Redwire Corporation
Q2 2026 Earnings Call
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Presenters
Alex Curatolo, Senior Director of Investor Relations
Peter Cannito, Chairman and Chief Executive Officer
Chris Edmunds, Chief Financial Officer

Q&A Participants
Brian Kinstlinger – Alliance Global Partners
Suji Desilva – Roth Capital Partners
Alexandra Mandery – Truist
Adam Samuelson – Jefferies
Colin Canfield – Cantor
Michael Leshock – KeyBanc Capital Markets
Austin Moeller – Canaccord Genuity
Griffin Boss – B. Riley Securities
Andrew Steinhardt – Bank of America

Operator
Greetings and welcome to the Redwire Corporation Q2 2026 earnings call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow a formal presentation. If anyone should require operator assistance, please press star, zero, on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce Alex Curatolo, Senior Director of Investor Relations. Thank you. You may begin.

Alex Curatolo
Good morning, and thank you, Diego. Welcome to Redwire's second quarter 2026 earnings call. We hope that you have seen our earnings release, which we issued yesterday afternoon. It has also been posted in the investor relations section of our website at rdw.com. Let me remind everyone that during the call, Redwire Management may make forward-looking statements that reflect our beliefs, expectations, intentions, or predictions of the future. Our forward-looking statements are subject to risks and uncertainties that are described in more detail on slides two and three.

Additionally, to the extent we discuss non-GAAP measures during the call, please see slide three and the appendix, our earnings release, or the investor presentation on our website for the calculation of these measures and their reconciliation to U.S. GAAP measures. I am Alex Curatolo, Redwire's Senior Director of Investor Relations. Joining me on today's call are Peter Cannito, Redwire's Chairman and Chief Executive Officer; and Chris Edmunds, Redwire's Chief Financial Officer.

With that, I would like to turn the call over to Pete. Pete?

Peter Cannito
Thank you, Alex. During today's call, I will outline our key accomplishments during the second quarter of 2026. After which, Chris will present the financial highlights for the same period and discuss our outlook for the remainder of 2026. We will then open the call for Q&A.

Please turn to slide six. I'm pleased to report that Redwire delivered significant value in the second quarter of 2026 with new highs in revenue, gross margin, and Backlog. During the quarter, Redwire achieved record quarterly revenues of $117.1 million, a 20.7% sequential increase over the previous quarter, and an 89.6% increase compared to Q2 2025. Our disciplined execution drove record gross margins of 27.8% in Q2 2026, an improvement on both a sequential and year-over-year basis.

Also, Redwire achieved a strong Book-to-Bill ratio of 1.42, and as a result, ended the quarter with record Contracted Backlog of $542.1 million, providing further confidence in our forecast as we move into the second half of 2026. And finally, we strengthened our balance sheet, resulting in a strong financial foundation, with a record level of $557.8 million in cash to fuel our continued growth. In summary, Redwire's second quarter was defined by successful execution to meet the growing demand for our mission-critical offerings.

Please turn to slide seven. Access to capital combined with increasing demand for our products has created a landscape of opportunities for Redwire to continue to invest in growth. To guide our capital allocation, we are implementing an investment framework focused on three pillars:

The first pillar is balance sheet strength. Over the last few quarters, we have been aggressively refinancing and de-levering while building liquidity to create a strong foundation for future opportunities. This has significantly reduced our interest expense while simultaneously giving us dry powder to invest in new innovations and strategic M&A.

The second pillar that logically follows is internal capacity, capability, and innovation. With strong demand in both critical space and defense tech capabilities worldwide, Redwire has many attractive internal investment opportunities that can compound growth through new product advancement, expanded capacity, and innovation across all our key value drivers.

Lastly, the third pillar is accretive M&A. We have a proven track record of acquisitions, followed by successful integration as an additional path to accelerate growth. Redwire has a strong history with 11 acquisitions completed to date. With the successful integration of Edge Autonomy over the past year and the required capital to invest, we continue to scan the M&A market for accretive opportunities at good values. We like how we are currently postured, and this framework will guide Redwire into the future as we continue to invest with discipline across all three pillars to drive value for our shareholders.

Please turn to slide eight. As example, I'd like to briefly highlight two major milestones from July that bolster our production momentum.

