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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2026

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-40202



Red Cat Holdings, Inc.
(Exact name of registrant as specified in its charter)

Nevada	**88-0490034**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2800 S West Temple, Suite 5 South Salt Lake, UT	**84115**
(Address of principal executive offices)	(Zip Code)

(800) 466-9152
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.001	RCAT	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	x	Smaller reporting company	x
		Emerging growth company	o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of November 12, 2026, there were 152,956,952 shares of the registrant's common stock outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of the federal securities laws. To the extent applicable, we intend these statements to be covered by the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Any statements in this Quarterly Report on Form 10-Q about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and are forward-looking statements. These statements are often, but not always, made through the use of words or phrases such as "may," "should," "believes," "will," "expects," "anticipates," "estimates," "predicts," "potential," "continues," "intends," "plans" and "would" or the negative of these terms or other comparable terminology. For example, statements concerning financial condition, possible or assumed future results of operations, growth opportunities, and plans are all forward-looking statements. Our forward-looking statements are based on a series of expectations, assumptions, estimates and projections about our company, are not guarantees of future results or performance and involve substantial risks and uncertainty. They involve known and unknown risks, uncertainties and assumptions that may cause actual results, levels of activity, performance or achievements to differ materially from any results, levels of activity, performance or achievements expressed or implied by any forward-looking statement. We may not actually achieve the plans, intentions or expectations disclosed in these forward-looking statements. Our business and our forward-looking statements involve substantial known and unknown risks and uncertainties, including the risks and uncertainties inherent in our statements regarding:

- the market and sales success of our existing and any new products;
- our ability to raise capital when needed and on acceptable terms;
- our ability to make acquisitions and integrate acquired businesses into our company;
- our ability to attract and retain management;
- the intensity of competition;
- changes in the political and regulatory environment and in business and economic conditions in the United States and globally;
- changes in macroeconomic conditions, including inflation, interest rates, and geopolitical conflicts;
- the imposition or increase of tariffs and other trade barriers that could impact the cost of raw materials, components, and finished goods;
- delays or disruptions in our supply chain due to global trade restrictions or political instability;
- fluctuations in customer demand in response to broader economic conditions;
- our ability to scale production efficiently, obtain components on acceptable terms, meet delivery schedules and customer specifications, and manage manufacturing capacity, labor and overhead costs;
- our ability to align inventory purchases and production with actual customer demand, and the effects of inventory obsolescence, scrap, product defects, returns and warranty obligations on margins and cash flows;
- our dependence on government customers and programs, including the timing and availability of appropriations and funding, procurement decisions, follow-on awards and customer acceptance; changes in program requirements; and the modification, delay, reduction or termination of contracts or anticipated orders; and
- government shutdowns, which could adversely impact any existing programs, including the timely payment of prior shipments, as well as receipt of future orders.

All of our forward-looking statements are as of the date of this Quarterly Report on Form 10-Q only. In each case, actual results may differ materially from such forward-looking information. We can give no assurance that such expectations or forward-looking statements will prove to be correct. An occurrence of, or any material adverse change in, one or more of the risk factors or risks and uncertainties referred to in this Quarterly Report on Form 10-Q or included in our other public disclosures or filings with the U.S. Securities and Exchange Commission (the "SEC") could materially and adversely affect our business, prospects, financial condition and results of operations. Except as required by law, we do not undertake or plan to update or revise any such forward-looking statements to reflect actual results, changes in plans, assumptions, estimates or projections or other circumstances affecting such forward-looking statements occurring after the date of this Quarterly Report on Form 10-Q, even if such results, changes or circumstances make it clear that any forward-looking

information will not be realized. Any public statements or disclosures by us following this Quarterly Report on Form 10-Q that modify or impact any of the forward-looking statements contained in this Quarterly Report on Form 10-Q will be deemed to modify or supersede such statements in this Quarterly Report on Form 10-Q.

Industry and Market Data

This Quarterly Report on Form 10-Q may include market data and certain industry data and forecasts, which we may obtain from internal company surveys, market research, consultant surveys, publicly available information, reports of governmental agencies and industry publications, articles and surveys. Industry surveys, publications, consultant surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. While we believe that such studies and publications are reliable, we have not independently verified market and industry data from third-party sources. Industry and market estimates and forecasts involve assumptions and limitations and are subject to change. Actual market conditions and results may differ from those estimates and forecasts.

All references in this Quarterly Report on Form 10-Q to the “Company,” “we,” “us,” or “our” are to Red Cat Holdings, Inc., a Nevada corporation, including its wholly owned consolidated subsidiaries, which include Teal Drones, Inc. (“Teal”), Red Cat Propware, Inc. (“Propware”), FW Acquisition, Inc. (“FlightWave”), Blue Ops, Inc. (“Blue Ops”), Skypersonic, Inc. (“Skypersonic”), Apium Swarming Technologies, Inc. ("Apium"), Quaze Technologies Inc. ("Quaze"), and UAVPatent Corp.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RED CAT HOLDINGS, INC.
Condensed Consolidated Balance Sheets
(In thousands except share data)
(Unaudited)

	September 30, 2026	December 31, 2025
ASSETS		
Current assets		
Cash	$ 242,731	$ 167,865
Accounts receivable, net	6,479	26,155
Inventory	117,238	23,452
Prepaid inventory	10,111	6,942
Prepaid expenses and other current assets	6,058	2,524
Total current assets	382,617	226,938
Goodwill	44,669	17,671
Intangible assets, net	21,154	6,919
Property and equipment, net	22,491	7,797
Other long-term assets	2,783	1,227
Operating lease right-of-use assets	12,783	13,125
Total long-term assets	103,880	46,739
TOTAL ASSETS	**$ 486,497**	**$ 273,677**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 10,511	$ 3,619
Accrued expenses	7,974	5,087
Debt obligations - short-term	862	350
Contract liabilities and deposits	399	261
Operating lease liabilities	1,565	1,011
Acquisition consideration payable	5,488	—
Convertible notes payable	—	4,518
Total current liabilities	26,799	14,846
Deferred income taxes	2,486	443
Operating lease liabilities	12,132	12,556
Acquisition consideration payable	12,108	—
Total long-term liabilities	26,726	12,999
Total liabilities	53,525	27,845
Stockholders' equity		
Series B preferred stock, $0.001 par value - shares authorized 4,300,000; issued and outstanding 4,676 and 4,676	—	—
Common stock, $0.001 par value - shares authorized 500,000,000; issued and outstanding 152,924,174 and 120,070,000	153	120
Additional paid-in capital	731,899	442,532
Accumulated deficit	(299,080)	(196,820)
Total stockholders' equity	432,972	245,832
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 486,497**	**$ 273,677**

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

RED CAT HOLDINGS, INC.
Condensed Consolidated Statements of Operations
(In thousands except per share data)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2026	**2025**	**2026**	**2025**
Revenues	$ 11,769	$ 9,646	$ 47,429	$ 14,495
Cost of goods sold	11,704	9,008	42,139	14,333
Gross profit	65	638	5,290	162
Operating Expenses				
Research and development	16,136	5,968	38,327	12,999
Sales and marketing	6,355	2,985	17,371	9,487
General and administrative	20,965	9,216	58,929	20,332
Total operating expenses	43,456	18,169	114,627	42,818
Operating loss	(43,391)	(17,531)	(109,337)	(42,656)
Other (income) expense				
Convertible notes payable fair value adjustment	—	1,452	867	12,939
Gain on extinguishment of convertible notes payable	—	(2,448)	(326)	(2,448)
Interest income, net	(2,383)	(771)	(5,603)	(981)
Other, net	(560)	(442)	(2,043)	(442)
Total other (income) expense	(2,943)	(2,209)	(7,105)	9,068
Loss before provision for income taxes	(40,448)	(15,322)	(102,232)	(51,724)
Provision for income taxes	—	695	28	695
Net loss	**$ (40,448)**	**$ (16,017)**	**$ (102,260)**	**$ (52,419)**
Loss per share - basic and diluted	**$ (0.26)**	**$ (0.16)**	**$ (0.75)**	**$ (0.57)**
Weighted average shares outstanding - basic and diluted	**152,820**	**99,581**	**136,977**	**92,127**

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

RED CAT HOLDINGS, INC.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)

