

BigBear.ai Holdings, Inc.
Q3 2026 Earnings Call and Webcast
October 27, 2026

Presenters

Sean Ricker – Chief Financial Officer

Kevin McAleenan – Chief Executive Officer

Operator

Greetings, and welcome to the BigBear.ai Holdings, Inc. Third Quarter 2026 Earnings Call and Webcast. At this time, all participants are in a listen-only mode. As a reminder, this conference is being recorded.

It is now my pleasure to introduce Sean Ricker, Chief Financial Officer.

Sean Ricker

Good afternoon and thank you all for joining us today for our third quarter 2026 earnings call. I'm Sean Ricker, CFO of BigBear.ai, and I'm joined today by our CEO, Kevin McAleenan.

Statements made in today's call that are not historical fact are considered forward-looking statements and are made pursuant to the Safe Harbor provisions of the federal securities laws. Actual results may differ materially from those projected in the forward-looking statements. These statements, including the discussion of our guidance, expectations for 2027, and market estimates, speak only as of today, and we undertake no obligation to update them. Please see today's press release and our SEC filings for a description of some of the factors that may cause actual results to differ materially from those in the forward-looking statements.

We also have posted presentation slides and financial charts on our website today that we plan to address during the call to supplement our comments. These materials also include information regarding non-GAAP measures that may be used in today's call. Please access our website at www.bigbear.ai and click on the Investor Relations link to view and follow the charts.

Now I'll hand it over to Kevin.

Kevin McAleenan

Thank you, Sean. BigBear had another strong quarter. I'll start with four important financial updates for our shareholders. First, revenue grew 31% year over year, our third consecutive quarter of growth. Because of this performance, we are raising our full year 2026 revenue guidance range to \$150 million to \$165 million. This is the first time BigBear has raised our revenue guidance, and achieving the midpoint would represent 23% growth over last year.

Second, we have won and announced more than 25 new contracts since the second quarter. Together, these represent more than \$225 million in contract value. Wins include significant recompetes for the Department of Homeland Security and several important new mission customers, as well as classified awards in our national security business.

Third, we have sustained our gross margin improvement trend. Gross margins rose by 878 basis points compared with the same period last year.

Fourth, we maintained our strong cash position. We entered the fourth quarter with almost \$400 million in cash and investments in reserve.

Taken together, we are following through on what we set out to achieve this year. We are growing top line revenue and expanding our customer base faster than BigBear has achieved before, while diversifying our revenue mix and defending our existing business, all of which strengthens our position for growth in the years ahead.

My top two priorities for the remainder of the year continue to be delivering top-line revenue growth and pursuing our hunt for M&A targets with clear potential for either rapid deployment of cutting-edge capabilities or increasing our market penetration and scale. We're executing against those priorities, intend to finish the fiscal year strong and are in a solid position to grow in 2027.

Given the dynamic environment in security and defense technology, I'd like to turn now to why we are winning with customers, where we play in the AI landscape and the contract wins that show our strategy is working. Stated simply, we are winning because we combine operational experience, unique technical capabilities and deep customer trust. I'll unpack that to emphasize where we are focused and why I believe we are differentiated.

BigBear is a specialized security and defense technology company. Our objective is to be the mission AI partner of choice for the United States government, its allies, and critical industries in the U.S. and internationally. We focus on developing and deploying cutting-edge AI capabilities for operators who take on the toughest problems in national security and trade and travel. We specialize in technology, platforms, tools, and solutions for missions that are very difficult for new entrants to understand and penetrate. We leverage deep customer trust to accelerate the application of AI in secure, complex, and high consequence operating environments. And because we are a first mover, we can address and capitalize on demand for secure AI now while innovating at the pace our mission partners need.

I believe we can do all of this as well as any company in the world. We're agile and well capitalized enough to move quickly and innovate on near-term opportunities and changing customer needs, yet we're big enough to scale solutions and apply technology for complex, hard to navigate mission sets with the highest security expectations.

