

September 19, 2023



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

SAN JUAN, Puerto Rico, Sept. 19, 2023 (GLOBE NEWSWIRE) -- Red Cat Holdings, Inc. (Nasdaq: RCAT) ("Red Cat" or "Company"), a military technology company integrating robotic hardware and software to protect and support the warfighter, reports its financial results for the fiscal quarter ended July 31, 2023 and provides a business update.

Operational Highlights:

- Orders for 344 drones with a total value of approximately \$5.2 million placed by a U.S. federal government agency
- Remote ID certification received from the Federal Aviation Administration (FAA)
- Teal 2 sUAS Now Available for Purchase Through US Government's GSA Advantage
- Secured \$1.2M Additional Funding for U.S. Army's Short Range Reconnaissance Program
- Received DoD "Blue UAS" Approval for New Teal 2 sUAS to be Added to Cleared List
- Announced breakthrough artificial intelligence and computer-vision capabilities for Teal 2 military-grade drone
- Received Order for 200 Long-Range, High-Speed Drones for Ukrainian Deployment
- Partnering with Doodle Labs as wireless networking provider for U.S. Army's Short Range Reconnaissance program

First Quarter 2024 Financial Highlights:

- Consumer Segment reported as Discontinued Operations as sale to Unusual Machines ("UM") expected to close in fiscal second quarter for immediate cash proceeds of \$3 million and approximately \$21 million in UM stock, including working capital adjustments
- Strong quarterly revenues for the Consumer segment provide value potential for shares of UM stock to be received from the sale
- Record quarterly revenues for Enterprise segment as sales pipeline matures with an additional \$6 million in booked orders to be shipped over the balance of Fiscal 2024

- More than 70% of Enterprise revenues generated from sales to U.S. government agencies
- Inventory related balances of more than \$11 million at July 31, 2023 require \$3 million to complete the manufacturing of approximately 1,200 drones representing \$18 million in revenues when shipped

"Since its official launch at the end of April, the Teal 2 generated more than \$2 million of sales in its first quarter of availability. In addition, its current backlog of \$6 million is expected to increase throughout our Fiscal 2024, especially as government agencies seek to spend their budgetary allowances before they expire," stated Jeffrey Thompson, President and CEO. "This was a record sales quarter for the Enterprise segment and we expect the next two fiscal quarters to report even higher record sales levels. We are providing revenue guidance for our Enterprise segment of \$3 million for our second fiscal quarter and \$5 million for our third fiscal quarter."

"We look forward to closing the sale of the Consumer segment so that we can focus exclusively on the long-term opportunities that are rapidly emerging for the Enterprise segment, as evidenced by the repeat orders from the Border Patrol," stated Joseph Hernon, Chief Financial Officer. "We purposely built higher than normal inventory levels to address the supply chain issues that existed during the Covid crisis. With our manufacturing facility completed and operating efficiently, we plan to spend an additional \$3 million to convert our existing inventory into approximately 1,200 drones, representing more than \$18 million in future revenues."

Conference Call

CEO Jeff Thompson and CFO Joseph Hernon will host an earnings conference call at 4:30 p.m. ET on Tuesday, September 19, 2023 to review financial results and provide an update on corporate developments. Following management's formal remarks, there will be a question-and-answer session.

Interested parties can listen to the conference call by dialing 1-844-413-3977 (within the U.S.) or 1-412-317-1803 (international). Callers should dial in approximately ten minutes prior to the start time and ask to be connected to the Red Cat conference call. Participants can also pre-register for the call using the following link: <https://dpregrister.com/sreg/10182400/fa69246800>

The conference call will also be available through a live webcast that can be accessed at: <https://event.choruscall.com/mediaframe/webcast.html?webcastid=yh9zCJ8Z>

A replay of the webcast will be available until December 19, 2023 and can be accessed through the above link or at www.redcatholdings.com. A telephonic replay will be available until October 3, 2023 by calling 1-877-344-7529 (domestic) or 1-412-317-0088 (international) and using access code 2400908.

About Red Cat Holdings, Inc.

Red Cat (Nasdaq: RCAT) is a military technology company that integrates robotic hardware and software to provide critical situational awareness and actionable intelligence to on-the-ground warfighters and battlefield commanders. Its mission is to enhance the effectiveness

and safety of military operations domestically and globally – and to “Dominate the Night.” Red Cat’s suite of solutions includes Teal Drones, developer of the Golden Eagle, a small unmanned system with the highest resolution imaging for nighttime operations, and Skypersonic, a leading provider of unmanned aircraft for interior spaces and other dangerous environments. Learn more at <https://www.redcatholdings.com/>.

