290	2,321,405
General and administrative	4,517,695	2,838,080	8,000,790	5,701,838
Impairment loss	—	—	93,050	—
Total operating expenses	9,092,944	6,092,862	16,337,040	11,598,931
Operating loss	(9,116,419)	(4,892,280)	(16,843,906)	(10,223,684)
Other (income) expense				
Convertible notes payable fair value adjustment	4,230,307	—	4,230,307	—
Loss on sale of equity method investment	—	—	4,008,357	—
Equity method loss	—	—	734,143	—
Investment loss, net	—	333,867	—	573,357
Interest (income) expense, net	(14,634)	19,696	(39,188)	41,553
Other, net	2,526	(1,544)	(26,531)	—
Other expense	4,218,199	352,019	8,907,088	614,910
Net loss from continuing operations	(13,334,618)	(5,244,299)	(25,750,994)	(10,838,594)
Loss from discontinued operations	—	(599,511)	—	(842,084)
Net loss	**$(13,334,618)**	**$ (5,843,810)**	**$(25,750,994)**	**$(11,680,678)**
Loss per share - basic and diluted	**$ (0.18)**	**$ (0.11)**	**$ (0.34)**	**$ (0.21)**
Weighted average shares outstanding - basic and diluted	**76,184,777**	**55,606,336**	**75,342,629**	**55,270,838**

Condensed Consolidated Statements of Cash Flows

	Six months ended October 31,	
	2024	2023
Cash Flows from Operating Activities		
Net loss from continuing operations	$(25,750,994)	$(10,838,594)
Non-cash expenses	12,662,208	3,411,397
Changes in operating assets and liabilities	601,073	(3,813,162)
Net cash used in operating activities	(12,487,713)	(11,240,359)
Cash Flows from Investing Activities		
Proceeds from sale of equity method investment and note receivable	4,400,000	—
Proceeds from sale of marketable securities	—	10,205,501
Other	(123,793)	(139,860)
Net cash provided by investing activities	4,276,207	10,065,641
Cash Flows from Financing Activities		
Proceeds from issuance of convertible notes payable, net	7,681,000	—
Payments of debt obligations, net	(394,606)	(279,126)
Payments related to employee equity transactions	(530,965)	(16,292)
Proceeds from issuance of common stock through ATM facility, net	—	9,212
Net cash used in financing activities	6,755,429	(286,206)
Net cash used in discontinued operations	—	(384,094)
Net decrease in Cash	(1,456,077)	(1,845,018)
Cash, beginning of period	6,067,169	3,260,305
Cash, end of period	4,611,092	1,415,287
Less: Cash of discontinued operations	—	(6,310)
Cash of continuing operations, end of period	4,611,092	1,408,977
Marketable securities	—	2,615,289
Cash of continuing operations and marketable securities	$ 4,611,092	$ 4,030,576

Source: Red Cat Holdings, Inc.