(in thousands)	Series B Preferred Stock Shares	Series B Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total Equity
Balances, December 31, 2024	**5**	**$ —**	**85,215**	**$ 85**	**$ 174,779**	**$ (124,745)**	**$ 50,119**
Stock-based compensation	—	—	—	—	1,599	—	1,599
Exercise of warrants	—	—	50	—	—	—	—
Exercise of stock options	—	—	489	1	315	—	316
Retirement of common shares	—	—	(106)	—	—	—	—
Net loss	—	—	—	—	—	(23,123)	(23,123)
Balances, March 31, 2025	**5**	**$ —**	**85,648**	**$ 86**	**$ 176,693**	**$ (147,868)**	**$ 28,911**
Stock-based compensation	—	—	—	—	2,035	—	2,035
Exercise of warrants	—	—	200	—	300	—	300
Exercise of stock options	—	—	907	1	993	—	994
Public offerings, net of $4,982 of issuance costs	—	—	11,173	11	71,757	—	71,768
Conversion of convertible notes into common stock	—	—	704	1	4,835	—	4,836
Acquisition adjustment	—	—	(122)	—	—	—	—
Net loss	—	—	—	—	—	(13,279)	(13,279)
Balances, June 30, 2025	**5**	**$ —**	**98,510**	**$ 99**	**$ 256,613**	**$ (161,147)**	**$ 95,565**
Stock-based compensation	—	—	—	—	3,621	—	3,621
Vesting of restricted stock units	—	—	30	—	—	—	—
Exercise of warrants	—	—	310	—	2,286	—	2,286
Exercise of stock options	—	—	601	—	151	—	151
Public offerings, net of $9,918 of issuance costs	—	—	17,969	18	162,562	—	162,580
Conversion of convertible notes into common stock	—	—	742	1	5,086	—	5,087
Net loss	—	—	—	—	—	(16,017)	(16,017)
Balances, September 30, 2025	**5**	**$ —**	**118,162**	**$ 118**	**$ 430,319**	**$ (177,164)**	**$ 253,273**
Balances, December 31, 2025	**5**	**—**	**120,070**	**120**	**442,532**	**(196,820)**	**245,832**
Stock-based compensation	—	—	—	—	4,817	—	4,817
Vesting of restricted stock units	—	—	81	—	(270)	—	(270)
Exercise of warrants	—	—	372	1	2,782	—	2,783
Exercise of stock options	—	—	362	—	269	—	269
Conversion of convertible notes into common stock	—	—	420	—	5,059	—	5,059
Acquisition of Apium	—	—	536	1	6,801	—	6,802
Net loss	—	—	—	—	—	(26,553)	(26,553)
Balances, March 31, 2026	**5**	**$ —**	**121,841**	**$ 122**	**$ 461,990**	**$ (223,373)**	**$ 238,739**
Stock-based compensation	—	—	—	—	5,042	—	5,042
Vesting of restricted stock units	—	—	824	1	(823)	—	(822)
Exercise of warrants	—	—	200	—	1,525	—	1,525
Exercise of stock options	—	—	376	—	268	—	268
Acquisition of Quaze	—	—	1,923	2	16,442	—	16,444
Public offerings, net of $13,512 of issuance costs	—	—	27,527	28	245,210	—	245,238
Net loss	—	—	—	—	—	(35,259)	(35,259)
Balances, June 30, 2026	**5**	**$ —**	**152,691**	**$ 153**	**$ 729,654**	**$ (258,632)**	**$ 471,175**
Stock-based compensation	—	—	—	—	2,370	—	2,370
Vesting of restricted stock units	—	—	46	—	(205)	—	(205)
Acquisition adjustment	—	—	(12)	—	(99)	—	(99)
Exercise of stock options	—	—	199	—	179	—	179
Net loss	—	—	—	—	—	(40,448)	(40,448)
Balances, September 30, 2026	**5**	**$ —**	**152,924**	**$ 153**	**$ 731,899**	**$ (299,080)**	**$ 432,972**

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

RED CAT HOLDINGS, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(in thousands)	Nine months ended September 30, 2026	2025
Cash Flows from Operating Activities		
Net loss	$ (102,260)	$ (52,419)
Adjustments to reconcile net loss to net cash used in operations:		
Stock-based compensation	12,229	7,255
Depreciation and amortization of intangible assets	4,337	1,654
Deferred income taxes	—	695
Convertible notes payable fair value adjustment	867	12,939
Gain on extinguishment of convertible notes payable	(326)	(2,448)
Unrealized gain on equity securities	(1,521)	—
Change in fair value of contingent consideration	142	—
Changes in operating assets and liabilities, net of acquisitions		
Accounts receivable	19,708	(5,617)
Inventory	(93,786)	(9,691)
Prepaid inventory	(3,169)	(7,312)
Prepaid expenses and other	(2,904)	(3,988)
Operating lease right-of-use assets and liabilities	463	157
Contract liabilities and deposits	138	240
Accounts payable	6,799	925
Accrued expenses	2,439	4,953
Net cash used in operating activities	(156,844)	(52,657)
Cash Flows from Investing Activities		
Cash paid for acquisition, net of cash acquired	(427)	—
Purchases of property and equipment	(17,127)	(1,249)
Net cash used in investing activities	(17,554)	(1,249)
Cash Flows from Financing Activities		
Proceeds from issuance of common stock through public offerings	258,750	249,249
Payment of costs related to public offerings	(13,512)	(14,900)
Proceeds from issuance of convertible notes payable	—	15,000
Debt issuance costs	—	(567)
Payments of convertible notes payable	—	(1,650)
Proceeds from exercise of warrants	4,305	2,586
Payments of taxes withheld upon vesting of employee stock awards	(985)	—
Proceeds from exercise of stock options	755	1,460
Payments under debt obligations	(49)	—
Net cash provided by financing activities	249,264	251,178
Net increase in Cash	74,866	197,272
Cash, beginning of period	167,865	9,154
Cash, end of period	$ 242,731	$ 206,426
Cash paid for interest	$ 20	$ —
Cash paid for income taxes	$ —	$ —
Non-cash transactions		
Acquisition consideration payable	$ 17,454	$ —
Fair value of shares issued in acquisition	$ 23,246	$ —
Conversion of convertible notes into common stock	$ 5,059	$ 12,371

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

RED CAT HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 – The Business

Red Cat Holdings, Inc. (the "Company") was originally incorporated in February 1984. The Company is a drone technology company integrating robotic hardware and software for military, government and commercial operations. Since April 2016, the Company's primary business has been to provide products, services, and solutions to the drone industry.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary for a fair presentation with respect to the interim financial statements, have been included. The results of operations for the nine months ended September 30, 2026 are not necessarily indicative of the results for the full year. For further information, refer to the consolidated financial statements and footnotes thereto for the year ended December 31, 2025, included in the Company's Annual Report on Form 10-K.

Principles of Consolidation

Our condensed consolidated financial statements include the accounts of our wholly owned subsidiaries which include Teal, FlightWave, Skypersonic, Blue Ops (beginning on July 1, 2025), Apium Swarming Technologies, Inc. (beginning on March 27, 2026), and Quaze Technologies Inc. (beginning on May 19, 2026). Intercompany transactions and balances have been eliminated.

Segments

The Company operates as one operating segment. Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker ("CODM"), who is the Company's Chief Executive Officer, in deciding how to allocate resources and assess performance. The Company's CODM evaluates the Company's financial information and resources, and assesses the performance of the resources, on a consolidated net income (loss) basis. The CODM does not evaluate profitability below the level of the consolidated company. The measure of segment assets is reported on the consolidated balance sheets as total consolidated assets. The Company's significant segment expenses are included in the Company's condensed consolidated statements of operations. The Company's significant segment expenses that are reviewed by our CODM on a regular basis to manage performance and allocate resources include cost of goods sold, research and development and sales and marketing.

Use of Estimates

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Such estimates include, but are not limited to, revenue recognition, valuation of long-lived assets including identifiable intangibles and goodwill, inventory reserves, allowance for doubtful accounts, deferred tax assets and liabilities, warranty liabilities, convertible notes payable, and stock-based compensation.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, include trade receivables. In the normal course of business, the Company provides credit terms to its customers. Accordingly, the Company performs ongoing credit evaluations of its customers, generally does not require collateral and considers the credit risk profile of the

customer from which the receivable is due in further evaluating collection risk. Customers that accounted for 10% or greater of accounts receivable, net as of September 30, 2026 and December 31, 2025 were as follows:

	September 30, 2026	December 31, 2025
Customer A	38%	*
Customer B	19%	*
Customer C	11%	*
Customer D	*	88%

* Accounts receivable were less than 10% of total accounts receivable.

Customers that accounted for equal to or greater than 10% of total revenue were as follows:

	Nine months ended September 30,	
	2026	2025
Customer A	38%	45%
Customer B	*	13%

* Less than 10% of total revenue for the period

Fair Values, Inputs and Valuation Techniques for Financial Assets and Liabilities, and Related Disclosures

The fair value measurements and disclosure guidance defines fair value and establishes a framework for measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. In accordance with this guidance, the Company has categorized its recurring basis financial assets and liabilities into a three-level fair value hierarchy based on the priority of the inputs to the valuation technique.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The guidance establishes three levels of the fair value hierarchy as follows:

Level 1: Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;
Level 2: Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities; and
Level 3: Unobservable inputs that are significant to the measurement of the fair value of the assets or liabilities that are supported by little or no market data.

The Company's financial instruments mainly consist of cash, accounts receivable, current assets, investment in equity securities, accounts payable, accrued expenses, short-term debt obligations, and convertible notes payable. The recorded carrying amounts of cash, accounts receivable, current assets, accounts payable, accrued expenses, and debt obligations are considered to approximate their estimated fair values due to their short-term nature. Liabilities recognized at fair value on a recurring basis in the consolidated balance sheets consisted of convertible notes payable. These items are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Fair value is defined as the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Convertible Notes Payable

The Company elected the fair value option for its convertible notes payable and measures fair value based on significant inputs not observable in the market, which caused them to be classified as Level 3 measurements within the fair value hierarchy. Changes in the fair value of the convertible notes payable related to updated assumptions and estimates were recognized as a convertible notes payable fair value adjustment within the consolidated statements of operations.

In determining the fair value of the convertible notes payable as of December 31, 2025, the Company used a market-based approach. The valuation method utilized a negotiated discount rate and a market yield rate which are unobservable inputs.

An increase or decrease in any of the unobservable inputs in isolation could result in a material increase or decrease in the estimated fair value. In the future, depending on the weight of evidence and valuation approaches used, these or other inputs may have a more significant impact on the estimated fair value.

The Company calculated the estimated fair value of the convertible notes payable using the following assumptions. No convertible notes were issued during the nine months ended September 30, 2026. Accordingly, there were no assumptions used in the determination of fair value for that period.

	Nine months ended September 30, 2025
Issuance date	2/10/2025
Maturity date	5/10/2026
Stock price	5.88 - 10.35
Expected volatility factor	124.8 - 137.2%
Risk-free interest rate	3.70 - 4.25%

The following table presents changes in the Level 3 convertible notes payable measured at fair value for the nine months ended September 30, 2025 and September 30, 2026 (in thousands):

Balance, January 1, 2025	$	—
Additions		14,433
Fair value measurement adjustments		12,939
Redemption		(1,650)
Conversion into common stock		(12,371)
Balance, September 30, 2025	$	13,351
Balance, January 1, 2026	$	4,518
Fair value measurement adjustments		867
Gain on extinguishment		(326)
Conversion into common stock		(5,059)
Balance, September 30, 2026	$	—

Warrants

The fair value of the warrants issued in connection with the Company's convertible notes was estimated using a Monte Carlo simulation model. The significant unobservable inputs for the Monte Carlo model include the stock price, exercise price, risk-free rate of return, time to expiration, and the volatility. An increase or decrease in the unobservable inputs in isolation could result in a material increase or decrease in the estimated fair value. In the future, depending on the weight of evidence and valuation approaches used, these or other inputs may have a more significant impact on the estimated fair value. Additionally, if certain provisions are triggered, reset adjustments may be required in the future. No warrants were issued during the nine months ended September 30, 2026. For the nine months ended September 30, 2025, no value was

assigned to the warrants due to the fair market value of the convertible note payable being in excess of the proceeds received. The warrants are equity classified.

