

November 14, 2024



# Airship AI Reports Third Quarter 2024 Financial Results

*Third Quarter 2024 Net Revenues of \$2.9 Million, Gross Profit of \$2.2 Million and Gross Margin of 75%*

*2024 Net Revenue of \$19.9 Million Through the 9 Months ended September 30, 2024 Represents a 61% Increase over FY 2023 Net Revenue of \$12.3 Million*

*New Pro-U.S. Border Security Administration Provides Additional Macro Tailwinds for 2025 & Beyond*

REDMOND, Wash., Nov. 14, 2024 (GLOBE NEWSWIRE) -- Airship AI Holdings, Inc. (NASDAQ: AISP) ("Airship AI" or the "Company"), a leader in AI-driven video, sensor, and data management surveillance solutions, today reported its financial and operational results for the third quarter ended September 30, 2024.

## Q3 2024 Financial Highlights

- Net revenues for the quarter ended September 30, 2024, were \$2.9 million.
- Gross profits for the quarter ended September 30, 2024, were \$2.2 million.
- Gross margin percentage was 75% for the quarter ended September 30, 2024. Higher margins were in part due to product mix, with reduced equipment purchases and increased Outpost AI sales.
- Operating loss was \$1.6 million for the quarter ended September 30, 2024, which reflected increased stock based compensation and overall sales levels.
- Other income for the quarter ended September 30, 2024, was \$7.8 million, primarily due to a gain from a change in the fair value of earnout liability of \$5.5 million, change in fair value of warrant liability of \$1.5 million and change in fair value of convertible debt of \$0.4 million.
- Net income for the quarter ended September 30, 2024, was \$6.2 million, or \$0.25 per basic share, primarily related to noncash income of \$7.8 million.
- Net cash used in operating activities was \$0.4 million in the quarter ended September 30, 2024.
- Cash and cash equivalents was \$6.5 million as of September 30, 2024.
- Closed an \$8 million public offering with net proceeds of approximately \$7.3 million, after deducting the estimated offering expenses, in the quarter ended September 30, 2024.

## Q3 2024 & Subsequent Operational Highlights

- Backlog as of September 30, 2024, was \$6.6 million, representing firm fixed price contracts awarded in the second and third quarter that will be shipped and invoiced in the fourth quarter of 2024 or first quarter of 2025. Backlog is not indicative of future quarterly revenue as approximately 75% of quarterly revenue is transactional and recognized in the same quarter.
- Our total validated pipeline at the end of the quarter was approximately \$130 million, consisting of single and multi-year opportunities for AI-driven edge, video, and sensor and data management platform across all our customer verticals. Our pipeline includes opportunities at varying stages of progression with expected award timeframes throughout the next 18-24 months.
- Due to the sensitive nature of many of our customers and deployment use cases, we are often restricted from publicly disclosing awards and or limited as to the specifics of the customer and use case. Consequently, the vast majority of our awards are executed on closed or restricted contract vehicles which further limits the sharing of information that might be otherwise available.
- Multiple large contracts awarded throughout the quarter including but not limited to:
  - **\$4.0 million firm-fixed price contract for an agency within the U.S. Department of Homeland Security (“DHS”), for advanced integrated solutions supporting real-time intelligence collection operations along the United States’ borders, leveraging the Company’s edge IoT appliance, Outpost AI.**
  - **\$1.2 million firm-fixed price support and maintenance contract for our existing deployment of Acropolis Enterprise Video and Data Management Platform supporting a Fortune 100 Transportation and E-Commerce company’ global operations.**
- We successfully completed a pilot opportunity to replace failing capabilities within critical infrastructure on the U.S. southern border, leading to an Airship AI brand-name only award that will be shipped and installed in the fourth quarter of 2024. This initial award is in support of our single-largest opportunity, valued at more than \$50 million over the next four (4) years. Estimated total contract value is conservatively based on data points from published market research, including size and scope, and pricing approved via awarded procurement efforts.
- We participated in JIFX, or Joint Interagency Field Exercise, an invite only event led by the Naval Post-Graduate School. The JIFX team leads experimentation in alternative methods to enable rapid technological development by cultivating a community of interest and hosting broadly scoped quarterly collaborative field events which enable DoD, US government, and allied stakeholders to identify, influence, and accelerate early-stage technology development that address national and collective security challenges.
- We participated in TIDE, or Technology Innovation Discovery Event, an invite only Department of Defense (DoD) sponsored event that aims to help innovative small businesses and non-traditional DoD performers showcase new hardware and software technologies that can significantly improve existing software or meet new challenges in support of the National Defense Strategy.
- We were a primary sponsor of and participant in UTAC, the premier unmanned aerial and robotic systems tactical event for Police, Public Safety, Government, and Defense agencies. UTAC is a fully immersive training event where public safety, government,

