

**Redwire Corporation**  
**Second Quarter 2024 Earnings Call**  
**August 8, 2024**

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**Presenters**

**Jeff Zeunik, Senior Vice President-Financial Planning & Analysis and Investor Relations**  
**Peter Cannito, Chairman and Chief Executive Officer**  
**Jonathan Baliff, Chief Financial Officer**

**Q&A Participants**

**Griffin Boss - B. Riley**  
**Greg Konrad - Jefferies**  
**Brian Kinstlinger - Alliance Global**  
**Andres Sheppard - Cantor Fitzgerald**  
**Suji Desilva - ROTH Capital**

**Operator**

Greetings, and welcome to the Redwire Space Second Quarter 2024 Earnings Call.

At this time all participants are in listen-only mode. A brief question-and-answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press “\*”, “0” on your telephone keypad.

As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Jeff Zeunik, Senior Vice President, Financial Planning and Analysis and Investor Relations. Please proceed.

**Jeff Zeunik**

Thank you, LaTonya, and good morning, everyone. Welcome to Redwire's Second quarter 2024 earnings call. We hope that you've seen our earnings release, which we issued yesterday afternoon. It has also been posted in the Investor Relations section of our website at redwirespace.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 Slide 2.

Additionally, to the extent we discuss non-GAAP measures during the call, please see Slide 3, our earnings release, or the investor presentation on our website for the calculation of these measures and their GAAP reconciliations.

I am Jeff Zeunik, Redwire's Senior Vice President of Financial Planning and Analysis and Investor Relations. Joining me on today's call are Peter Cannito, Chairman and Chief Executive Officer, and Jonathan Baliff, Chief Financial Officer.

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

**Peter Cannito**

Thank you, Jeff. During today's call, I will take you through a discussion of our key accomplishments in the second quarter of 2024. Jonathan will then present the financial highlights for the same period, after which we will open the floor for Q&A.

Please turn to Slide 6. The second quarter of this year was another excellent quarter for Redwire, during which we continued our positive momentum from the first quarter. We once again delivered year-over-year revenue growth and positive Adjusted EBITDA, while delivering a strong performance in bids submitted and contracts awarded.

During the second quarter, we achieved \$78.1 million in revenue, a 30% improvement over Q2, 2023. It was another strong quarter for revenue. We had positive Adjusted EBITDA of \$1.6 million. We improved ending liquidity of \$55.8 million as of June 30, 2024. We had \$114.4 million in contracts awarded during the quarter with a last twelve months or LTM book-to-bill of 1.28 times. We had a net loss of \$18.1 million for the quarter, which includes a \$9 million negative impact, due to an increase in the private warrant fair value. And finally, we had positive LTM net cash provided by operations of \$5.7 million, as of the second quarter of 2024.

It's important to note that we were able to achieve these strong financial results while, simultaneously, investing in new technologies, expanding production capacity and maturing corporate infrastructure, throughout the first half of the year. We continue to balance near-term results with long-term growth.

Please turn to Slide 7. Each quarter, we outline Redwire's growth strategy as a framework for our performance. Our 2024 plan is centered around four key principles:

Protecting the core, which means continuing to deliver on our strong foundation of existing products with proven reliability and demonstrated flight heritage; It is about continuing the growth momentum of our successes in 2023;

Scaling production, which means winning and delivering on increasingly larger orders to meet growing demand;

Moving up the value chain-this means leveraging our proven capabilities in developing and deploying space subsystems and components in the next-generation spacecraft and integrated mission payloads; and finally,

Venture optionality, which means continuing to pursue breakthrough developments on advanced technologies that could create new markets with game-changing potential.

Over the next few slides, I'll discuss examples of successes in each of these key growth areas from the second quarter of 2024, including an in-depth look at our moving up the value chain growth area.

Please turn to Slide 8. Starting with our protecting the core growth area, during the second quarter, Redwire is proud to have supplied fine and coarse sun sensors for the National Oceanic and Atmospheric Administration's GOES-U satellite, which launched on June 25 and is intended to provide sophisticated weather and solar activity monitoring.

This is the fourth satellite in the GOES-R family for which Redwire has supplied these critical guidance, navigation and control components. Sun sensors come from our avionics and sensors core offering, which includes spacecraft subsystems and components that are used for navigation, control and imagery collection.