To further strengthen Redwire's position as a worldwide leader in microgravity development, we recently opened a brand-new microgravity center of excellence in Georgetown, Indiana, with expanded lab space and a payload operations center with a direct link to the International Space Station and room for expansion to commercial space stations and other on-orbit microgravity platforms. More on that in a moment. This new 30,000 square foot state-of-the-art facility will focus on accelerating space-enabled research, development and manufacturing for pharmaceutical and biotech innovation.

And in Huntsville, Alabama, we recently announced a major 164,000 square foot expansion, supported by approximately $8.5 million in eligible state and local economic development incentives. This facility, which is expected to be completed in the fourth quarter of 2027, will accelerate production of our combat-proven Stalker aircraft, Octopus ISR payloads, advanced power solutions, and space capabilities. Huntsville is a very attractive community for advanced manufacturing, with ready access to many strategically important customers. We are very excited to expand our presence in the Huntsville ecosystem.

Please turn to slide nine. Next, I would like to briefly highlight key second quarter achievements and recent developments across our five value drivers. We will start with our Space segment, which encompasses next-generation spacecraft, large space infrastructure, and microgravity development, and then turn to our Defense Tech segment, which encompasses combat-proven UAS and sensors and payloads.

Please turn to slide 10. Starting with next-generation spacecraft, in July, Redwire was selected as one of 15 vendors on the Space Systems Command $981 million National Space Test and Training Complex, “NITE-STAR”, Capability Development Indefinite Delivery Indefinite Quantity or IDIQ contract. The “NITE-STAR” IDIQ contract provides for support to space and ground-based engineering activities to enhance test, evaluation, and training operations.

The contract provides a pathway for Redwire to apply its capabilities, such as next-gen spacecraft, digital engineering, and space domain awareness, among others, to support the rapid development, testing, and training of joint warfighting solutions. Much like with the Andromeda IDIQ discussed last quarter, we see this as another proof point for the success of our moving up the value chain strategy. We are well positioned to deliver critical spacecraft and digital capabilities for national security testing and training, a key growth area for our customer.

Please turn to slide 11. Turning to large space infrastructure, Redwire's rollout solar array technology will be supporting NASA's pioneering Space Reactor-1 Freedom mission to Mars. The two ROSA wings can generate an unprecedented 60 kilowatts of power, making them the most powerful ROSA wings ever built. They were originally developed through a contract with Intuitive Machines to support the power and propulsion element of the NASA-led Lunar Gateway.

Launching in 2028, SR-1 Freedom will conduct trailblazing solar electric and nuclear propulsion demonstrations while delivering innovative scientific payloads to Mars. We continue to provide high-power solutions of choice targeted at space stations like the International Space Station and Axiom Station, large spacecraft like SR-1 Freedom, and potential lunar infrastructure and orbital data centers. The outlook for this capability is strong.

Please turn to slide 12. Turning to our microgravity development value driver, today, I am extremely excited to announce that in July, SpaceMD, Redwire's venture company, has signed a historic agreement to purchase an entire Starfall spacecraft, a new SpaceX vehicle that enables affordable, routine access to the microgravity environment. The unprecedented capabilities that SpaceX's Starfall offers will dramatically accelerate our ability to deliver pharmaceutical, biotech, and other in-space microgravity manufacturing capabilities.

SpaceMD's first Starfall mission is slated for launch in 2028 and is expected to have the capacity to carry up to an impressive 32 PIL-BOXes, each with the ability to crystallize up to four compounds or other payloads, making it the largest dedicated commercial microgravity research mission flown in history. Since Redwire launched PIL-BOX on its inaugural mission in November of 2023, 54 PIL-BOXes have flown to the International Space Station, successfully crystallizing 45 unique compounds, including insulin and other critical molecules to treat diseases such as cancer, cardiovascular disease, obesity, and diabetes. And with a capacity of up to 32 PIL-BOXes on a single mission, SpaceMD's Starfall mission provides a major leap forward in scaling our microgravity capabilities. It's a game changer. With a platform partner like SpaceX's Starfall, we are creating a new path to accelerate commercial microgravity manufacturing at scale.