Investment in Equity Securities

The Company holds an investment in equity securities of a private company without a readily determinable fair value. The Company has elected to measure the investment at cost, less any impairment, adjusted for observable price changes in orderly transactions for the identical or similar investment of the same issuer. Any adjustments resulting from impairment or observable price changes are recognized in other income on the consolidated statements of operations.

Revenue Recognition

The Company recognizes revenue in accordance with ASC Topic 606 - Revenue from Contracts with Customers, issued by the Financial Accounting Standards Board. This standard includes a comprehensive evaluation of factors to be considered regarding revenue recognition including (i) identifying the promised goods, (ii) evaluating performance obligations, (iii) measuring the transaction price, (iv) allocating the transaction price to the performance obligations if there are multiple components, and (v) recognizing revenue as each obligation is satisfied. The Company's revenue transactions include the shipment of goods to customers as orders are fulfilled, completion of non-recurring engineering, completion of training, and customer support services. The Company recognizes revenue upon shipment of product or prototypes unless otherwise specified in the purchase order or contract. Customer deposits totaled $0.4 million and $0.3 million at September 30, 2026 and December 31, 2025, respectively.

The following table presents the Company's revenue disaggregated by revenue type (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2026	2025	2026	2025
Product related	$ 10,902	$ 8,472	$ 45,826	$ 12,191
Contract related	867	1,174	1,603	2,304
Total	$ 11,769	$ 9,646	$ 47,429	$ 14,495

Product Warranty

The Company accrues an estimate of its exposure to warranty claims based upon both current and historical product sales data and warranty costs incurred. Product warranty reserves are recorded in current liabilities under accrued expenses. Warranty liability was $0.7 million and $0.5 million as of September 30, 2026 and December 31, 2025, respectively.

Income Taxes

Deferred taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. The Company maintains a full valuation allowance on the deferred tax assets for which it is more likely than not that the Company will not realize the benefits of these tax assets in future tax periods.

Recent Accounting Pronouncements

Recently issued accounting pronouncements not yet adopted

In November 2024, the FASB issued ASU 2024-03 expanding disclosure requirements related to certain income statement expenses. The amendments require tabular disclosure of certain operating expenses disaggregated into categories, such as purchases of inventory, employee compensation, depreciation, and intangible asset amortization. The amendments are effective for our fiscal year ending December 31, 2027 and may be applied retrospectively. While the Company is still evaluating the specific impacts and adoption method, the Company anticipates this guidance will have a significant impact on our consolidated financial statement disclosures.

In December 2025, the FASB issued ASU No. 2025-11, Interim Reporting (Topic 270): Narrow-Scope Improvements. The ASU clarifies interim disclosure requirements and the applicability of Topic 270. The objective of the amendments is to provide further clarity about the current interim disclosure requirements. The ASU is effective for interim reporting periods within annual reporting periods beginning after December 15, 2027. Adoption of this ASU can be applied using either a prospective or a retrospective approach. Early adoption is permitted. The Company is currently evaluating the provisions of this ASU and does not expect this ASU to have a material impact on our consolidated financial statements.

Basic and Diluted Net Loss per Share

Basic and diluted net loss per share has been calculated by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Common stock equivalents were excluded from the computation of diluted net loss per share of common stock because they were anti-dilutive. The conversion or exercise of these common stock equivalents would dilute earnings per share if we become profitable in the future. Outstanding securities not included in the computation of diluted net loss per share because their effect would have been anti-dilutive include (in thousands):

	September 30, 2026	December 31, 2025
Series B Preferred Stock, as converted	4	4
Stock options	4,401	4,701
Warrants	—	583
Restricted stock	1,716	2,124
Total	6,121	7,412

Related Parties

Related parties include persons or entities that directly or indirectly control or exercise significant influence over us, including key management personnel and members of the Board of Directors, as well as their direct relatives. Related-party transactions are disclosed in Note 15.

Liquidity and Capital Resources

As of September 30, 2026, working capital totaled $355.8 million. The Company has significantly strengthened its liquidity position through multiple equity financings. In April 2025, June 2025, September 2025, and May 2026, the Company completed financings with gross proceeds of approximately $30.0 million, $46.8 million, $172.5 million, and $258.8 million, respectively.

As a result of these capital raises, the Company materially increased its working capital position and improved its capacity to meet expected operating and capital requirements. Management has concluded that the Company has sufficient financial resources for at least the next twelve months from the date the consolidated financial statements are issued.

Note 3 – Business Combinations

On March 27, 2026, the Company purchased the assets of Apium, Inc. and Apium Swarming Robotics, Inc. and created a new subsidiary called Apium Swarming Technologies, Inc. (“Apium”) to deepen the Company's ability to deliver intelligent, adaptive unmanned systems that enable coordinated operations in contested and communication-degraded environments. The Company acquired substantially all of the assets, as well as the related inputs and processes, and accordingly accounted for the transaction as a business combination. The aggregate consideration transferred for the acquisition was $19.8 million, consisting of $6.8 million in shares of common stock (536,423 shares of common stock), and contingent consideration valued at $13.0 million. The purchase price included a $1.0 million holdback for indemnification purposes to be released 18 months following the closing date and will be settled in equity. In addition, the agreement provides for contingent consideration consisting of two earnout payments that will be settled with equity: the first earnout opportunity, in the amount of $2.0 million, is tied to the achievement of technical milestones and is expected to be completed within the first year post-closing, while the second earnout amount can be achieved contingent upon revenue performance and is based on results achieved by the second anniversary of the closing date. The second earnout, if any, equals four times qualifying revenue (subject to a minimum threshold of $5.3 million and a maximum of $31.5 million), less the base purchase price and any amounts paid under the first earnout.

Goodwill for Apium is ascribed to validated deployment partnerships, expected synergies and assembled workforce expertise. The Company has reported net losses since its inception and is presently unable to determine when and if the tax benefit of this deduction will be realized.

The summary of the purchase price and its related allocation at fair market value is as follows (in thousands):

Shares issued	$	6,802
Acquisition consideration payable		12,997
Total Purchase Price		19,799
Assets acquired		
Brand name		1,840
Proprietary technology		4,108
Goodwill		13,851
Total assets acquired		19,799
Total fair value of net assets acquired	$	19,799

Proprietary technology is included in intangible assets on the condensed consolidated balance sheets. Proprietary technology is being amortized over seven years. Brand name is not amortized but reviewed for impairment on a quarterly basis and formally evaluated at year end. The excess of the purchase price above the net assets acquired was recorded as goodwill, which is reviewed quarterly and formally evaluated at year end or more often if indicators exist.

On May 19, 2026, the Company closed the acquisition of Quaze Technologies Inc. ("Quaze") to continue to develop and scale its wireless power architecture. The Company acquired all of the outstanding shares of Quaze and accounted for the transaction as a business combination. The aggregate consideration transferred for the acquisition was $21.3 million, consisting of $16.4 million comprised of 1,923,308 shares of common stock, a $0.2 million adjustment holdback and a $3.8 million holdback for indemnification purposes (recorded at an estimated fair value of $3.5 million) to be released 12 months following the closing date and will be settled in equity. In addition, the agreement provides for contingent consideration consisting of three earnout payments that will be settled with equity: the first earnout opportunity, in the amount of $2.5 million, is tied to the achievement of technical milestones and is based on results achieved by the two-year anniversary of the closing date. The second earnout opportunity, in the amount of $1.25 million, can be achieved contingent upon revenue performance and is based on results achieved by the two-year anniversary of the closing date. The second earnout will not be paid if qualifying revenue is below $5.0 million, and will be paid in full if qualifying revenue equals or exceeds $8.0 million. If qualifying revenue is between $5.0 million and $8.0 million, the payment is calculated on a straight-line basis. The third earnout opportunity, in the amount of $1.25 million, can be achieved contingent upon gross margin performance and is based on results achieved by the two-year anniversary of the closing date. The third earnout will not be paid if gross margin eligible revenue is less than $3.5 million, and will be paid in full if gross margin eligible revenue equals or exceeds $5.6 million. If gross margin eligible revenue is between $3.5 million and $5.6 million, the payment is calculated on a straight-line basis.

Goodwill for Quaze is ascribed to validated deployment partnerships, expected synergies and research and development expertise. The Company has reported net losses since its inception and is presently unable to determine when and if the tax benefit of this deduction will be realized. In connection with the initial purchase price allocation, the Company recognized a deferred tax liability of $2.0 million with a corresponding increase to goodwill, representing a non-cash adjustment with no impact on the consolidated statement of cash flows.

The summary of the preliminary purchase price and its related allocation at fair market value is as follows (in thousands):

Shares issued	$	16,444
Acquisition consideration payable		4,457
Cash paid		448
Total Purchase Price	$	21,349
Assets acquired		
Cash		21
Accounts receivable		32
Operating lease right-of-use assets		79
Prepaid expenses and other current assets		665
Proprietary technology		8,121
Brand name		1,316
Non-compete agreements		754
Goodwill		13,147
Total assets acquired		24,135
Liabilities assumed		
Accounts payable and accrued expenses		93
Debt obligations		560
Deferred tax liability		2,043
Operating lease liabilities		90
Total liabilities assumed		2,786
Total fair value of net assets acquired	$	21,349

The purchase price and its related allocation at fair market value are preliminary and subject to adjustment pending the completion of the valuation and applicable international tax analysis. During the three months ended September 30, 2026, the Company recorded measurement period adjustments that decreased the deferred tax liability and goodwill by $0.6 million, representing a non-cash adjustment with no impact on the consolidated statement of cash flows. Brand name, non-compete agreements, and proprietary technology are included in intangible assets on the condensed consolidated balance sheets. Proprietary technology and non-compete agreements are being amortized over six years. Brand name is not amortized but reviewed for impairment on a quarterly basis and formally evaluated at year end. The excess of the purchase price above the net assets acquired was recorded as goodwill, which is reviewed quarterly and formally evaluated at year end or more often if indicators exist.