Also during the second quarter, Redwire was awarded a contract by the European Space Agency to develop a robotic arm prototype for ESA's Argonaut Lunar Lander, called MANUS. The MANUS system will be developed at Redwire's Luxembourg facility and will enable crucial logistics operations on the lunar surface, such as offloading, precise pointing and retrieval of objects and positioning of the lander.

Robotic arms are part of our structures and mechanisms core offering, which includes a variety of space infrastructure that provides critical mechanical functionality for our on-orbit operations from launch release mechanisms and deployable booms to berthing and docking systems.

Please turn to Slide 9. Looking at our scaling production growth principle, this quarter we announced another order for our Roll Out Solar Array, or ROSA wings, for Thales Alenia Space's Space Inspire satellites, the company's newest product line of geo-telecommunication satellites. Our participation on the project was initiated last year, and additional orders underscore that this is a growing area of the business with recurring revenue potential.

Roll Out Solar Arrays fall within our power generation core offering, which includes solar arrays and power distribution systems that generate the necessary power for space systems to operate, regardless of size or location.

Throughout the second quarter of 2024, Redwire continued to execute on antenna production. Redwire has delivered over 50 flight antennas and has more than 180 additional antennas in development for multiple government missions. Antennas are part of our radio frequency

systems core offering, which includes the systems and payloads that enable space-to-space and space-to-earth communications.

Please turn to Slide 10. Turning to our venture optionality growth principle, in the second quarter, we continued our amazing breakthroughs in microgravity, starting with the successful bioprinting of live human heart tissue, using our 3D Bio-Fabrication Facility, or BFF, on the International Space Station. 3D printed live human heart tissue could eventually be used to create heart patches as a treatment for damaged heart tissue and opens the door to more effective personalized medicine in the future. On the next BFF mission, Redwire plans to 3D print human blood vessels in space.

Also in the second quarter, our PIL-BOX-03 experiment that examined various crystal molecules designed for pharmaceutical use in partnership with Butler University, successfully returned from the International Space Station for analysis on Earth. In addition, we have now launched four additional drug manufacturing investigations in our PIL-BOX system. These new investigations flew to the International Space Station onboard the NG-21 commercial resupply mission on August 4.

Finally, we are also excited to announce ExesaLibero Pharma, a company focused on developing new small molecule drugs to treat bone disease, as one of our commercial partners for an upcoming PIL-BOX mission expected to launch later this year.

Please turn to Slide 11. Next, on the following few slides, I would like to provide a more in-depth look into our third principle, moving up the value chain, by focusing on Redwire's leadership in developing and providing VLEO capabilities to enhance defense and intelligence operations.

In Q2, we achieved a major milestone in our VLEO SabreSat strategy with the award of a prime flight contract from the Defense Advanced Research Projects Agency, or DARPA, on the Otter program. As the prime mission integrator for DARPA's Otter program, Redwire is responsible for the development of a revolutionary air breathing satellite that will demonstrate the use of novel electric propulsion systems in VLEO. This is a major validation from the market.

Very Low Earth Orbit, or VLEO, bridges the gap between air and space and provides opportunities for better performance in earth observation and communications. Redwire has two platforms to bring this untapped orbit from concept to full-scale operations, SabreSat in the United States and Phantom in Europe.

These platforms are both designed to overcome the challenges of operating in VLEO, such as atmospheric drag, while providing strategic advantages, including the following:

Resiliency. As satellites in VLEO operate in an unimpaird environment above airborne anti-access and area-denial defenses and below the threats in LEO, spacecraft in VLEO complement

unmanned aerial systems and LEO satellites by providing an additional operating environment that gives greater resiliency to overhead defense and intelligence operations;

**Proximity.** By operating at a lower altitude, VLEO spacecraft are twice as close to the action on the ground and, therefore, better able to provide the potential for higher fidelity resolution for Earth observation and strong signals for communications, while better optimizing performance and cost;

**Mobility.** The increased drag in VLEO enables spacecraft to rapidly maneuver within their orbit to provide a more dynamic operational environment that can rapidly move that satellite into a variety of positions to optimize mission requirements; and,

**Sustainability.** By operating closer to Earth's atmosphere, VLEO operations significantly reduce the orbital debris issue. When a VLEO spacecraft ceases to operate, atmospheric drag will rapidly deorbit the spacecraft and the material will burn up in Earth's lower atmosphere. VLEO is a self-cleaning orbit and, therefore, considerably more sustainable over time.