enterprise, and defense operators gather to learn best practices, establish procedures, and gain experience with the latest innovations in unmanned aerial, ground, and maritime systems along augmenting technical solutions.

- Completed \$8.0 million at-market public offering with net proceeds to the company of \$7.0 million after deducting placement agent fees and offering expenses.
- **Capital Markets Update:**
  - Airship AI to commence regular quarterly conference calls in conjunction with financial results reporting in Fiscal 2025.
  - Airship AI to participate at the 13<sup>th</sup> Annual ROTH Technology Conference in New York City on November 19-20, 2024.
  - Benchmark Company initiated coverage of Airship AI on November 13, 2024, with a Buy rating and price target of \$6.
  - Airship AI to participate at the 13<sup>th</sup> Annual Discovery One-on-One Conference in New York City on December 11, 2024.

## **2024 Outlook**

- Triple-digit revenue growth and positive cash flow for calendar year 2024 supported by a strong and validated pipeline of ~\$130 million, improving gross profit margins, and a strong recurring revenue model.
- Make tactical and strategic investments across our sales and business development organizations through organic cash flow from business operations and the cash exercise of public warrants.
- Release new Outpost AI product offerings as well as expand custom trained AI models supporting emerging edge analytic workflows.
- Continued innovation across our core Acropolis software platform supporting new workflows for cloud-based deployments in highly secure operational environments.
- Develop and execute expansionary opportunities in the commercial and retail markets, particularly around those companies involved in combating organized retail crime ("ORC").
- Improve sourcing, supply chain management and production-based process efficiencies to help drive continued margin expansion.
- Targeted focus on brand awareness and engagement in new verticals through targeted marketing outreach opportunities, social media platforms, Airship AI hosted technology events, and industry tradeshow events.

## **Management Commentary**

"The third quarter of 2024 saw continued momentum in support of our trajectory for triple-digit revenue growth for the full year," said Paul Allen, President of Airship AI. "Our team was able to generate solid revenues for the quarter of \$2.9 million at a gross margin percentage of 75%, our second consecutive quarter of gross margin percentages above 70%. We ended the quarter with \$6.5 million in cash and cash equivalents and \$1.1 million in accounts receivables.

"Historically, our third quarter tends to be slower due to the focus on the U.S. Government's fiscal year-end, during which many of our larger opportunities go out for bid in the September timeframe. We also saw several large opportunities pushed out to FY 2025 or

drastically cut due to budget challenges across several federal agencies. Additionally, the completion of the capital raise late in the quarter caused delays in bringing in several opportunities as the funds were needed to cover the cost of goods sold for those opportunities. Despite these headwinds, we achieved 18% year-over-year growth in net revenue for the quarter and 61% net revenue growth as compared to full year 2023 revenue of \$12.3 million.