Please turn to slide 13. Turning next to our combat-proven UAS value driver, during the quarter, Redwire was awarded a high eight-figure multi-year contract to deliver Penguin Mk3 aircraft to an undisclosed NATO customer. This contract is part of a multi-year modernization program for the country's UAS capabilities, and building on years of operational combat experience, Redwire's Penguin Mk3 was chosen as it delivers a scalable, adaptable solution for the demands of modern defense environments. This is just one example from a quarter with strong Defense Tech bookings.

During the quarter, Redwire was also awarded a Tranche One contract for the Taiwan Coast Guard, as well as announced key follow-on awards for Stalker Block 30 from both the United States Marine Corps and US Army. At the same time, we continue to invest in our next-generation platforms, Stalker Block 40 in the United States and Penguin Mk3 in Europe, to increase capabilities for the warfighter around the globe. With hundreds of UAS already operational in the field, we are bringing a battle-proven approach to tactical UAS modernization.

Please turn to slide 14. Lastly, moving to our sensors and payloads value driver, Redwire has delivered nearly 200 Octopus ISR payloads year-to-date, a more than 15 percent increase on a year-over-year basis. During the quarter, we also announced two new Octopus products, the E140 MWIR and E180 HD MWIR. And I am pleased to say that we have already made the first sale and customer delivery of both products.

These new payloads, which can be used on Stalker and Penguin as well as third-party platforms, strengthen Redwire's position in the ISR market by delivering long-range detection performance, reduced size, weight, and power, and improved flexibility across a broad range of UAS missions. This growth demonstrates that we are accelerating deliveries of our proven solutions in support of the warfighter.

Please turn to slide 15. With that, I'd now like to turn the call over to Chris Edmunds, Redwire's Chief Financial Officer, to discuss the financial results for the second quarter of 2026.

Chris Edmunds
Thank you, Pete. Before turning to slide 16, I want to highlight the image of our international berthing and docking mechanism, or IBDM, manufactured by our team in Belgium. This core infrastructure capability was undergoing a docking test campaign at NASA's Johnson Space Center. Redwire's IBDM capability supports both berthing and autonomous docking operations. With this critical technology, Redwire has the ability to bring the world together in space. Now let's turn to the financial results.

Please turn to slide 16. During the second quarter, in line with our expectations, we reported total revenue of $117.1 million, an 89.6% increase on a quarterly, year-over-year basis, and a 20.7% increase on a sequential basis. Our Space segment recorded revenue of $55.2 million, and our Defense Tech segment recorded revenue of $61.9 million. I would note that the contributions from the acquisition of Edge Autonomy were the primary driver behind this significant increase for Defense Tech on a quarterly, year-over-year basis. With more than $350 million in bookings during the last two quarters, we continue to expect our revenue to build in the second half of the year.

Please turn to slide 17. As we've previously mentioned, gross margin improvement is a significant focus area for Redwire, and I am pleased to report that, in line with our expectations, we achieved record gross margins of 27.8% during the quarter, representing a significant improvement on a year-over-year basis. This quarter's gross margin results were driven by factors including a stronger contribution from Defense Tech, which has historically provided higher gross margins, a shift from development to production across our business, and a net neutral impact from EAC changes.

Net loss improved by $56 million on a year-over-year basis to a net loss of $41 million. Our second-quarter Adjusted EBITDA was negative $3.2 million, a significant increase on both a year-over-year and sequential basis. Notably, EAC changes had a net neutral impact on our results, including Adjusted EBITDA during the second quarter, a marked improvement on a year-over-year basis. Although we are proud of the progress we've made, we continue to strive for improvement. Cost control and program execution remain a key focus area of our business.

Finally, echoing Pete, with our strengthened balance sheet, we remain sharply focused on capital allocation. Elevated investment in internal research and development continued during the second quarter, increasing from $1.7 million to $12.5 million on a year-over-year basis. At a moment of inflection in our industry, we see this investment as accelerating the maturation of our products and solutions to meet customer demand.

Please turn to slide 18. Next, turning to a discussion of liquidity and capital structure. We ended the second quarter of 2026 with record total liquidity of $607.8 million, comprised of $557.8 million of cash, cash equivalents, and restricted cash, and $50 million in undrawn revolver capacity, a significant sequential and year-over-year improvement, primarily driven by the net ATM proceeds of $487.9 million raised during the quarter.