For those who are looking to situate BigBear in the wider technology landscape, you can think of the AI value chain as having five basic layers, each with different economics, capital requirements, and risk profiles.

- One, The physical foundation – chips, networking, memory, and the power and cooling equipment that runs them.
- Two, Compute infrastructure – data centers and cloud providers that deliver computing capacity.
- Three, Foundation models – large-scale, general purpose AI models, including language and multimodal models that support a wide range of applications.
- Four, Tools and enterprise AI platforms – the technology that securely connects models to customer data, workflows, and operational systems.
- And Five. AI applications and solutions – products and mission-specific capabilities that put AI to work for real users.

BigBear operates primarily across the last layers, four and five, and that is where we aim to continue to win greater market share. We are an applied AI business combining proprietary platforms, applications, and specialized AI and machine learning models with the expertise required to deploy them in mission-critical environments. We connect AI to our customers' data and workflows, and we build and deploy mission-specific platforms and solutions that make AI work in practice.

Importantly, we don't simply integrate AI developed by others; we also develop our own specialized capabilities drawing on domain expertise and specific customer requirements and data to solve complex operational problems. This is where we intend to differentiate.

In other words, BigBear turns advanced AI capabilities, including frontier or open weight models, multi-agent systems, and specialized machine learning algorithms, into production-ready deployments, providing immediate operational value and changing how critical missions get done. And I would like to underscore that our position in this value chain is deliberate and built on our track record of rapid innovation with advanced tools directly supporting operators. We do not need to finance data center buildouts or the development of general purpose foundation models to participate in the growth of AI.

While markets focus on these macro trends and investors increasingly scrutinize the capital intensity, leverage, and financing risks associated with the infrastructure build, it is important to distinguish those exposures from the more focused economics of our business and the opportunities presented by how government and critical infrastructure customers are now working to adopt AI tools.

We benefit from innovation across the AI ecosystem but pursue that opportunity through a much more targeted and less capital-intensive model. In fact, our strategy is designed so that our business benefits as the technology advances. Our model-agnostic platform capabilities give us the flexibility to incorporate advances in third-party AI models as they emerge alongside the specialized capabilities we develop ourselves without depending on any single model provider.

Deep mission expertise, a security-cleared workforce, and the ability to deploy in secure real-world environments are differentiators. Government customers want capability that works in the field. So do commercial leaders in critical industries. The demand is here now, and customers are starting to move more quickly because their missions require it, as do policymakers and shareholders alike.

In reality, most agencies and companies are in the early stages of applying AI to operational use cases and workflows, and the adoption curve is steep. That's exactly where we play. We serve the full spectrum of national security and travel and trade mission customers. That includes the executives who set mission priorities and the CIOs and CTOs who own and execute technology roadmaps. It includes the program leaders who turn operational needs into funded programs, and we never lose sight of the operators who depend on these tools every day, from intelligence fusion centers to combatant commands and operations at the edge to shipyards and ports of entry. We understand what each of them needs.

Each win we secure is further proof that our customers want to deploy specialized AI in secure environments for these complex use cases. The best evidence for customer trust is the results that we are delivering in contract wins. Demand for AI built by operators for operators is getting stronger by the quarter. Combining Q2 and Q3, we have announced more than 45 new contract wins in multiple markets, demonstrating that we are gaining significant traction across the board.

Included in our Q3 wins, we secured two substantial subcontracts centered on homeland and border security, one on SAIC's team and the other partnering with Unissant. Both extend our longstanding work supporting U.S. Customs and Border Protection's Targeting and Systems Program Directorate. Together, they represent a meaningful contribution to our revenue base and enhance our backlog.

More broadly, these contracts provide our developers and program professionals the opportunity to support essential CBP risk assessment and targeting operations for counterterrorism, counternarcotics, human smuggling, trade enforcement, agriculture protection, and other security missions.