We have received very positive market reception, including the award of the prime flight program from DARPA, and this has further validated our movement up the value chain through our VLEO offerings. This prime contract for SabreSat provides Redwire with a funded program and critical customer to advance our design to flight in this new and exciting domain.

Turning to Slide 12. With two platforms to bring this untapped orbit from concept to full-scale operations, both in the United States and abroad, Redwire's operations in VLEO are a testament to the power of our heritage plus innovation strategy.

Showcasing our heritage, our first study contract for the European Space Agency's Skimsat program was announced in June 2022. The Skimsat program is a VLEO satellite mission that aims at reducing the cost of earth observation and telecommunications, while increasing performance by operating at substantially lower altitudes.

With this award, we have been working to mature our spacecraft design. And in May of 2024, we unveiled our Phantom platform for the first time. Phantom is being developed for Skimsat out of our Belgian office, and as we have said before, the potential for this transformative program is extraordinary.

We announced our SabreSat platform in March of 2024 and announced our first VLEO study award in May. Later during the second quarter, we then announced that Redwire was selected for the Otter program. As the prime contractor, Redwire will be responsible for building the SabreSat bus, advancing the critical technologies necessary for the mission and integrating, coordinating and leading the team for the project.

As Redwire moves up the value chain, we are very excited that SabreSat and Phantom expand Redwire's offering of full satellite system development and operations that include the Redwire International PROBA satellite. With now three spacecraft platforms, we are well-positioned for future growth.

Please turn to Slide 13. Now, turning to our contract awards and backlog. Our contract awards during the second quarter of 2024 were \$114.4 million. It was an excellent quarter for bookings at Redwire. This is a 226% sequential increase in bookings compared to last quarter.

Our last twelve months book-to-bill ratio was 1.28 times for the second quarter of 2024. As we continuously reinforce, we often see lumpy contract awards growth from quarter-to-quarter, but we are continuing to maintain a positive growth rate on an annual basis.

As you can see on the lower right-hand side of this slide, our contracted backlog has increased 29.9%, year-over-year, to a total of \$354.3 million. The growth in contracted backlog is one of many factors that gives us confidence in our future growth.

Finally, we continue to have a healthy pipeline with an estimated \$5.7 billion of identified opportunities, including approximately \$1.9 billion in proposals submitted year-to-date, as of June 30, 2024. As you can see on the upper right-hand side of this slide, this represents a significant increase of 288.5% over the corresponding year-to-date period ended in June 30, 2023. This growth is a result of our efforts to increase the average size of the individual opportunities we are pursuing.

For example, we are now bidding on individual programs in the \$100 million-plus award value on a more regular cadence. Although there is no guarantee we will win these opportunities, we now have a pipeline of bids that can result in a substantial increase in backlog if we land some of these larger opportunities.

Please turn to Slide 14. With that, I'd now like to turn the call over to Jonathan Baliff, Redwire's Chief Financial Officer. Jonathan?

**Jonathan Baliff**

Thank you, Pete. Before I turn to the financial results, I'd like to highlight this photo on the slide, which is of the groundbreaking ceremony for Redwire's 30,000 square foot microgravity payload development and space operations facility.

This facility, located within the Novaparke Innovation and Technology Campus in Floyd County, Indiana, is an investment in state-of-the-art locations and supports our cutting-edge space biotechnology programs that Pete spoke about last quarter, making it possible for the biopharma industry to achieve game-changing outcomes in space.

Turn to Slide 15. Our second quarter and first half of 2024 results demonstrated the positive momentum with which we entered this year. Quarterly revenue was a record for a second quarter of \$78.1 million. We also achieved positive Adjusted EBITDA in the quarter of \$1.6 million.

We will discuss the drivers of this quarter's Adjusted EBITDA on subsequent slides, but note that it was negatively affected by EAC adjustments of \$3.1 million. This also impacted our Q2 net loss, which was also impacted by other one-off items such as a \$9.0 million, or \$0.14 per share basis loss, associated with change in fair value of warrants on a noncash basis.

On this page, as you can see in the lower left-hand box, we experienced significant growth in backlog and bids submitting \$1 billion more in the second quarter, year-over-year, for a total of \$1.3 billion of submitted bids in the second quarter of 2024.