To put a finer point on the balance sheet improvement, I'd like to touch on a few highlights on a year-over-year basis: Our cash has increased by over six times, to $557.8 million. We have reduced our total debt by 75% to $48.9 million, and significantly reduced our net interest expense to less than $1 million in the quarter versus $23.8 million in Q2 2025. And we've seen a 100% reduction in our Series A Preferred Shares, which have now fully converted into common shares, and a 92% reduction in our warrants outstanding to 202 thousand, which are set to expire in September of this year. We ended the quarter with a strengthened balance sheet and simplified capital structure that is ready to support the company's future growth.

Please turn to slide 19. During the second quarter, we saw continued strength in contracts awarded, with bookings of $165.8 million, a significant increase on a year-over-year basis, resulting in a Book-to-Bill ratio for the quarter of 1.42, and a Book-to-Bill ratio of 1.52 on a last 12 months basis. Turning to Backlog, we once again saw growth in this metric as Backlog increased by 8.8% on a sequential basis and 64.5% on a year-over-year basis to a record $542.1 million.

As of June 30, 2026, Space Backlog was $322 million, and Defense Tech Backlog was $220.2 million. As a result, the majority of Defense Tech revenue is recognized at a point in time, whereas in our Space segment, the majority of revenue is recognized over time, driving a different Backlog profile.

As we enter the second half of 2026, we are very proud of our fifth consecutive quarter of growth in Backlog, and believe demand for our mission-critical space and defense tech products and solutions around the globe remain strong, bolstering our confidence in continued growth during the second half of the year.

Please turn to slide 20 for a brief discussion of the outlook for the remainder of 2026. Having achieved year-to-date revenue of $214 million, in line with our expectations, plus another strong quarter of contracts awarded, confidence provided by our record Backlog of $542.1 million, and a supportive macro environment, we are reaffirming our full year 2026 revenue forecast in the range of $450 million to $500 million, which represents a 41.6 percent year-over-year growth at the midpoint. With more than $350 million in bookings during the last two quarters, we continue to expect our revenue to build in the second half of the year.

With that, please turn to slide 21, and I'll now turn the call back over to Pete.

Peter Cannito
Thank you, Chris. To summarize, Redwire's second quarter was defined by delivering growth and successful execution, with record Backlog and a strengthened balance sheet, Redwire is scaling to meet the strong demand we see for our mission-critical offerings. With that, I'd like to thank the entire Redwire team for their achievements during the second quarter of 2026. We will now open the floor for questions.

Operator
Thank you, and we'll now begin the question-and-answer session. For today's session, please limit yourselves to one question only. To ask a question, press star, one, on your telephone keypad. A confirmation tone will indicate that your line is in the question queue. You may press star, two, if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys.

And your first question comes from Brian Kinstlinger with Alliance Global Partners. Please state your question.

Brian Kinstlinger
Great and congrats all around on a great quarter. I guess my question will be around the gross margin. During the first half of the year, I believe this is one of your biggest accomplishments, what you achieved versus the trailing two years. Can you talk about the sustainability of the gross margin and how you think about the near term and the medium-term opportunity to expand gross margin? And then separately, on a numbers question, where's the share count today with all the restructuring that happened on the balance sheet?

Chris Edmunds
Hey Brian, thank you. So gross margin, clearly, very proud of where the team was able to deliver this quarter, and quite frankly, the first half this year. Earlier this year, we talked about guiding around the low- to mid-20s, is where we thought we would be in the first half of the year, appreciating some of the EAC adjustments we had last year that we are still working through. Obviously, the bookings profile has been very helpful as we replenish that Backlog.

But as we as we go forward, I think that that initial guidance that we said, Brian, in the kind of that low- to mid-20s is the place to think about in the near term. But as we continue to replenish our Space Backlog, and we're seeing solid growth in our Defense Tech, there's the opportunity that we continue to grow the gross margin over time. But again, we had a very mild EAC adjustment quarter this quarter, very proud of what the team was able to do. A lot of initiatives that we put in place, but we're doing a lot of really forward-leaning technology here that could have EAC adjustments in the future. Again, we put measures in place to mitigate and monitor those, but very proud of where we ended up here at 27%. But I'll stay with the guide and the kind of that low- to mid-20s as we as we move forward.