Forward Looking Statements

This press release contains "forward-looking statements" that are subject to substantial risks and uncertainties. All statements, other than statements of historical fact, contained in this press release are forward-looking statements. Forward-looking statements contained in this press release may be identified by the use of words such as "anticipate," "believe," "contemplate," "could," "estimate," "expect," "intend," "seek," "may," "might," "plan," "potential," "predict," "project," "target," "aim," "should," "will" "would," or the negative of these words or other similar expressions, although not all forward-looking statements contain these words. Forward-looking statements are based on Red Cat Holdings, Inc.'s current expectations and are subject to inherent uncertainties, risks and assumptions that are difficult to predict. Further, certain forward-looking statements are based on assumptions as to future events that may not prove to be accurate. These and other risks and uncertainties are described more fully in the section titled "Risk Factors" in the final prospectus related to the public offering filed with the Securities and Exchange Commission. Forward-looking statements contained in this announcement are made as of this date, and Red Cat Holdings, Inc. undertakes no duty to update such information except as required under applicable law.

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RED CAT HOLDINGS Condensed Consolidated Balance Sheets

| | July 31, 2023 | April 30, 2023 |
|---|------------------|-------------------|
| ASSETS | | |
| Cash and marketable securities | \$ 8,875,169 | \$ 15,987,687 |
| Intangible assets including goodwill, net | 24,118,468 | 24,335,836 |
| Inventory, including deposits | 11,084,959 | 9,280,073 |
| Accounts receivable, net | 720,642 | 719,862 |

| | | |
|-----------------------------------|----------------------|----------------------|
| Other | 4,723,848 | 4,478,080 |
| Assets of discontinued operations | 4,627,792 | 5,391,552 |
| TOTAL ASSETS | \$ 54,150,878 | \$ 60,193,090 |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|---|----------------------|----------------------|
| Accounts payable and accrued expenses | \$ 1,316,026 | \$ 1,957,975 |
| Debt obligations | 1,185,718 | 1,323,707 |
| Warrant derivative liability | 561,685 | 588,205 |
| Other | 594,562 | 661,263 |
| Liabilities of discontinued operations | 499,489 | 1,052,315 |
| Total liabilities | 4,157,480 | 5,583,465 |
| Stockholders' capital | 110,960,621 | 110,057,535 |
| Accumulated deficit/comprehensive loss | (60,967,223) | (55,447,910) |
| Total stockholders' equity | 49,993,398 | 54,609,625 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 54,150,878 | \$ 60,193,090 |

Condensed Consolidated Statements of Operations

| | Three months ended July 31, | |
|----------------------------|-----------------------------|--------------|
| | 2023 | 2022 |
| Revenues | \$ 1,748,129 | \$ 1,126,551 |
| Cost of goods sold | 1,573,464 | 1,044,431 |
| Gross margin | 174,665 | 82,120 |
| Operating expenses | | |
| Operations | 707,903 | 886,303 |
| Research and development | 1,138,127 | 449,964 |
| Sales and marketing | 986,908 | 406,953 |
| General and administrative | 1,443,156 | 1,062,404 |
| Stock based compensation | 911,606 | 755,471 |
| Total operating expenses | 5,187,700 | 3,561,095 |
| Operating loss | (5,013,035) | (3,478,975) |
| Other (income) expense | | |

| | | |
|--|------------------------------|------------------------------|
| Change in fair value of derivative liability | (26,520) | 92,922 |
| Other | 581,260 | 20,305 |
| Other (income) expense | <u>554,740</u> | <u>113,227</u> |
| Net loss from continuing operations | <u>\$ (5,567,775)</u> | <u>\$ (3,592,202)</u> |
| Loss from discontinued operations | (242,573) | (219,397) |
| Net loss | <u>\$ (5,810,348)</u> | <u>\$ (3,811,599)</u> |
| Loss per share - basic and diluted | <u>\$ (0.11)</u> | <u>\$ (0.07)</u> |
| Weighted average shares outstanding - basic and diluted | <u>54,935,339</u> | <u>53,778,154</u> |

Condensed Consolidated Statements of Cash Flows

| | Three months ended July 31, | |
|--|-----------------------------------|------------------------------------|
| | <u>2023</u> | <u>2022</u> |
| Cash Flows from Operating Activities | | |
| Net loss from continuing operations | \$ (5,567,775) | \$ (3,592,202) |
| Non-cash expenses | 1,496,091 | 943,500 |
| Changes in operating assets and liabilities | (2,854,385) | (1,166,060) |
| Net cash used in operating activities | <u>(6,926,069)</u> | <u>(3,814,762)</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from sale of marketable securities, net | 4,888,399 | 8,204,649 |
| Other, net | (5,054) | (544,942) |
| Net cash provided by investing activities | <u>4,883,345</u> | <u>7,659,707</u> |
| Cash Flows from Financing Activities | | |
| Payments of debt obligations | (137,989) | (215,650) |
| Payments related to employee equity transactions | (8,520) | (469,631) |
| Net cash used in financing activities | <u>(146,509)</u> | <u>(685,281)</u> |
| Net cash used in discontinued operations | <u>(118,295)</u> | <u>(999,053)</u> |
| Net (decrease) increase in Cash | (2,307,528) | 2,160,611 |
| Cash, beginning of period | 3,260,305 | 4,084,815 |
| Cash, end of period | 952,777 | 6,245,426 |
| Marketable securities | 7,922,392 | 36,708,627 |
| Cash and marketable securities | <u><u>\$ 8,875,169</u></u> | <u><u>\$ 42,954,053</u></u> |



Source: Red Cat Holdings, Inc.