Under SAIC's newly awarded five-year recompetes task order, BigBear will provide integrated AI and analytics to optimize critical systems essential for securing the U.S. border. BigBear helps CBP assess security risk from travelers and cargo entering our country. Through our work under Unissant's newly awarded five-year contract, BigBear will continue software development work

on CBP's vetting workflow operations and analysis, extending our team's history of supporting CBP's ability to detect and interdict threats at our borders.

In addition to these key long-term wins with existing customers, BigBear successfully expanded our customer and contract base in Q3. Our generative AI platform, which we have adapted and enhanced since acquiring Ask Sage in December, has played a big part in growing our customer base. New enterprise customers in Q3 include critical national security departments and agencies, including the Federal Bureau of Investigation, U.S. Coast Guard, NASA, the Department of Energy, and the Department of Veterans Affairs.

While the mission needs and use cases may differ, BigBear's generative AI platform provides secure access to the latest generative AI models and agentic tools with the choice of available models from leading AI and cloud providers, the ability for these agencies to process secure data with these tools and build agents for advanced workflows. These contracts demonstrate that demand continues to grow across defense, intelligence, and civilian agencies, including in disconnected and air-gapped environments.

The team and I are extremely proud to be serving these agencies, each of which plays a critical role in our national and economic security.

In addition, the work we do to support critical national infrastructure, often with our digital twin modeling and simulation tools, is also growing well. In addition to the contracts with shipyards, manufacturing facilities, airports, and supply chain players that we have announced this year, we have added customers in healthcare. Our healthcare system is part of our nation's critical infrastructure and requires a level of operational rigor and data security similar to our security customers. Just as we deploy specialized AI for national security use cases, FutureFlow Rx addresses complex healthcare operational challenges where lives are at stake. We recently secured a two-year renewal with Children's Minnesota, one of the largest pediatric health systems in the United States, continuing their investment in our digital twin and predictive analytics solution for healthcare. The agreement focuses on AI applications to help hospital leaders anticipate patient flow, evaluate operational challenges, and optimize capacity and resources.

Our continued partnership validates our ability to deliver mission-ready AI solutions across sectors, extending our impact into critical civilian infrastructure that communities depend on every day.

Combined, these wins show that our strategy is working. We have organized our business to pursue growth with focus and discipline with technology teams aligned to the specific mission customers that we serve. Since May this year, our structure and go-to-market motions are simpler and more targeted, and we are executing with increasing consistency.

I'll now turn it over to Sean to walk us through the details on our financials.

Sean Ricker

Thanks, Kevin. Our results were strong operationally and financially this quarter. Revenue for the third quarter of 2026 was \$43.6 million, an increase of 31% year over year due to improved revenue performance across the business and substantially driven by our BigBear generative AI platform, which was acquired as Ask Sage in December 2025.

Our improved gross margins continued this quarter, growing to 31.2%, an increase of 878 basis points as compared to the third quarter of 2025. The expansion in gross margins was particularly supported by the results of our generative AI platform.

We recorded a non-cash goodwill impairment charge of \$76.7 million or \$0.16 per share in the third quarter of 2026, which was the primary driver of our net loss of \$91.9 million or \$0.19 per share this quarter as compared to net income of \$2.5 million in the comparable period. Adjusted EBITDA improved to negative \$9.1 million this quarter versus negative \$9.4 million in the comparable period.

Our balance sheet continues to remain strong. We finished the third quarter with almost \$400 million of cash and investments. With about \$17 million of convertible debt outstanding that will mature in December of this year, we expect to be in great shape to kick off 2027 debt free and with maximum flexibility to be opportunistic in the execution of our strategy.

Turning to backlog, we ended the third quarter with \$330 million in backlog, an increase of 22% from the end of last quarter, driven by the new wins and successful recompetes that Kevin previously mentioned.

The performance we saw this quarter exceeded our expectations, giving us confidence in a stronger revenue trajectory as we look ahead to the end of this year. Building on the momentum we've seen this quarter, we now expect full year revenue between \$150 million to \$165 million, representing a 5% increase at the midpoint versus the guidance range we provided earlier this year. At the midpoint, this would represent 23% revenue growth relative to our 2025 results.