Note 4 – Inventories, Net

Inventories consisted of the following (in thousands):

		September 30, 2026		December 31, 2025
Raw materials	$	81,685	$	19,794
Work-in-process		22,226		3,751
Finished goods		15,757		2,404
Inventories, gross	$	119,668	$	25,949
Reserve for inventory excess and obsolescence		(2,430)		(2,497)
Inventories, net	$	117,238	$	23,452

Note 5 – Intangible Assets

Intangible assets relate to acquisitions completed by the Company, including those described in Note 3, and were as follows (in thousands):

	September 30, 2026			December 31, 2025		
	Gross Value	Accumulated Amortization	Net Value	Gross Value	Accumulated Amortization	Net Value
Proprietary technology	$ 20,216	$ (5,552)	$ 14,664	$ 7,987	$ (3,879)	$ 4,108
Backlog	276	(276)	—	276	(184)	92
Customer relationships	900	(275)	625	900	(178)	722
Non-compete agreements	819	(107)	712	65	(65)	—
Brand name	1,997	—	1,997	—	—	—
Total finite-lived assets	24,208	(6,210)	17,998	9,228	(4,306)	4,922
Brand name	3,156	—	3,156	1,997	—	1,997
Total indefinite-lived assets	3,156	—	3,156	1,997	—	1,997
Total intangible assets, net	$ 27,364	$ (6,210)	$ 21,154	$ 11,225	$ (4,306)	$ 6,919

Proprietary technology is being amortized over six to seven years. Backlog is being amortized over two years. Customer relationships are being amortized over seven years. Non-compete agreements are being amortized over three to six years. The brand names of Apium and Quaze are not amortized but are reviewed for impairment on a quarterly basis and formally evaluated at year end. Amortization expense totaled $1.9 million and $1.2 million for the nine months ended September 30, 2026 and 2025, respectively.

During the quarter ended September 30, 2026, the Company combined the Teal and FlightWave brands into a newly unified brand, Red Cat Aerial. As a result, the Company determined that the previously indefinite-lived brand names of Teal and FlightWave had finite useful lives. The Company first performed an impairment assessment, which indicated that carrying values of these brand names were not impaired. The change in useful life determination was treated as a change in estimate with a $2.0 million carrying value of these legacy brand names being amortized over two years, beginning October 1, 2026.

As of September 30, 2026, expected amortization expense for finite-lived intangible assets for the next five years is as follows (in thousands):

Fiscal Year Ended:	
2026	$ 1,108
2027	4,195
2028	3,473
2029	2,724
2030	2,724
Thereafter	3,774
Total	$ 17,998

Note 6 – Property and Equipment

Property and equipment consist of assets with an estimated useful life greater than one year and are reported net of accumulated depreciation. The reported values are periodically assessed for impairment, and were as follows (in thousands):

	September 30, 2026	December 31, 2025
Equipment and related	$ 10,758	$ 2,118
Leasehold improvements	6,487	1,653
Furniture and fixtures	4,294	1,275
Construction in progress	4,886	4,241
Accumulated depreciation	(3,934)	(1,490)
Net carrying value	$ 22,491	$ 7,797

Depreciation expense totaled $2.4 million and $0.5 million for the nine months ended September 30, 2026 and 2025, respectively.

Note 7 – Other Long-Term Assets

Other long-term assets included (in thousands):

	September 30, 2026	December 31, 2025
Investment in equity securities	$ 2,213	$ 692
Security deposits	570	535
Total	$ 2,783	$ 1,227

In November 2022, the Company entered into a SAFE (Simple Agreement for Future Equity) agreement with Firestorm Labs, Inc. (“Firestorm”) under which it made a payment of $0.3 million to Firestorm in exchange for the right to certain shares of Firestorm stock. The SAFE provided that the Company's investment would convert into shares of Firestorm's Preferred Stock upon the occurrence of a qualified equity financing. In July 2025, Firestorm completed a Series A Preferred Stock financing, and the Company's SAFE investment converted into shares of Firestorm's Series A Preferred Stock. In April 2026, Firestorm completed a Series B financing. As a result of the observable transaction price established by that financing, the Company recorded a $1.52 million unrealized gain to the carrying value of its investment. The Company has elected the measurement alternative to measure the investment at cost, less any impairment, adjusted for observable price changes in orderly transactions for the identical or similar investment of the same issuer. Any adjustments resulting from impairment or observable price changes are recognized in other income on the consolidated statements of operations.

Note 8 – Right of Use Assets and Liabilities

As of September 30, 2026, the Company had operating leases for real estate and no finance leases. The Company’s leases have remaining lease terms of up to 13.92 years, including options to extend certain leases for up to ten years. Operating lease expense totaled $2.4 million and $0.7 million for the nine months ended September 30, 2026 and 2025, respectively.

Supplemental information related to operating leases for the nine months ended September 30, 2026 was:

Operating cash paid for leased facilities (in thousands)	$ 1,971
Weighted average remaining lease term (in years)	4.80
Weighted average discount rate	12%

Future lease payments at September 30, 2026 were as follows (in thousands):

Fiscal Year Ended:		
2026	$	762
2027		3,108
2028		2,970
2029		2,851
2030		2,561
Thereafter		10,009
Total		22,261
Imputed interest		(8,564)
Total liability	$	13,697

Note 9 – Debt Obligations

A. Pelion Note

In May 2021, Teal entered into a note agreement totaling $0.4 million which is payable upon demand. The Note bears interest at the applicable Federal Rate as of the date of the Note, which was 0.13% on the date of issuance. The balance outstanding at September 30, 2026 and December 31, 2025 was $0.4 million. Accrued interest at September 30, 2026 and December 31, 2025 totaled $2.4 thousand and $2.1 thousand, respectively.

B. Quaze Obligation

In connection with the acquisition of Quaze, the Company assumed an obligation with Investissement Québec. The assumed balance of $0.6 million was originally issued to finance tax credits relating to Scientific Research and Experimental Development ("SR&ED"). The loan bears interest at a floating rate equal to the Prime Rate plus 2.70% per annum, calculated monthly, with interest payable on the last day of each month. The principal balance is repayable upon the earliest of: (i) the date on which Quaze's income tax return is filed, if a setoff against the refundable tax credits receivable is applied against taxes payable; (ii) the date by which the income tax return is required to be filed; (iii) the date of receipt of a refund from competent authorities with respect to the refundable tax credits; or (iv) January 31, 2027. The balance outstanding at September 30, 2026 was $0.5 million.

C. Summary

Future annual principal payments at September 30, 2026 are as follows (in thousands):

Fiscal Year Ended:		
2026	$	862
Thereafter		—
Total	$	862

Note 10 – Convertible Notes Payable

February 2025 Securities Purchase Agreement

In February 2025, the Company entered into another Securities Purchase Agreement (the “February 2025 SPA”) with Lind Global Asset Management XI LLC ("Lind XI," and together with Lind X, "Lind"). Under the February 2025 SPA, the Company received approximately $15.0 million in funding from Lind XI in exchange for a Senior Convertible Promissory Note in the amount of $16.5 million (the “February 2025 Note”) and a Common Stock Purchase Warrant for the purchase of 1,000,000 shares of our common stock at a price of $15.00 per share, exercisable for five years (the “February 2025 Warrant”). The February 2025 Note is secured by substantially all assets of the Company. As additional consideration to Lind XI, the Company paid a commitment fee in the amount of $0.5 million.

Terms: The February 2025 Note's terms include: (i) the balance of the February 2025 Note was due and payable on February 10, 2026; (ii) the amount due under the February 2025 Note was convertible by Lind XI from time to time at a price equal to the lower of "Conversion Price" of $16.15 per share, or the "Repayment Share Price," which is defined as ninety percent (90%) of the average of the five (5) lowest daily VWAPs for the Company's common stock during the twenty (20) trading days prior to the conversion date, subject to a floor price; (iii) conversions under the February 2025 Note are limited to a maximum of $1.7 million in any calendar month, subject to increase upon our optional written consent; and (iv) upon receipt of a conversion notice under the February 2025 Note, the Company could, if the applicable Repayment Share Price is below the Conversion Price, elect to pay the conversion amount, plus a 2.5% premium, in cash in lieu of issuing common stock. In the event the Company issues or sells additional shares of common stock at an effective price per share that is less than the conversion price of the February 2025 Note as amended, the conversion price upon each such issuance will be reduced to a price equal to the consideration per share paid for additional shares of common stock. Additionally, in the event the Company issues or sells additional shares of common stock at an effective price per share that is less than the exercise price of the February 2025 Warrant as amended, the exercise price upon each such issuance will be reduced to a price equal to the consideration per share paid for additional shares of common stock.

Amendment 1: In April 2025, the Company entered into a First Amendment (the "April 9, 2025 Amendment") to the terms of the February 2025 Note and February 2025 Warrant. The February 2025 Note and the February 2025 SPA contained certain covenants, including: (i) in the event of new issuances of the Company's common stock at a price less than the Conversion Price then in effect, the Conversion Price will be adjusted to the price paid for the newly issued shares of common stock (the "Price Reset Provision"); (ii) in the event the Company issues new securities in exchange for gross proceeds of greater than $15 million, the Company is required to pay the lower of 20% of the proceeds of such offering, or 20% of the balance of the February 2025 Note, toward repayment of the February 2025 Note (the "Offering Proceeds Provision"); and (iii) in the event the Company undertakes a new offering of securities, Lind XI has the right to purchase up to 20% of the securities issued in the new offering (the "Participation Rights"). The Warrant contained provisions that would adjust the exercise price of the Warrant in certain circumstances, including if the Company issued new securities at a price less than the then-current exercise price.