And then on your share count question. Oh, sorry, Brian, I interrupted. One more time.

Brian Kinstlinger
Yeah, no, just the 10-Q didn't come out. Normally, the first page shows the share count where it's at. So I'm just curious where it's at today.

Chris Edmunds
Yeah, so we're 249.9 million common shares.

Brian Kinstlinger
Great. Congrats again.

Chris Edmunds
Thanks, Brian.

Operator
Your next question comes from Suji Desilva with Roth Capital Partners. Please state your question.

Suji Desilva
Hi, Pete. Hi, Chris. I'll echo my congrats on the strong progress here. Guys, as we approach the second half of 26, and we're anniversary-ing the full company from the prior second half. Any thoughts on the year-over-year growth opportunity relative across Space versus Defense? Trying to get some understanding of how we think about growth for the two segments.

Peter Cannito
Hey, Suji; how are you? I mean, we see great opportunities in both segments, right? So we continue to see double-digit growth for both segments going forward. Defense Tech is growing faster than Space, but there's a lot of space opportunities that are still working their way through the system that we think we're really well-positioned on. So we're bullish on both, and are excited about the fact that we continue to get really strong signals from the market with these follow-on awards, whether they be IDIQs or straight up aircraft orders. So bullish on both. Defense Tech

seems to be growing a little bit faster at this point, but that's not to say that Space doesn't have the opportunity to catch up.

Suji Desilva
OK. Thanks, Pete. I'll jump back in the queue.

Operator
Your next question comes from Alexandra Mandery with Truist. Please state your question.

Alexandra Mandry
Hey, good morning. Great results, and thanks for taking my question. We've seen Backlog in orders continue to hit record levels. How would you describe the award tempo during the quarter, and what are your expectations for the back half of 2026?

Chris Edmunds
So one of the measures that we focus on a lot is the LTM Book-to-Bill, and so we've seen over the history that our order flow can be lumpy. And, obviously, we endeavor to have as smooth an order flow as possible, but market forces, again, we've got reach across the globe and different vertical stacks between our national security, our commercial, and our civil customers. The timing of awards are always tough to predict.

We're coming off of really a couple great quarters in a row for both segments. Obviously, Space pulled back just a touch this quarter, but appreciate that they were over two times Book-to-Bill in both Q1 [2026] and Q4 [2025].[1] As we look in the back half of the year, as we kind of said in our prepared remarks, we do consider it to be a very supportive macro environment. But at a Book-to-Bill ratio of a LTM basis at 1.5, that is a growth signal Book-to-Bill, and we're a couple points in front of where we thought we'd be this time. But again, the market's been very supportive thus far this year.

Alexandra Mandry
Great. Thank you.

Operator
Your next question comes from Adam Samuelson with Jefferies. Please state your question.

Adam Samuelson
Yes, thank you. Good morning, everyone. So I guess the question is just on the outlook. You kept the revenue range of $50 million for the year. Half the year is complete. The second half that implies a pretty wide range of growth, like 11% to 35% year-on-year. Actually, also pretty similar half on half. Can you just help us frame kind of what's occurring to get you to the high end versus the low end of the year at this point? Thanks.

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[1] Bracketed language added for reader clarification.

Peter Cannito
Yeah, I mean fundamentally, which we tried to articulate in our comments is we're scaling, right? So the way the year has been set up is to show that growth over time. We have a number of indicators, to include our growing Backlog, that we believe support and demonstrate the fact that we're on a scaling curve right now. So I think that's what makes us feel comfortable about the second half. Chris, anything you want to add there?

Chris Edmunds
Well, I'd just say as we exited the first quarter, we had about 75% visibility into the guidance at the midpoint. That's come up with the bookings profile that we had in Q2. So we're up in the 90% range right now from a visibility standpoint, which is a good place to be halfway through the year.

Adam Samuelson
All right. That's helpful. Thank you.

Operator
Your next question comes from Colin Canfield with Cantor. Please state your question.

Colin Canfield
Hey, thank you for the question. Maybe if the team could talk about their appetite for M&A, essentially, kind of what are the key areas that you want to add over time? And how does the team think about Edge Autonomy scaling milestones relative to the team's capacity to do deals? Thank you.