"While our recently completed capital raise did not close in time to be reflected in the Q3 results, it has significantly enhanced our ability to execute large transactions, particularly those involving substantial up-front costs of goods sold. The capital raise has also enabled us to expand our sales, business development, and partner marketing capabilities by bringing in specialized industry expertise and experience in managing large-scale defense programs. We have already made progress toward this objective with the addition of several high-caliber team members, and we are in the process of bringing on even more talent to further strengthen our capabilities.

"With former President Trump's election as president-elect and his stated commitment to rapidly increase investments in securing the border, we are already seeing a positive shift in the market dynamics surrounding our pipeline. Currently our pipeline is heavily weighted to initiatives directly supporting the Department of Homeland Security (DHS) and specifically Customs and Border Protection (CBP). This positions us exceptionally well to capitalize on increased investments in technology supporting securing the border as it leverages our strong relationship as an established, trusted partner of CBP, with a proven track record of successful software and hardware deployments across the agency.

"Building on our established presence in the federal law enforcement investigative environment, our rapidly expanding footprint in the broader federal market, including the Department of Defense (DoD), positions us to capitalize on the growing demand for AI-driven capabilities at the edge, an area where we have made significant investments. By transforming existing "dumb" sensors that require constant monitoring into autonomous systems that proactively alert users when specific conditions are met, we are not only revolutionizing homeland security, but also enhancing digital operations on battlefields worldwide," concluded Mr. Allen.

### **About Airship AI Holdings, Inc.**

Founded in 2006, Airship AI (NASDAQ: AISP) is a U.S. owned and operated technology company headquartered in Redmond, Washington. Airship AI is an AI-driven video, sensor and data management surveillance platform that improves public safety and operational efficiency for public sector and commercial customers by providing predictive analysis of events before they occur and meaningful intelligence to decision makers. Airship AI's product suite includes Outpost AI edge hardware and software offerings, Acropolis enterprise management software stack, and Command family of visualization tools.

For more information, visit <https://airship.ai>.

### **Forward-Looking Statements**

The disclosure herein includes certain statements that are not historical facts but are forward-looking statements for purposes of the safe harbor provisions under the United

States Private Securities Litigation Reform Act of 1995. Forward-looking statements generally are accompanied by words such as “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “should,” “would,” “plan,” “project,” “forecast,” “predict,” “potential,” “seem,” “seek,” “future,” “outlook,” and similar expressions that predict or indicate future events or trends or that are not statements of historical matters, but the absence of these words does not mean that a statement is not forward looking. These forward-looking statements include, but are not limited to, (1) statements regarding estimates and forecasts of financial, performance and operational metrics and projections of market opportunity; (2) changes in the market for Airship AI’s services and technology, expansion plans and opportunities; (3) the projected technological developments of Airship AI; and (4) current and future potential commercial and customer relationships. These statements are based on various assumptions, whether or not identified in this press release, and on the current expectations of Airship AI’s management and are not predictions of actual performance. These forward-looking statements are also subject to a number of risks and uncertainties, as set forth in the section entitled “Risk Factors” in its Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on April 1, 2024, and the other documents that the Company has filed, or will file, with the SEC. If any of these risks materialize or our assumptions prove incorrect, actual results could differ materially from the results implied by these forward-looking statements. In addition, forward looking statements reflect the Company’s expectations, plans or forecasts of future events and views as of the date of this press release. The Company anticipates that subsequent events and developments will cause its assessments to change. However, while it may elect to update these forward-looking statements at some point in the future, the Company specifically disclaims any obligation to do so. These forward-looking statements should not be relied upon as representing the Company’s assessments as of any date subsequent to the date of this press release. Accordingly, undue reliance should not be placed upon the forward-looking statements.