Finally, although we had a use of cash from operations of \$9.5 million during the second quarter of 2024, and as we said on previous calls, our quarterly cash results can be lumpy. So when you look at the last twelve months, or on an LTM basis, we achieved an increase of \$33.0 million in cash from operations on a year-over-year basis. As a result, second quarter LTM cash from operations was a positive \$5.7 million, and this allowed for the increased level of investment to fund growth, as we're going to talk about in 2024.

These second quarter results are attributable to the capability and commitment of our global team members and our clients' confidence in Redwire as we satisfy their growing demand for space infrastructure.

Please turn to Slide 16. Specifically for quarterly revenue, as you can see from the chart on the right, this quarter's revenue of \$78.1 million is a 30% increase on a year-over-year basis and represents both a record second quarter revenue for Redwire, as well as the second highest revenue quarter in the company's history. On a year-to-date basis, 2024 revenue was \$165.9 million as of June 30, 2024, and this represents a 41.0% increase, over the first half of 2023.

Finally, during the quarter and similar to past years, the revenue in backlog has a solid backing with more than 91% of our revenue derived from funded government programs or from global marquee customers who are delivering the areas of national security, satellite proliferation and the exploration of space, to just name a few.

Please turn to Slide 17. On a quarterly basis, Redwire achieved positive Adjusted EBITDA of \$1.6 million in Q2 2024. And on the last twelve months basis, or LTM basis, Redwire achieved a 94.6% increase in LTM Adjusted EBITDA from \$6.5 million in Q2 2023, to \$12.6 million in Q2 2024. Adjusted EBITDA was previously impacted by results in gross profit and gross margin. Gross profit was \$13 million in the second quarter of 2024, with quarterly gross margins at 16.6%.

These results were primarily impacted by \$3.1 million in EAC adjustments during the second quarter. These adjustments largely resulted from unplanned design and test cycles required to meet customer requirements on many contracts.

Offsetting these gross margin declines, our quarterly Adjusted EBITDA performance was supported by excellent cost control and the continued operating leverage driven by scale, as Redwire's SG&A expenses were 23.2% of revenue, a meaningful drop from 29.4% in last year 2023's second quarter.

We continue to drive tens of millions of dollars in revenue increases with much lower growth in SG&A on a year-over-year basis, and that's the benefit of operating leverage and scale kicking in.

Please turn to Slide 18. Throughout the second quarter, we continued to make large investments to support the revenue growth we spoke about and create industry-leading innovation and global business scale.

During the year-to-date period through June 30, 2024, we made \$4.1 million of capital expenditures, plus \$2.8 million in investments in internal research and development, and \$1.8 million in a variety of other corporate investments that mostly flow through the SG&A line.

We continue to demonstrate our ability to financially perform now, while also making investments for future growth, risk reduction and profitability, all while maintaining high levels of liquidity.

Please turn to Slide 19. Similar to last quarter, and on the left-hand chart, we show operating and Free Cash Flow. As a reminder, Free Cash Flow provides a metric based on our U.S. GAAP cash from operations, minus capital expenditures. For the second quarter 2024, net cash used in operating activities was a use of \$9.5 million and Free Cash Flow was also a use of \$11.2 million.

However, on a last 12-month basis, we have achieved significant improvement from net cash used in operating activities of \$27.3 million on an LTM basis to cash provided by operating activities this quarter of \$5.7 million on an LTM basis. As you can see on the right-hand chart, this yields available cash and cash equivalents of \$30.8 million as of June 30, 2024, with \$55.8 million in total available liquidity, a 54.1% increase over June 30, 2023.

Please turn to Slide 20 for a brief discussion on the outlook for the remainder of 2024. We delivered another quarter of strong performance. And as a result, for 2024, we reaffirm full year revenue at \$300 million, which represents a 23% year-over-year growth rate. On a year-to-date basis, we have achieved 55% of our \$300 million annual revenue guidance forecast.



Finally, through our excellence in execution initiatives, we continue to focus on improving our program management and reduce the EAC volatility, while also creating more operating leverage and cost efficiency to continue on our path to profitability.

I will now turn the presentation back over to Pete to provide brief final remarks. Pete?

**Peter Cannito**

Thanks, Jonathan. Please turn to Slide 21. With that, I want to thank all of Redwire's team for their contributions to this quarter's results. We will now open the floor for questions.