Peter Cannito
Thanks for that question. We've been doing M&A for a long time, so it's really fundamental to our DNA. You can see, based on the way we've managed the balance sheet, that we are postured to do M&A. So the critical point now is finding the right deal at the right accretive value, and that's what we're focused on. So as I've said on other calls, Redwire considers M&A to be a competitive advantage, our experience there, and especially the fact that I think we've demonstrated numerous times, our ability to walk and chew gum when it comes to integration and staying active in acquisition.

I like where we are a lot with the Edge Autonomy integration. As you can see from the first half of the year, they have significant momentum, so we haven't slowed down. And we've already hit on a number of critical milestones, not the least of which being brand integration, and now have moved to the nitty gritty of aligning our internal processes. So we're in a good position. It's been over a year. Edge Autonomy is performing, and we're capitalized to go out there and do accreative M&A. So it's a big part of our investment framework, as I articulated at the beginning of the call.

Colin Canfield
That's great. Thank you.

Operator
Your next question comes from Michael Leshock with KeyBank Capital Markets. Please state your question.

Michael Leshock
Hey, good morning. I wanted to ask on the inventory build, up 23% sequentially. Obviously, that was a drag on cash, but what was the biggest driver of that step up? Is it a function of programs shifting into production, and is there any way to kind of bifurcate that between Space and Defense Tech as to what was the biggest contributor? And then if you could talk to the working capital impacts there and what that means for cash going forward. Thank you.

Chris Edmunds
So this is us being responsive to the market signals that we're seeing, specifically in our UAS space. We have brought inventory up. We are looking to cut down turnaround times. Obviously, the team's got a very lean manufacturing process, but we want to make sure we have the right materials on hand to be very responsive with our customer base. And so, this was a very measured investment into our inventory, and I would expect that actually inventory levels will probably come up a little bit more as we move into Q3. And that just becomes a timing of working capital but opens up the aperture with our customers to be able to deliver more quickly and put these world class UAS systems in the hands of the warfighters around the globe.

The thing about working capital, just overall, our working capital has moved around a little bit just over the years, but I'm particularly focused right now that we have improved our cash use through operations on a net balance sheet basis. So we're going to keep focusing on that as we go forward, making investments in inventory. This is a strategic investment so that we can continue deliver more quickly for our customers.

Operator
Thank you. And your next question comes from Austin Moeller with Canaccord Genuity. Please state your question.

Austin Moeller
Hi. Good morning. Can we talk about how many NATO countries are in your discussion pipeline for Penguin and Stalker versus how many are currently in the sales channel for you today? And are there any US allies that need to be approved by the State Department first before you can sell to them?

Peter Cannito
Sure. So we do not disclose the number of allies that we've sold to explicitly. Obviously, what NATO allies are interested in, that Redwire is extremely well-positioned for, is twofold. One is a

battlefield-proven platform that is widely fielded. They tend not to go after science experiments or early-stage prototypes. They tend to buy those spacecraft that already have momentum in the field.

The other thing that I think is unique about Redwire is we have both a world-class offering from a U.S. manufactured platform, as well as an organic European manufactured platform, and that is important to some NATO allies. So if you only have a single platform you're manufacturing in the United States, that may limit you as Europe seems to be trending more towards building their organic industrial base. So having the Penguin being organically both conceived of, designed and now manufactured at scale in Latvia, is a huge opportunity for us.

And we saw a big purchase from a NATO ally of that platform in the quarter, and these things tend to gain momentum over time as different ministries of defense look at what others are doing in their peer group. I also want to emphasize that, again, we have global interest, whether it be the Stalker platform or the Latvian-based Mk3 Penguin platform. We're selling to Taiwan. So our capabilities are available to worldwide beyond just the U.S. and Europe, and we have proven, demonstrated sales going on there.

In terms of the State Department ITAR restrictions, of course, we adhere to all the regulations out there. Many of our technologies are ITAR controlled. Redwire's been a global operator for many years, so unlike maybe a startup or companies that are just starting to dip their toe into global operations. We have a really sophisticated capability around export control, so we monitor that closely and have the ability to continue to make sales while adhering to all those regulatory policies.

Austin Moeller
Awesome. I'll pass it back, there. Thanks.

Operator
Your next question comes from Griffin Boss with B. Riley Securities. Please state your question.