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**AIRSHIP AI HOLDINGS, INC.  
CONSOLIDATED BALANCE SHEETS**

As of September 30, 2024 and December 31, 2023

	September 30, 2024	December 31, 2023
<b>ASSETS</b>	(Unaudited)	
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 6,515,688	\$ 3,124,413

Accounts receivable, net of allowance for credit losses of \$0

1,121,862 1,648,904

Prepaid expenses and other

373,498 18,368

Income tax receivable

- 7,230

Total current assets

8,011,048 4,798,915

PROPERTY AND EQUIPMENT, NET

- 1,861

OTHER ASSETS

Other assets

155,432 182,333

Operating lease right of use asset

929,890 1,104,804

TOTAL ASSETS

\$ 9,096,370 \$ 6,087,913

## LIABILITIES AND STOCKHOLDERS' DEFICIT

### CURRENT LIABILITIES:

Accounts payable - trade

\$ 722,742 \$ 2,908,472

Advances from founders

1,750,000 1,750,000

Accrued expenses

121,978 200,531

Senior Secured Convertible Promissory Notes

1,793,360 2,825,366

Current portion of operating lease liability

267,660 174,876

Deferred revenue- current portion

3,326,543 4,008,654

Total current liabilities

7,982,283 11,867,899

### NON-CURRENT LIABILITIES:

Operating lease liability, net of current portion

718,393 943,702

Warrant liability

3,501,543 667,985

Earnout liability

6,229,390 5,133,428

Deferred revenue- non-current

3,585,344 4,962,126

Total liabilities

22,016,953 23,575,140

## COMMITMENTS AND CONTINGENCIES (Note 9)

### STOCKHOLDERS' DEFICIT:

Preferred stock - no par value, 5,000,000 shares authorized, 0 shares issued and outstanding as of September 30, 2024 and December 31, 2023

- -

Common stock - \$0.0001 par value, 200,000,000 shares authorized, 26,954,871 and 22,812,048 shares issued and outstanding as of September 30, 2024 and December 31, 2023

2,692 2,281

Additional paid in capital

11,845,413 -

Accumulated deficit

(24,765,218) (17,476,700)

Accumulated other comprehensive loss	(3,470)	(12,808)
Total stockholders' deficit	(12,920,583)	(17,487,227)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$ 9,096,370</b>	<b>\$ 6,087,913</b>

**AIRSHIP AI HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS)**

For the three and nine months ended September 30, 2024 and 2023  
(Unaudited)

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
<b>NET REVENUES:</b>				
Product	\$ 1,730,521	\$ 910,441	\$ 16,525,515	\$ 4,415,386
Post contract support	1,137,128	1,473,915	3,318,180	3,677,585
	<u>2,867,649</u>	<u>2,384,356</u>	<u>19,843,695</u>	<u>8,092,971</u>
<b>COST OF NET REVENUES:</b>				
Cost of Sales	285,448	439,565	9,381,244	2,575,523
Post contract support	428,820	342,869	1,174,737	1,437,910
	<u>714,268</u>	<u>782,434</u>	<u>10,555,981</u>	<u>4,013,433</u>
<b>GROSS PROFIT</b>	<u>2,153,381</u>	<u>1,601,922</u>	<u>9,287,714</u>	<u>4,079,538</u>
<b>RESEARCH AND DEVELOPMENT EXPENSES</b>	1,073,735	688,798	2,471,872	2,028,081
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>	<u>2,667,130</u>	<u>2,142,327</u>	<u>8,829,544</u>	<u>8,067,343</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>3,740,865</u>	<u>2,831,125</u>	<u>11,301,416</u>	<u>10,095,424</u>
<b>OPERATING LOSS</b>	<u>(1,587,484)</u>	<u>(1,229,203)</u>	<u>(2,013,702)</u>	<u>(6,015,886)</u>
<b>OTHER INCOME (EXPENSE):</b>				
Gain (loss) from change in fair value of earnout liability	5,511,961	-	(1,095,962)	-
Gain (loss) from change in fair value of warrant liability	2,471,186	-	(2,833,558)	-
Gain (loss) from change in fair value of convertible debt	370,548	(400,921)	(141,636)	(400,921)
Loss on note conversion	(434,797)	-	(593,591)	-
Interest expense, net	(133,824)	(33,761)	(587,149)	(57,830)