Under the April 9, 2025 Amendment, and in exchange for a waiver of Price Reset Provision and certain other covenants in connection with the proposed April Registered Direct Offering (as defined below), the terms of the February 2025 Note, Warrant and the SPA were amended. The balance of the February 2025 Note was increased to $18.2 million. The Conversion Price of the February 2025 Note was lowered to $9.52 per share. The exercise price for the Warrant was lowered to $7.62 per share. The maturity date of the February 2025 Note was extended to May 10, 2026. Upon receipt of a conversion notice under the February 2025 Note, we could, if the applicable Repayment Share Price was below the Conversion Price, elect to pay up to 50% of the conversion amount, plus a 2.5% premium, in cash in lieu of issuing common stock. The Price Reset Provision, the Offering Proceeds Provision, and the Participation Rights were waived for a limited time, until April 17, 2025. The Company accounted for this amendment as an extinguishment of debt and recorded a loss of $4.6 million in June 2025.

Amendment 2: In April 2025, the Company entered into a (i) Second Amendment to the February 2025 Note and February 2025 Warrant; (ii) First Amendment to the November 2024 Warrant and (iii) First Amendment to the February 2025 SPA (collectively, the "Agreement"). Under the terms of the Agreement, the Company and Lind amended each of the February 2025 Note, the February 2025 Warrant and the November 2024 Warrant to include a cap on the number of shares issuable upon conversion and/or exercise of each aforementioned security such that the shares issuable under each of them shall not exceed the maximum number of shares of the Company's common stock which may be issued by the Company in the absence of shareholder approval as provided by Nasdaq Rule 5635(d). In addition, Section 5.13 of the February 2025 SPA was amended to extend the deadline to obtain Stockholder Approval (as defined in the February 2025 SPA) to June 30, 2025. In addition, certain stockholders of the Company entered into support agreements under which they agreed to vote in favor of the matter presented to the Company's stockholders for the Stockholder Approval.

Drawdowns:

- On April 15, 2025, the Company redeemed $1.7 million of the February 2025 Note for a cash payment of $1.7 million.
- On May 1, 2025, Lind converted $1.7 million of the February 2025 Note into 372,460 shares of the Company's common stock at a conversion price of $4.43 per share.

- On June 2, 2025, Lind converted $1.7 million of the February 2025 Note into 331,991 shares of the Company's common stock at a conversion price of $4.97 per share.
- On July 1, 2025, Lind converted $1.7 million of the February 2025 Note into 265,273 shares of the Company's common stock at a conversion price of $6.22 per share.
- On August 1, 2025, Lind converted $1.7 million of the February 2025 Note into 262,321 shares of the Company's common stock at a conversion price of $6.29 per share.
- On September 8, 2025, Lind converted $1.7 million of the February 2025 Note into 214,564 shares of the Company's common stock at a conversion price of $7.69 per share.
- On October 1, 2025, Lind converted $1.7 million of the February 2025 Note into 213,178 shares of the Company's common stock at a conversion price of $7.74 per share.
- On November 28, 2025, Lind converted $1.7 million of the February 2025 Note into 276,845 shares of the Company's common stock at a conversion price of $5.96 per share.
- On December 8, 2025, Lind converted $1.7 million of the February 2025 Note into 276,845 shares of the Company's common stock at a conversion price of $5.96 per share.
- On January 5, 2026, Lind converted $1.7 million of the February 2025 Note into 245,170 shares of the Company's common stock at a conversion price of $6.73 per share.
- On February 2, 2026, Lind converted $1.7 million of the February 2025 Note into 175,159 shares of the Company's common stock at a conversion price of $9.42 per share.

Each of the drawdowns listed above occurred at a variable conversion rate below the Conversion Price. Consequentially, each drawdown represented the exercise of a share settled redemption feature for accounting purposes. The Company applied extinguishment accounting which resulted in a $0.3 million gain on extinguishment of convertible notes payable for the nine months ended September 30, 2026.

Amendment 3: On June 17, 2025, the Company entered into a Third Amendment to Senior Secured Convertible Promissory Note and Warrant Issued February 10, 2025 with Lind XI and Second Amendment to Warrant Issued November 26, 2024 between the Company and Lind X (collectively, the "June 17, 2025 Amendment"). Under the terms of the June 17, 2025 Amendment, and in exchange for Lind waiving its right to purchase up to twenty percent of the securities issued in an equity financing, the Company and Lind amended the February 2025 Note, November 2024 Warrant, and the February 2025 Warrant to (1) exempt any adjustments from the offering contemplated at that time to the conversion price of the February 2025 Note and exercise price of the November 2024 Warrant and February 2025 Warrant; (2) remove the Company's election to pay, in certain circumstances, up to fifty percent of the conversion amount under the February 2025 Note in cash; and (3) remove the Company's right to prepay the February 2025 Note.

The fair values of the convertible note and related warrants were estimated using a Monte Carlo simulation model. No value was assigned to the warrant due to the fair market value of the convertible note payable being in excess of the proceeds received. See Note 2 for further information. The Company's convertible notes payable balance was paid off in February 2026.

Note 11 – Common Stock

Our common stock has a par value of $0.001 per share. We are authorized to issue 500,000,000 shares of common stock. Each share of common stock is entitled to one vote. A summary of shares of common stock issued by the Company is as follows (in thousands):

Description of Shares	Shares Issued
Shares outstanding as of December 31, 2025	120,070
Exercise of stock options	937
Exercise of warrants	572
Vesting of restricted stock	951
Conversion of convertible notes into common stock	420
Acquisition of Apium	536
Acquisition of Quaze	1,923
Acquisition adjustment	(12)
Public offerings, net of $13,512 of issuance costs	27,527
Shares outstanding as of September 30, 2026	152,924

Public Offerings

In April 2025, the Company entered into a securities purchase agreement with certain institutional investors pursuant to which the Company agreed to issue and sell, in a registered direct offering (the "April Registered Direct Offering"), an aggregate of 4,724,412 shares of the Company's common stock, par value $0.001 per share, at a price of $6.35 per share. The gross proceeds to the Company from the April Registered Direct Offering were approximately $30 million, before deducting the placement agents' fees and other offering expenses payable by the Company.

In June 2025, the Company entered into a securities purchase agreement with certain institutional investors pursuant to which the Company agreed to issue and sell, in a registered direct offering (the "June Registered Direct Offering"), an aggregate of 6,448,276 shares of the Company's common stock, par value $0.001 per share, at a price of $7.25 per share. The gross proceeds to the Company from the June Registered Direct Offering were approximately $46.75 million, before deducting the placement agents' fees and other offering expenses payable by the Company.

In September 2025, the Company entered into an underwriting agreement with a certain institutional investor pursuant to which the Company agreed to issue and sell, in a registered direct offering (the "September Registered Direct Offering"), an aggregate of 15,625,000 shares of the Company's common stock, par value $0.001 per share, at a price of $9.60 per share. The Company also granted the underwriters a thirty-day option to purchase up to an additional 2,343,750 shares of common stock at the public offering price, which the underwriters exercised in full at closing. The gross proceeds to the Company from the September Registered Direct Offering were approximately $172.50 million, before deducting the underwriters' fees and other offering expenses payable by the Company.

In May 2026, the Company entered into an underwriting agreement with a certain institutional investor pursuant to which the Company agreed to issue and sell, in a registered direct offering (the "May Registered Direct Offering"), an aggregate of 23,936,171 shares of the Company's common stock, par value $0.001 per share, at a price of $9.40 per share. The Company also granted the underwriters a thirty-day option to purchase up to an additional 3,590,425 shares of common stock at the public offering price, which the underwriters exercised in full at closing. The gross proceeds to the Company from the May Registered Direct Offering were approximately $258.75 million, before deducting the underwriters' fees and other offering expenses payable by the Company.

Note 12 – Preferred Stock

Our preferred stock has a par value of $0.001 per share. Series B Preferred Stock ("Series B Stock") is convertible into common stock at a ratio of 0.8334 shares of common stock for each share of Series B Stock held and votes together with the common stock on an as-if-converted basis. Shares outstanding at September 30, 2026 totaled 4,676 which are convertible into 3,896 shares of common stock.

Note 13 – Warrants

In February 2025, the Company issued warrants to purchase 1,000,000 shares of common stock to Lind, as further described in Note 10. The warrants have a five-year term and an exercise price of $15.00, which was amended to $7.62 under the First Amendment to the agreement on April 9, 2025. No value was assigned to the warrants under the Monte Carlo simulation model due to the fair market value of the convertible note payable being in excess of the proceeds received.

The following table summarizes the changes in warrants outstanding since December 31, 2025.

	Number of Shares (in thousands)	Weighted-average Exercise Price per Share	Weighted-average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2025	583	$ 7.55	4.00	$ 219
Granted	—	—	—	—
Exercised	(578)	7.57	—	—
Expired	(5)	—	—	—
Outstanding at September 30, 2026	—	$ —	—	$ —

Note 14 – Share Based Awards

The 2019 Equity Incentive Plan (the "2019 Plan") and the 2024 Omnibus Equity Incentive Plan (the "2024 Plan") (collectively, the "Plans") allow us to incentivize key employees, consultants, and directors with long-term compensation awards such as stock options, restricted stock, and restricted stock units (collectively, the "Awards"). The number of shares issuable in connection with Awards under the 2019 Plan was not to exceed 11,750,000. However, no shares are issuable under the 2019 Plan after the 2024 Plan became effective on October 15, 2024. The number of shares issuable in connection with Awards under the 2024 Plan may not exceed 24,603,000 plus any underlying forfeited 2019 Plan awards.

A. Options

The range of assumptions used to calculate the fair value of options granted during the nine months ended September 30, 2026 was:

Exercise Price	$13.06 – 15.14
Stock price on date of grant	13.06 – 14.10
Risk-free interest rate	3.81 – 4.06%
Dividend yield	—
Expected term (years)	5.87 – 6.00
Volatility	135.84 – 143.99%

A summary of options activity under the Plan is as follows:

	Shares (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of December 31, 2025	4,701	$ 4.14	8.04	$ 18,616
Granted	1,115	13.20		
Exercised	(1,012)	1.59		
Forfeited or expired	(403)	4.39		
Outstanding as of September 30, 2026	4,401	7.00	8.06	7,101
Exercisable as of September 30, 2026	1,928	$ 3.91	6.91	$ 5,709

The aggregate intrinsic value of outstanding options represents the excess of the stock price at the indicated date over the exercise price of each option. As of September 30, 2026, there was $17.1 million of unrecognized stock-based compensation expense related to unvested stock options, which is expected to be recognized over the weighted average period of 1.41 years.