**Operator**

Thank you. We will now conduct a question-and-answer session. If you would like to ask a question, please press "\*", "1" on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press "\*", "2", 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. Once, again, that's "\*", "1" to ask a question at this time. One moment while we poll for our first question.

Our first question comes from Griffin Boss with B. Riley. Please proceed.

**Griffin Boss**

Hi. Good morning, Pete, Jonathan. Thanks for taking my questions. So first for me, I just want to start off where you guys left off on the reaffirmed guidance. With the big 2Q beat on the top line, the guide is implying a much softer second half versus first half. I know, obviously, results get lumpy and the first quarter had outsized benefit from long lead items. But just given the strong bookings, I guess I'm surprised to see a muted outlook for the back half of the year. Can you just elaborate on your perspective there? And then perhaps with that outlook in mind, how you view margin expectations in the back half of the year, relative to the first half.

**Peter Cannito**

Yes, hey, Griffin, thanks for your question. So, I wouldn't call it muted. I mean, we've set a plan for the year at \$300 million. And in the first quarter, we talked about how we had some lumpiness associated with material buys on the Thales ROSA contract. So that added some revenue to the first quarter that won't be regular run time associated with the remainder of the year. But we like where we are for the year, and we're executing against our plan as a result.

And so with that, we're constantly doing what I call strategic balance in the company. When you think about an emerging market like space, our team is constantly, and what I think is doing effectively, a really good job of strategic balance, finding that Goldilock position between revenue growth, profitability and investing for the future, while maintaining what I think is a prudent level of liquidity.

So, we have our plan for \$300 million a year and we're on beacon to do that while at the same time we've got to make sure that we're balancing that growth trajectory with our ability to deliver on our programs as well as continue our investments, as well.

**Jonathan Baliff**

Griffin, its 23% growth, Griffin, year-over-year, but keep going, Griffin, good question.

**Griffin Boss**

I just meant relative to the first half, but I understand what you're saying, and I appreciate the color. And then Jonathan, obviously, it's going to come as no surprise; I'm going to dig into the EAC adjustments again. You mentioned it a little bit, but can you just give a little bit more color on the mix there in the second quarter and where those adjustments are primarily coming from, whether it was primarily one program or several, that would be helpful?

**Jonathan Baliff**

Yes, this quarter was the small adjustments spread over a larger number of contracts. There's not one contract. And again, I'll let Pete talk a little bit more about it. But when we look at the balance that Pete's talking about and doing a number of things, we're continuing to deliver for clients and we're doing really what I consider is yeoman's work in being able to put some of these large contracts in place. And on a percentage basis, so you'd have to look at it from last year to this year, we're still looking at, on a percentage basis, the EACs being smaller on a percentage basis of revenue this year than it was on an LTM basis last year.

So, we continue to work on it. We don't believe it has a big impact on cash flow and other things like that. We're continuing to move forward on improving our profitability and scaling. That's why you see the SG&A continuing to be a focus area for us. But again, it wasn't any one contract.

**Peter Cannito**

Yes, and again, I'll go back to this idea of strategic balance. So we had 30% year-over-year revenue growth. You've got to execute on that and expand accordingly, so we're comfortable with where it is as a percentage of total revenue. But in a highly technical, complex, some might say hard industry like space, you're going to run into small bumps along the way when you're growing at 30% year-over-year. So, we've got to balance out that revenue growth with our operational execution, and that's exactly the kind of levers, Jonathan, myself and the team are working on every day.

**Griffin Boss**

Sure. Got it. Thanks for that. And then last one for me, and I'll jump back in the queue. Maybe more broadly, obviously, the U.S. presidential election has been a particular topic of interest and conversations that we've been having. I think generally speaking, it's probably safe to say there's bipartisan support for space funding, but would love to hear, directly, your thoughts on

how you're handicapping the implications of a Republican or Democrat administration for Redwire and maybe the industry in general.

**Peter Cannito**

It's an interesting question. We're not really handicapping it. Like you said, we believe space is a bipartisan imperative. Our focus is staying in the swim lanes that are must-dos, like national security. I think we've talked about on previous calls, but for those who are tracking space as an emerging warfighter domain, these are things, regardless of administration, that the country is going to have to invest in.

I'd also remind everybody that, roughly, a third or 29% or in that order, it fluctuates quarter-by-quarter, but a fair amount of our revenue comes from overseas. So our diversification, as we've talked about numerous times, is one of Redwire's biggest strengths in terms of resiliency, regardless of who's ultimately sitting in the oval office.