This higher revenue guidance reinforces two important growth dynamics. First, we're growing top line revenue. This is our third sequential quarter of organic revenue growth this year. Second, our revenue growth has accelerated this year. Quarter over quarter revenue growth was 6.7% in the second quarter and has accelerated to 18.6% in the third quarter. As we look ahead at the business in totality, we are feeling positive about our momentum as we close out this year and look ahead to 2027.

Now I'll turn it back to Kevin for some closing remarks.

Kevin McAleenan

Thank you, Sean. And thank you to the whole BigBear team for your hard work. We approach the end of the year with real confidence thanks to our underlying financial strength and win momentum.

I'd like to close by looking out to 2027 and talk about four trend lines in the macro environment that are generating tailwinds for our business. The catalysts fueling these trends are continued technological breakthroughs, increased geopolitical instability, and accelerating great power competition. And I believe their impact is likely to grow next year.

First, defense modernization - how wars are fought is changing. Shifts of this magnitude happen rarely, and we are only at the start of the change curve. The world is wrestling with dozens of active conflicts. In 2025 alone, global military spending reached a record \$2.9 trillion.

While U.S. defense spending grows, the proportion being directed to disruptive technologies and new entrants is increasing, as well. In the 2027 U.S. defense budget, the combined AI and autonomy request is \$112 billion. And over the next decade, G7 governments are expected to make \$8 trillion of additional investment on top of the prior trends.

Second, redesigned global trade flows - the global economy is undergoing equally significant change. Regional conflicts and increased great power competition mean that global trade requires faster cargo processing at the same time as more precise risk assessment to keep goods moving securely and at pace. Global trade in goods reached \$26 trillion in 2025, growing 7% year over year.

Third, demand for secure international travel - global passenger travel is also on the rise. In 2025, international air traffic grew by 7.1%. IATA's forecasts show increased growth in international air traffic in 2026, as well. U.S. Customs and Border Protection processes about 1 million individuals entering the country daily at air, land, and seaports of entry. A substantial share of these travelers move through airports, and our biometric solutions are deployed across more than two dozen major U.S. airports. The global aviation security market is estimated to be more than \$17 billion in 2026 and is predicted to reach \$27 billion by 2031.

Finally, pressure on the security apparatus - the message from security professionals in Washington and other global capitals is that agencies responsible for protecting people are deeply concerned about the diversity and pace of the threats facing us. This includes asymmetric technology-driven threats. There is mounting evidence that state and non-state actors are increasingly using generative AI tools, able to plan and execute attacks with far fewer resources, far less time, and fewer guardrails. For example, the challenges associated with detecting and intercepting drones involved in cross-border smuggling operations or potentially threatening event venues and critical infrastructure, increasing cybersecurity vulnerabilities across the economy, and a digital information ecosystem flooded with disinformation are high on the agendas of policymakers and appropriators.

BigBear customers understand that many of our people came from the security community, helped build the technology it depends on, and understand the nature of the changing threat landscape. Indeed, our executives, technology, and combined experience are respected internationally by government and commercial customers in each of these areas.

While the underlying trends present significant concern, they also present a galvanizing opportunity for the private sector to help governments and critical infrastructure operators to outpace the threats. This is what BigBear was built for. Our full focus is on delivering enduring strategic advantage for the United States, its allies, and critical industries. Our strategy to build, deploy, and acquire catalytic technology for operators in national security and trade and travel is the right strategy at the right time.

The financial opportunity for our business is clear. Our leadership, organization, and resources are fully focused on capturing and delivering value, and it is an exciting time to be deploying AI in our markets.

My continued thanks to our team for your efforts and to our shareholders for supporting us. I look forward to talking with you again at our next earnings call where we will cover the full year performance for 2026 and chart our path to sustained growth in 2027 and beyond.

Operator

Thank you. This does conclude today's teleconference. We thank you for your participation, and you may disconnect your lines at this time.