B. Restricted Stock

A summary of restricted stock activity under the Plan is as follows:

	Shares (in thousands)	Weighted Average Grant-Date Fair Value Per Share
Unvested and outstanding as of December 31, 2025	2,124	$ 5.67
Granted	1,301	11.27
Vested	(1,097)	4.14
Forfeited	(612)	9.11
Unvested and outstanding as of September 30, 2026	1,716	$ 9.66

As of September 30, 2026, there was $13.5 million of unrecognized stock-based compensation expense related to unvested restricted stock units, which is expected to be recognized over the weighted average period of 1.56 years.

C. Stock Compensation

Stock compensation expense for the nine months ended September 30 by functional operating expense was (in thousands):

	2026	2025
Research and development	$ 2,160	$ 747
Sales and marketing	1,018	2,036
General and administrative	9,051	4,472
Total	$ 12,229	$ 7,255

Stock compensation expense pertaining to options totaled $7.4 million for the nine months ended September 30, 2026. Stock compensation expense pertaining to restricted stock totaled $4.8 million for the nine months ended September 30, 2026. Stock compensation expense pertaining to options totaled $3.9 million for the nine months ended September 30, 2025. Stock compensation expense pertaining to restricted stock totaled $3.3 million for the nine months ended September 30, 2025.

Note 15 - Related-Party Transactions

The Company has entered into a supplier arrangement with Unusual Machines, Inc. ("UMAC"), from which the Company purchases inventory used in its drones. The Company's Chief Executive Officer serves as a member of the board of directors of UMAC.

During the nine months ended September 30, 2026, the Company purchased approximately $2.5 million of inventory from UMAC. During the nine months ended September 30, 2025, the Company made no purchases of inventory from UMAC.

As of September 30, 2026 and December 31, 2025, there were no outstanding amounts payable to UMAC.

The Company believes the terms of these transactions are consistent with those that would be available from unaffiliated third parties, based on competitive pricing and market comparisons.

Note 16 – Commitments and Contingencies

Legal Proceedings

In 2025, Autonodyne, LLC ("Autonodyne") filed an action against Teal in the U.S. District Court for the District of Delaware asserting claims for breach of contract. In 2025, Autonodyne filed a motion for judgment on the pleadings, which motion was denied. The matter is now in the discovery phase, but no discovery has commenced as of the date of this filing. The Company believes the claims are without merit and intends to vigorously defend against them.

The Company is also a party to certain shareholder class action and derivative proceedings. In the matter captioned Olsen v. Red Cat Holdings, Inc., initially filed on May 23, 2025 in the U.S. District Court for the District of New Jersey, the complaint asserts claims for violations of Section 14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The plaintiffs filed an Amended Complaint on May 5, 2026 alleging additional claims and adding additional parties and removing certain parties. Red Cat filed a Motion to Dismiss on July 7 2026. Plaintiffs filed their Opposition to Motion to Dismiss on September 4 2026, and Red Cat subsequently filed its Reply to Plaintiff's Opposition to Motion to Dismiss on October 6 2026. The parties are now waiting on the court to rule on the Motion to Dismiss which may not happen until later this year or in 2027. Two related derivative actions filed n the U.S. District Court for the District of Nevada, captioned Fuchs v. Red Cat Holdings, Inc. and Henderson v. Red Cat Holdings, Inc., have been stayed pending resolution of the Olsen matter. The derivative complaints assert claims for breach of fiduciary duty, mismanagement, corporate waste, unjust enrichment and insider trading. The Company believes the claims are without merit and intends to vigorously defend against them.

On July 17, 2026, the Board of Directors of the Company (the “Board”) terminated Geoffrey Hitchcock, Chief Revenue Officer of the Company, for cause effective on July 23, 2026. Following communication of the Board’s decision, Mr. Hitchcock, on July 21, 2026, Mr. Hitchcock filed a civil complaint captioned Geoffrey Hitchcock v. Red Cat Holdings, Inc. et al., in the County of New York for the Supreme Court of the State of New York alleging, among other things, retaliatory termination in violation of New York and Oregon law, breach of contract, and breach of the implied covenant of good faith

and fair dealing, and seeking compensatory and other damages in an unspecified amount. The Company believes the claims are without merit, intends to defend itself vigorously, and will evaluate potential counterclaims against Mr. Hitchcock. On August 19 2026, Red Cat filed a Motion to Remove the matter from New York state court to the Southern District of New York. Red Cat also filed an Answer to Hitchcock's Complaint on August 25 2026 in state court. An Order to Show Cause was issued to Red Cat by the court on October 13 2025 asking Red Cat to provide an amended Notice of Removal and Red Cat filed its Response on October 27 2026. At this time, the Company cannot estimate the cost or range of costs that are reasonably likely to be incurred in connection with this matter.

Additionally, from time to time, the Company is involved in various legal proceedings arising in the ordinary course of business. The Company does not believe that any currently pending legal proceedings will have a material adverse effect on its business, consolidated financial position, results of operations or cash flows. However, the outcome of legal proceedings is inherently uncertain and subject to significant uncertainties. As of September 30, 2026, the Company has not recorded any loss contingencies related to legal matters.

Note 17 – Subsequent Events

Subsequent events have been evaluated through the date of this filing and there are no subsequent events which require disclosure, except as follows:

Proposed Acquisition of Steyr Motors AG

On October 21, 2026, the Company and Steyr Motors AG ("Steyr Motors"), an Austrian developer of engines for defense and civil applications entered into a Business Combination Agreement. Under the agreement, the Company launched a voluntary public cash tender offer for outstanding shares of Steyr Motors at EUR 39.00 per share. Steyr Motors' shareholder base is comprised of a minority amount of institutional investors and majority amount of retail investors. The tender offer is subject to certain conditions, including the tender of at least 50% plus one of the outstanding shares and receipt of applicable foreign direct investment approvals. The Company has the unilateral right to waive this condition. The acceptance period currently ends December 18, 2026. There can be no assurance that the transaction will be completed, and the transaction had not closed as of the date of this filing.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and the related notes appearing elsewhere in this Quarterly Report on Form 10-Q. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2025 as may be amended, supplemented or superseded from time to time by other reports we file with the SEC. All amounts in this report are in U.S. dollars, unless otherwise noted.

Overview

We are a drone technology company integrating robotic hardware and software for military, government and commercial operations. We were originally incorporated under the laws of the State of Colorado in 1984 under the name "Oravest International, Inc." In November 2016, we changed our name to "TimefireVR, Inc." and re-incorporated in Nevada. In May 2019, we completed a share exchange agreement with Propware, which resulted in the Propware shareholders acquiring an 83% ownership interest and management control of the Company. In connection with the share exchange agreement, we changed our name to "Red Cat Holdings, Inc." and our operating focus to the drone industry.

Prior to the share ex[change agreement, Propware was focused on the research and development of software solutions that could provide secure cloud-based analytics, storage and services for the drone industry. Following the share exchange agreement and name change, we have completed a series of acquisitions and financings which have broadened the scope of our activities in the drone industry.

Recent Developments

On October 21, 2026, the Company and Steyr Motors AG ("Steyr Motors") entered into a Business Combination Agreement, pursuant to which the Company launched a voluntary public cash tender offer for the outstanding shares of Steyr Motors at EUR 39.00 per share. Steyr Motors' shareholder base consists of a minority amount of institutional investors and a majority amount of retail investors. The offer is subject to certain conditions, including satisfaction of the applicable minimum acceptance threshold and receipt of foreign direct investment approvals. The acceptance period is currently scheduled to end on December 18, 2026. See Note 17, "Subsequent Events," to the accompanying condensed consolidated financial statements.

Discussion and Analysis of the Three Months Ended September 30, 2026 Compared to the Three Months Ended September 30, 2025

Revenues

	Three months ended September 30,		Change	
(in thousands)	2026	2025	Amount	%
Revenues	$ 11,769	$ 9,646	$ 2,123	22 %

Consolidated revenues totaled $11.8 million during the three months ended September 30, 2026, or the "2026 period" compared to $9.6 million during the three months ended September 30, 2025, or the "2025 period," representing an increase of $2.1 million, or 22%. The increase is attributable primarily to higher revenue from drone deliveries to the U.S. Air Force and other customers.

Gross Profit

(in thousands)	Three months ended September 30, 2026	2025	Change Amount	%
Gross Profit	$ 65	$ 638	$ (573)	(90)%
Gross Margin	0.6 %	6.6 %		

Consolidated gross profit totaled $0.1 million during the 2026 period compared to gross profit of $0.6 million during the 2025 period, representing a decrease of $0.5 million. On a percentage basis, gross profit was 0.6% during the 2026 period compared to gross profit of 6.6% during the 2025 period. The gross profit decrease was primarily attributable to higher inventory scrap at FlightWave, warranty expenses, increased returns, and unabsorbed manufacturing overhead and labor resulting from excess production capacity.

Operating Expenses

(in thousands)	Three months ended September 30, 2026	2025	Change Amount	%
Operating Expenses				
Research and development	$ 16,136	$ 5,968	$ 10,168	170 %
Sales and marketing	6,355	2,985	3,370	113 %
General and administrative	20,965	9,216	11,749	127 %
Total operating expenses	$ 43,456	$ 18,169	$ 25,287	139 %

Research and development expenses totaled $16.1 million during the 2026 period compared to $6.0 million during the 2025 period, representing an increase of $10.2 million or 170%. The increase was attributable primarily to increased investment in engineering personnel costs, prototype development, testing, and other expenses associated with the development of new and enhanced drone platforms and related technologies.

Sales and marketing costs totaled $6.4 million during the 2026 period compared to $3.0 million during the 2025 period, representing an increase of $3.4 million or 113%. The increase was attributable primarily to higher payroll and related personnel costs associated with expanding our sales and marketing team to support increased business development and customer engagement activities.