Other income (expense)	<u>16,366</u>	<u>(2,722)</u>	<u>(22,922)</u>	<u>(7,425)</u>
Total other income (expense), net	<u>7,801,440</u>	<u>(437,404)</u>	<u>(5,274,818)</u>	<u>(466,176)</u>
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	6,213,956	(1,666,607)	(7,288,520)	(6,482,062)
Provision for income taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCOME (LOSS)	6,213,956	(1,666,607)	(7,288,520)	(6,482,062)
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation income (loss), net	<u>354</u>	<u>(2,410)</u>	<u>9,338</u>	<u>40,141</u>
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ 6,214,310	\$ (1,669,017)	\$ (7,279,182)	\$ (6,441,921)
NET INCOME (LOSS) PER SHARE:				
Basic	\$ 0.25	\$ (0.07)	\$ (0.31)	\$ (0.28)
Diluted	\$ 0.17	\$ (0.07)	\$ (0.31)	\$ (0.28)
Weighted average shares of common stock outstanding				
Basic	24,696,425	22,812,048	23,609,189	22,812,048
Diluted	35,445,694	22,812,048	23,609,189	22,812,048

**AIRSHIP AI HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the nine months ended September 30, 2024 and 2023  
(Unaudited)

Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
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# CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss	\$ (7,288,520)	\$ (6,482,062)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	1,861	11,160
Stock-based compensation	803,797	479,913
Stock-based compensation- warrants	284,478	2,136,115
Amortization of operating lease right of use asset	174,914	513,234
Accelerated amortization of ROU asset - lease termination	-	265,130
Gain from lease termination	-	(344,093)
Issuance of common stock for services	198,500	-
Noncash interest expense	520,758	-
Loss from change in fair value of warrant liability	2,833,558	-
Loss from change in fair value of earnout liability	1,095,962	-
Loss from change in fair value of convertible note	141,636	400,921
Loss on note conversions	593,591	-
Changes in operating assets and liabilities:		
Accounts receivable	527,042	104,814
Prepaid expenses and other	132,512	(295)
Other assets	26,901	(255,431)
Operating lease liability	(132,525)	(461,203)
Payroll and income tax receivable	7,230	960,383
Accounts payable - trade and accrued expenses	(2,261,087)	377,519
Accrued income tax expense	-	(10,000)
Deferred revenue	(2,058,893)	(220,144)
NET CASH USED IN OPERATING ACTIVITIES	<u>(4,398,285)</u>	<u>(2,524,039)</u>

# CASH FLOWS FROM FINANCING ACTIVITIES:

Issuance of common stock and warrants for offering, net	7,290,000	-
Proceeds from convertible promissory note	-	1,984,582
Proceeds from warrant exercise	294,049	-
Advances from founders, net	-	1,150,000
Proceeds from stock option exercises	196,173	-
Repayment of small business loan and line of credit	<u>-</u>	<u>(424,540)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>7,780,222</u>	<u>2,710,042</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,381,937	186,003
Effect from exchange rate on cash	9,338	(2,244)
CASH AND CASH EQUIVALENTS, beginning of period	<u>3,124,413</u>	<u>298,614</u>

CASH AND CASH EQUIVALENTS, end of period	\$ 6,515,688	\$ 482,373
Supplemental disclosures of cash flow information:		
Interest paid	\$ -	\$ 21,438
Taxes paid	\$ 2,410	\$ 17,247
Noncash investing and financing		
Elimination of advances to founders in connection with contribution of Zeppelin by shareholders	\$ -	\$ 1,100,000
Elimination of payables to founders in connection with contribution of Zeppelin by shareholders	\$ -	\$ 1,100,000
Issuance of common stock for debt interest payment	\$ 487,642	\$ -
Issuance of common stock for debt conversion	\$ 1,770,340	\$ -
Recognition of warrant liability	\$ -	\$ 15,418



Source: Airship AI