Griffin Boss
Hi. Good morning. Thanks for taking my question. So I guess I just want to focus on where, or what programs are most of your R&D dollars going towards? How are you thinking about that while you're also balancing, kind of looking at M&A? And then sort of related on the investment side, regarding the new Huntsville expansion, are we going to see any associated step up in CapEx in the back half of the year and into '27 to support that, or how much do those $8.5 million state and local incentives cover? Thank you.

Peter Cannito
Great question. If you go back to our framework, focusing on the balance sheet, doing M&A, you're highlighting our internal investments, which is great because it's key. I would say that the vast majority of our investments are focused on our platforms, our high-value platforms, whether

that be in Space or maturing our UAS platforms. But we're also investing a lot in payloads, and of course, nobody's asked about Starfall yet. I know inventory and working capital is super exciting to talk about too, but Starfall and our microgravity capability is a real game-changing opportunity. So we're investing there, as one would expect, also.

So whenever somebody asks me this question, I always point to the five key value drivers. I haven't hit orbital data centers or the lunar surface, but these are key growth areas as well. So we evaluate each proposal that bubbles up from our segments based on the size of the market, the ability to capture great gross margins because of some sort of competitive advantage, whether it be intellectual property or proven performance, and that's how we make those decisions. So we're spreading it around, but we got five key value drivers with lots of opportunities, and each one is evaluated based on the merits using the criteria I just articulated.

Griffin Boss
Great. Thanks, Pete.

Operator
And your next question comes from Andrew Steinhardt with Bank of America. Please state your question.

Andrew Steinhardt
Hi, Peter and Chris. This is Andrew on for Ron. Thanks for taking our questions. So it looks like you guys are starting to see some momentum on the Defense Tech side of the business. You know, 40% sequential growth in Q2, Backlog almost double what it was at the end of 2025. We're also seeing higher R&D already ahead of 2025 through the first half of the year. So with all that, I'm wondering, could you guys talk about any of the Defense Tech products currently in the pipeline, particularly within UAS?

Peter Cannito
Yeah. So the two primary UAS products in the pipeline are the Block 40 for Stalker and the Mk3 for Penguin. So those are key Defense Tech capabilities, next-generation platforms. We've talked about in the past, how our industry-leading ability to power a UAS across longer ranges and longer duration using our solid oxide fuel cell, that we now believe our group two UAS has the ability, particularly out of the Block 40 Stalker, to start taking on more group three missions at a better price point, right? So we're investing heavily in that.

We're investing in maritime capability for the Block 40 as well, to expand its reach into naval forces as well as U.S. Army ground forces. Of course, the Mk3 continues to expand on its performance capabilities as it proliferates across Europe and other countries as well.

I do want to draw attention to our growth in payloads as well, which is not insignificant. A 15% year-over-year growth in the Octopus EOIR gimbal payload is really exciting for us. It shows that we're differentiated. And as I noted in my comments, it's not just about payloads for Stalker and

Penguin, this is a capability that's being procured by third-party platforms as well. So bringing out the E140 and E180 MWIR capability certainly advances our payloads, and the fact that that has gotten early traction is super exciting for us as well.

Now, those of you who have been following Redwire for a while also know that we have a lot of capability in RF, and that things like providing the Link 16 antenna for the York transport layer satellites that have gone up and demonstrated their capabilities on orbit.

Well, the beauty of expanding with the acquisition of Edge Autonomy from singularly focused on space to defense tech is now we have the ability to take our RF capabilities into defense tech as well, and so we're looking at a number of opportunities for RF payloads that would be differentiated on UAS platforms as well. We already got the EOIR phenomenology from a sensing perspective. We have the capability for RF, and I got a lot of questions about the synergies when we did the Edge Autonomy acquisition, and RF is one of those areas where we're seeing a lot of potential.

Andrew Steinhardt
Awesome. I really appreciate that color. I'll pass it back, there.

Operator
Thank you, and ladies and gentlemen, that was our last question. I'll now hand the floor over to Peter Cannito for closing remarks.

Peter Cannito
All right. Well, thank you all for the questions and your engagement this morning. With that, we appreciate everyone taking the time to listen today and go Redwire.

Operator
Thank you. This concludes today's conference. All parties may disconnect. Have a good day.