General and administrative expenses totaled $21.0 million during the 2026 period compared to $9.2 million during the 2025 period, representing an increase of $11.7 million or 127%. The increase was attributable primarily to higher payroll and related personnel costs resulting from increased headcount and increased software and technology costs associated with corporate IT infrastructure in support of the Company's successful pursuit of Cybersecurity Maturity Model Certification compliance.

Stock-Based Compensation

(in thousands)	Three months ended September 30, 2026	2025	Change Amount	%
Stock-Based Compensation				
Research and development	$ 684	$ 426	$ 258	61 %
Sales and marketing	53	304	(251)	(83)%
General and administrative	1,633	2,891	(1,258)	(44)%
Total stock-based compensation	$ 2,370	$ 3,621	$ (1,251)	(35)%

During the 2026 period, we incurred stock-based compensation costs of $2.4 million compared to $3.6 million in the 2025 period, resulting in a decrease of $1.3 million or 35%. The decrease was primarily due to the reversal of $1.8 million of

expense previously recognized for unvested awards that were forfeited. This decrease was partially offset by equity awards granted to new employees.

Other (Income) Expense

	Three months ended September 30,		Change	
(in thousands)	2026	2025	Amount	%
Other (income) expense	$ (2,943)	$ (2,209)	$ (734)	33 %

Other income totaled $2.9 million during the 2026 period compared to other income of $2.2 million during the 2025 period, representing an increase of $0.7 million or 33%. The increase was primarily attributable to higher interest income, which increased to $2.4 million during the 2026 period compared to $0.8 million during the 2025 period. This increase was partially offset by the absence of a $1.0 million gain associated with changes in the fair value and extinguishment of convertible notes payable recognized during the 2025 period.

Discussion and Analysis of the Nine Months Ended September 30, 2026 Compared to the Nine Months Ended September 30, 2025

Revenues

	Nine months ended September 30,		Change	
(in thousands)	2026	2025	Amount	%
Revenues	$ 47,429	$ 14,495	$ 32,934	227 %

Consolidated revenues totaled $47.4 million during the nine months ended September 30, 2026, or the “2026 period” compared to $14.5 million during the nine months ended September 30, 2025, or the “2025 period,” representing an increase of $32.9 million, or 227%. The increase is attributable primarily to increased revenue associated with the scaling of drone deliveries to the U.S. Army and the commencement of drone deliveries to the Japan Ground Self-Defense Force, and additional deliveries to other branches of the U.S. military and allied nations.

Gross Profit

	Nine months ended September 30,		Change	
(in thousands)	2026	2025	Amount	%
Gross Profit	$ 5,290	$ 162	$ 5,128	3165 %
Gross Margin	11.2 %	1.1 %		

Consolidated gross profit totaled $5.3 million during the 2026 period compared to a gross profit of $0.2 million during the 2025 period, representing an increase of $5.1 million. On a percentage basis, gross profit was 11.2% during the 2026 period compared to a gross profit of 1.1% during the 2025 period. The gross profit increase was primarily due to higher revenue and increased manufacturing efficiencies in the 2026 period compared to the 2025 period. Additionally, the 2025 period was lower due to inventory write-offs occurring as we transitioned sales and production from the Teal 2 to the Black Widow.

Operating Expenses

(in thousands)	Nine months ended September 30, 2026	2025	Change Amount	%
Operating Expenses				
Research and development	$ 38,327	$ 12,999	$ 25,328	195 %
Sales and marketing	17,371	9,487	7,884	83 %
General and administrative	58,929	20,332	38,597	190 %
Total operating expenses	$ 114,627	$ 42,818	$ 71,809	168 %

Research and development expenses totaled $38.3 million during the 2026 period compared to $13.0 million during the 2025 period, representing an increase of $25.3 million or 195%. The increase was attributable primarily to increased investment in engineering personnel costs, prototype development, testing, and other expenses associated with the development of new and enhanced drone platforms and related technologies.

Sales and marketing costs totaled $17.4 million during the 2026 period compared to $9.5 million during the 2025 period, representing an increase of $7.9 million or 83%. The increase was attributable primarily to higher payroll and related personnel costs associated with expanding our sales and marketing team to support increased business development and customer engagement activities.

General and administrative expenses totaled $58.9 million during the 2026 period compared to $20.3 million during the 2025 period, representing an increase of $38.6 million or 190%. The increase was attributable primarily to higher payroll and related personnel costs resulting from increased headcount. These increases reflect the expansion of our corporate, administrative, and compliance functions to support growth during the 2026 period and anticipated future growth.

Stock-Based Compensation

(in thousands)	Nine months ended September 30, 2026	2025	Change Amount	%
Stock-Based Compensation				
Research and development	$ 2,160	$ 747	$ 1,413	189 %
Sales and marketing	1,018	2,036	(1,018)	(50)%
General and administrative	9,051	4,472	4,579	102 %
Total stock-based compensation	$ 12,229	$ 7,255	$ 4,974	69 %

During the 2026 period, we incurred stock-based compensation costs of $12.2 million compared to $7.3 million in the 2025 period, resulting in an increase of $5.0 million or 69%. This increase was driven by equity awards granted to new employees, as well as annual equity grants made to eligible employees as part of the Company's employee compensation program.

Other (Income) Expense

(in thousands)	Nine months ended September 30, 2026	2025	Change Amount	%
Other (income) expense	$ (7,105)	$ 9,068	$ (16,173)	(178)%

Other income totaled $7.1 million during the 2026 period compared to other expense of $9.1 million during the 2025 period, representing an increase of $16.2 million or 178%. This increase was primarily attributable to the change in fair value and extinguishment of convertible notes payable, which resulted in a loss of $10.5 million during the 2025 period compared to a loss of $0.5 million during the 2026 period. Interest income also increased from $1.0 million during the 2025 period to $5.6 million during the 2026 period. Additionally, the Company recognized an unrealized gain on equity securities of $0.4 million in the 2025 period compared to $1.5 million in the 2026 period.

Cash Flows

The following table summarizes our cash flows for the periods indicated (in thousands):

	Nine months ended September 30,	
	2026	2025
Net cash provided by (used in):		
Operating activities	$ (156,844)	$ (52,657)
Investing activities	(17,554)	(1,249)
Financing activities	249,264	251,178
Net increase in cash	$ 74,866	$ 197,272

Operating Activities

Net cash used in operating activities was $156.8 million during the nine months ended September 30, 2026 (or the "2026 period") compared to net cash used in operating activities of $52.7 million during the nine months ended September 30, 2025 (or the "2025 period"), representing an increase of $104.2 million or 198%. The increase was attributable primarily to inventory purchases made during the 2026 period, partially offset by accounts receivable collections. Non-cash expenses totaled $15.7 million during the 2026 period, compared to $20.1 million during the 2025 period, resulting in a decrease of $4.4 million, or 22%. Net cash used related to changes in operating assets and liabilities totaled $70.3 million during the 2026 period, compared to net cash used of $20.3 million during the 2025 period, representing an increase of $50.0 million. Changes in operating assets and liabilities can fluctuate significantly from period to period depending upon the timing and level of multiple factors, including inventory purchases, vendor payments, and customer collections.

Investing Activities

Net cash used in investing activities was $17.6 million during the 2026 period compared to net cash used in investing activities of $1.2 million during the 2025 period, resulting in an increase of $16.3 million. This increase was primarily due to increased purchases of property and equipment.

Financing Activities

Net cash provided by financing activities totaled $249.3 million during the 2026 period compared to net cash provided by financing activities of $251.2 million during the 2025 period. The change is attributable primarily to the difference in proceeds from the direct offerings and convertible note during the 2025 period versus the direct offering in the 2026 period.

Liquidity and Capital Resources

At September 30, 2026, we reported current assets totaling $382.6 million, current liabilities totaling $26.8 million and net working capital of $355.8 million. Cash totaled $242.7 million at September 30, 2026. Inventory related balances, including prepaid inventory, totaled $127.3 million.

Critical Accounting Policies and Estimates

We regularly evaluate the accounting policies and estimates that we use to prepare our financial statements. A complete summary of these policies is included in the notes to our financial statements.

In addition to our critical accounting estimates and policies below, refer to "Note 2 – Summary of Significant Accounting Policies" for further information.

Revenue Recognition

We recognize revenue in accordance with ASC Topic 606 - Revenue from Contracts with Customers, issued by the Financial Accounting Standards Board ("FASB"). This standard includes a comprehensive evaluation of factors to be considered regarding revenue recognition including (i) identifying the promised goods, (ii) evaluating performance obligations, (iii) measuring the transaction price, (iv) allocating the transaction price to the performance obligations if there

are multiple components, and (v) recognizing revenue as each obligation is satisfied. We determined there to be judgment in the determination of performance obligations identified in certain contracts. Our revenue transactions include the shipment of goods to customers as orders are fulfilled, completion of non-recurring engineering, completion of training, and customer support services. We recognize revenue upon shipment of product or prototypes unless otherwise specified in the purchase order or contract.

Purchase Price Accounting

We record our acquisitions under the acquisition method of accounting, under which the identifiable assets acquired and liabilities assumed are initially recorded at their respective fair values and any excess purchase price is reflected as goodwill. We utilize management estimates and, in some instances, independent third-party valuation firms to assist in determining the fair values of assets acquired, liabilities assumed, and contingent consideration, if any. Such estimates and valuations require us to make significant assumptions, including projections of future events and operating performance.

The fair value of brand names, backlog, customer relationships, non-compete agreements, and proprietary technology acquired in our acquisitions are determined using various valuation methods based on significant assumptions specific to each acquisition. We evaluate each acquired intangible asset individually to determine whether its useful life is finite or indefinite. Brand names are assigned an indefinite useful life when no factors are identified that would limit the period over which the brand name is expected to contribute to the Company's cash flows; otherwise, brand names are amortized over their estimated useful lives.

Finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives. Proprietary technology is being amortized over six to seven years. Backlog is being amortized over two years. Customer relationships are being amortized over seven years. Non-compete agreements are being amortized over three to six years. Finite-lived brand names are being amortized over two years. Finite-lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The estimated fair values are subject to change during the measurement period, which is limited to one year subsequent to the acquisition date.

Recent Accounting Pronouncements

For information on recently issued accounting pronouncements, if any, refer to Note 2 - Summary of Significant Accounting Policies in our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are not required to provide the information required by this Item as we are a “smaller reporting company,” as defined in Rule 12b-2 of the Exchange Act.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of September 30, 2026. Based on that evaluation, the Company’s Chief Executive Officer and the Company’s Chief Financial Officer have concluded that, as a result of the material weaknesses discussed below, the Company’s disclosure controls and procedures were not effective.

In light of the material weaknesses described below, management performed additional analysis and other procedures to ensure that our consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles (GAAP). Accordingly, management believes that the consolidated financial statements included in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial position, results of operations, and cash flows as of and for the periods presented, in accordance with U.S. GAAP.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). The Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, and under the oversight of our Board of Directors, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control — Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management concluded that the Company's internal control over financial reporting was not effective as of September 30, 2026 due to the material weaknesses in internal control over financial reporting described below.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We continue to review our internal control over financial reporting and may from time to time make changes aimed at enhancing their effectiveness and ensuring that our systems evolve with our business.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis.

Management identified material weaknesses due to an insufficient number of resources that resulted in inadequate levels of supervision and review and segregation of duties.

The control deficiencies did not result in any material misstatements. However, the control deficiencies described above created a reasonable possibility that a material misstatement to the consolidated financial statements would not be prevented or detected on a timely basis. The material weaknesses in the Company's internal control over financial reporting previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2025 continued to exist as of September 30, 2026. The Company continues to implement its remediation plan as described below.

Management's Remediation Plans

The above material weaknesses existed in the prior year, and management has made progress towards their remediation as follows:

We have continued to hire additional qualified personnel to establish more robust processes, perform effective risk assessment, and design and implement process-level controls to mitigate identified risks. We have continued to enhance the level of supervision and review and segregation of duties, formalized accounting and financial reporting policies and procedures manuals, and designed and implemented additional process-level controls, including those over complex transactions.

We believe the above actions will be effective in remediating the material weaknesses described above. However, the material weaknesses cannot be considered remediated until remediated controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes In Internal Controls Over Financial Reporting

There was no change in our internal controls over financial reporting, as defined under Rule 13a-15(f) under the Exchange Act, that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting for the three months ended September 30, 2026.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, the Company is involved in various legal proceedings arising in the ordinary course of business. The Company does not believe that any currently pending legal proceedings will have a material adverse effect on its business, consolidated financial position, results of operations or cash flows. However, the outcome of legal proceedings is inherently uncertain and subject to significant uncertainties. As of September 30, 2026, the Company has not recorded any loss contingencies related to legal matters. Please see Note 16 to our consolidated financial statements (under the caption “Legal Proceedings”).

ITEM 1A. RISK FACTORS

Risk factors that affect our business and financial results are discussed in Part I, Item 1A “Risk Factors,” in our Annual Report on Form 10-K for the year ended December 31, 2025, as filed with the SEC on March 19, 2026 (“Annual Report”), as supplemented by our Quarterly Reports on Form 10-Q. Except for the risk factors described below, there have been no material changes in our risk factors from those previously disclosed in our Annual Report. You should carefully consider the risks described in such reports which could materially affect our business, financial condition or future results. The risks described in such reports are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and/or operating results. If any of the risks actually occur, our business, financial condition, and/or results of operations could be negatively affected.

Our business has been significantly dependent on U.S. Department of War contracts and programs, and we face risks associated with the transition of our revenue base to a broader portfolio of government and international customers.

A significant portion of our recent historical revenue has been derived from contracts, agreements, and programs with agencies of the U.S. Department of War ("DoW"). Our future operating results are dependent, in part, on our ability to successfully execute, maintain and grow relationships with new and existing government customers, perform under current contracts, obtain follow-on awards, and secure additional government and international business. There can be no assurance that we will successfully complete efforts on new revenue opportunities or that anticipated replacement revenues from new programs and customers will be realized in the timeframes or at the levels we expect.

Government contracts and programs are subject to numerous risks and uncertainties beyond our control. These include changes in military priorities, national security strategy, procurement policies, budgetary constraints, congressional appropriations, continuing resolutions, agency funding decisions, competitive procurements, bid protests, evolving operational requirements, and changes in applicable laws or regulations. Government agencies generally have broad rights to modify, delay, reduce the scope of, or terminate contracts and agreements, including for convenience.

The loss of, or a material reduction in, one or more significant government contracts or programs, or our inability to secure new contracts — whether with other branches of the U.S. armed services, allied foreign governments, or other customers, could have a material adverse effect on our business, financial condition, results of operations, cash flows, and prospects.

We may be subject to litigation, legal proceedings, and class action claims that could adversely affect our business and financial condition.

From time to time, we are subject to claims, legal proceedings, and class action lawsuits arising in the ordinary course of our business or otherwise. For example, we and certain of our current and former executive officers and directors are defendants in a federal class action securities lawsuit filed in May 2025 and two related federal shareholder derivative lawsuits filed in August 2025 and January 2026. Each lawsuit alleges that, among other items, the defendants made false and/or misleading statements related to the production capacity of the Company’s manufacturing facility in Salt Lake City and the potential value of the Company’s contract for the U.S. Army’s SRR Program of Record. Although we do not currently believe that any pending or threatened legal proceedings or claims will have a material adverse effect on our business, financial condition, or results of operations, we cannot provide assurance that pending legal matters, including the class action and derivative lawsuits, will not result in significant liabilities. The defense of litigation, regardless of its merit, can be costly and time-consuming, may divert management's attention and resources, and could result in settlements, judgments, or other outcomes that adversely affect our business, financial condition, and results of operations. Any adverse

resolution of such matters could also harm our reputation and negatively impact our relationships with customers, partners, and government agencies.

Our stock price may be negatively affected by fluctuations in our financial results.

The market price of our common stock may be subject to fluctuations due not only to general economic and stock market conditions but also to a change in sentiment in the market regarding our operations, business prospects, or liquidity. Our operating results, revenues and expenses may also fluctuate for many other reasons, many of which are outside of our control, such as: competition; our ability to control expenses; loss of revenues; changes or consolidation in the industries in which we operate; our investments in geographic expansion and to increase our presence in existing markets; interest rate fluctuations; successful execution of our strategic growth plans; managerial execution; employee retention; growing risks associated with international operations; foreign currency and exchange rate fluctuations; inflation; litigation; acquisitions of other companies or assets; or our investments in other corporate resources. In addition, changes in accounting policies or practices may affect our level of net income. Fluctuations in our financial results, revenues and expenses may cause the market price of our common stock to decline. The trading price of our common stock may be subject to volatility.

If securities or industry press or analysts cease covering our common stock, publish negative research or reports about our business, or if they change their recommendations regarding our common stock adversely, the share price and trading volume of our common stock could decline.

The trading market for shares of our common stock may be influenced by the articles, research and reports that industry or securities analysts and press publish about us or our business. If one or more of the analysts who cover us downgrade our common stock, or if industry press publishes negative articles about our Company, the share price of our common stock would likely decline. If one or more of these analysts ceased coverage of our Company or failed to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our share price or trading volume to decline.

Sales of substantial amounts of our common stock in the public markets, or the perception that such sales could occur, could reduce the market price of our common stock.

Sales of a substantial number of shares of our common stock in the public market, or the perception that such sales could occur, could adversely affect the market price of our common stock and may make it more difficult for you to sell your common stock at a time and price that you deem appropriate. We are unable to predict the effect that any such sales may have on the prevailing price of our common stock.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Plans

On September 1, 2026, Joseph Freedman, a director of the Company, adopted a written trading plan (the “Plan”) intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Securities Exchange Act of 1934, as amended. The Plan is designed to permit the orderly disposition of a portion of his holdings over a specified period, subject to certain price, volume, and timing parameters. The Plan was adopted during an open trading window and at a time when Mr. Freedman was not aware of any material nonpublic information regarding the Company.

The Plan provides for the potential sale of up to 100,000 shares of the Company's common stock underlying outstanding stock options, subject to the terms and conditions set forth therein, including applicable cooling-off periods and compliance with Rule 10b5-1. Any transactions under the Plan will be disclosed, to the extent required, publicly through filings with the Securities and Exchange Commission in accordance with applicable securities laws, including Section 16 reporting requirements. The Plan is scheduled to terminate upon the earlier of (i) the sale of all shares subject to the Plan, or (ii) September 1, 2027 as to 25,000 shares subject to the Plan, and December 1, 2027 as to 75,000 shares subject to the Plan.

During the three months ended September 30, 2026, no other officer (as defined in § 240.16a-1(f) of Regulation S-K) or director other than Mr. Freedman adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that would be intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

The Company does not undertake any obligation to update or modify this disclosure, except as required by law.

ITEM 6. EXHIBITS

Exhibit No.	Description
31.1*	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial and Accounting Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.
**Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RED CAT HOLDINGS, INC.

Date: November 16, 2026

By: */s/ Jeffrey Thompson*

Jeffrey Thompson
Chief Executive Officer
(Principal Executive Officer)

Date: November 16, 2026

By: */s/ Christian Morrison*

Christian Morrison
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT AND RULE 13A-14(A)
OR 15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Jeffrey Thompson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Red Cat Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 16, 2026

/s/ Jeffrey Thompson

Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT AND RULE 13A-14(A)
OR 15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Christian Morrison, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Red Cat Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 16, 2026

/s/ Christian Morrison

Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Red Cat Holdings, Inc. (the "Company"), for the quarter ended September 30, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey Thompson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 16, 2026

By: */s/ Jeffrey Thompson*

Name: Jeffrey Thompson

Title: Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Red Cat Holdings, Inc. (the "Company"), for the quarter ended September 30, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christian Morrison, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 16, 2026

By: */s/ Christian Morrison*

Name: Christian Morrison

Title: Chief Financial Officer
(Principal Financial and Accounting Officer)