**Griffin Boss**

Great. Excellent. Yeah, that's perfect. I'll hop back in the queue. Thanks for taking my questions. Appreciate it.

**Operator**

The next question comes from Greg Konrad with Jefferies. Please proceed.

**Greg Konrad**

Good morning.

**Peter Cannito**

Hey, Greg.

**Greg Konrad**

Maybe just to start with the submitted bids, I mean, you called out more \$100 million-plus programs, within that \$1.9 billion number. I mean, any more color in areas where you're seeing this opportunity and just thinking about noticeable trends between maybe commercial versus more government work, as you step up your submits?

**Peter Cannito**

Yes, I mean, in terms of where it's coming from, it's a mix. So there's scalable opportunities across all of the different targeted market segments. So yes, it's a mix of those different things. I think the two predominant flavors of these directly tied to two of our core growth principles for 2024, scaling production and moving up the value chain, right? So, as part of our scaling production, we're going after larger quantity orders of our existing projects.

So, these things start to take root in the marketplace as the constellations that I know you're aware of, continue to scale; we mentioned, for instance, the antenna work we do for the

government. As they scale, our order quantities grow, and that results in bigger bid submissions. And then of course moving up the value chain, when you start doing full spacecraft prime contracts and bidding programs of that ilk, they tend to be larger in size because you're getting the full scope of the program, as opposed to just a single subsystem.

**Greg Konrad**

And then maybe just touching on a third of the four items, the venture optionality portfolio. It seems like there continues to be a step-up of kind of positive data points, around that portfolio. I mean, how do you think about the timing of that business being really meaningful and kind of the path to increased monetization, just given some of these early items that you're seeing in the market?

**Peter Cannito**

Well, so we're optimistic. I mean we're trailblazing here. So there isn't a lot of context to make - and a lot of data to make - predictions on timing. So we don't, as a result. But as hopefully we've been able to articulate, quarter-by-quarter, there's a lot of momentum in this area, and it's moving from what could be characterized as one-off experiments more towards an emerging regular cadence of production-like activity, particularly in PIL-BOX.

So, as the data is analyzed and as momentum builds, we continue to have an optimistic outlook for what we're doing. And we're really encouraged by both repeat orders from existing partners to do more investigations, as well as an increase in the diversity and the number of different partners that are interested in working with us. So again, difficult to predict due to the first-of-a-kind trailblazing nature of the technology, and that's why we refer to it as venture optionality but, qualitatively, we have a lot of really encouraging results.

**Greg Konrad**

I'll leave it at two. Thank you.

**Peter Cannito**

Thanks.

**Operator**

Our next question comes from Brian Kinstlinger with Alliance Global. Please proceed.

**Brian Kinstlinger**

Great. Thanks so much.

**Jonathan Baliff**

Hey Brian.

**Brian Kinstlinger**

How are you?

**Jonathan Baliff**

Good.

**Brian Kinstlinger**

You submitted an impressive \$1.3 billion in proposals in the second quarter. Can you talk about capacity? I assume you're going to continue to submit bid at an accelerated pace? And then maybe talk about the average win rate over the last two years and whether that's different between large proposals versus smaller proposals.

**Peter Cannito**

So on the last part first, we don't report our win rates and we don't, as a result, break it down. Of course, being part of an emerging and highly dynamic market. I'm not sure past historic data would be relevant over time, during this early period of our growth. I think the key is in the results that you see in terms of 29.9% growth in contracted backlog year-over-year.

As we continue to move up the value chain and increase production, it's less a function, anyways, of the percentage of individual wins that you have. It's the right wins that matter, and it's bidding the right way that is important to us, and that's what we've been focused on. And like we highlighted, from a bid capacity perspective, we're increasing the average size of our individual bids. So the number of bids varies from quarter-to-quarter, but what's in the pipeline goes up, and we see that as encouraging towards future potential bookings.

**Brian Kinstlinger**

Sorry, I meant some capacity from your ability to deliver. I know you have a new facility, but if you keep increasing bids and winning, how do you think about capacity to deliver, I meant. Sorry.

**Peter Cannito**

No, that's a fair question. So again, going back to that idea of strategic balance. When we go into a bid, we do a really detailed level of planning into the "what happens if we win here" to make sure that we have the capacity at the ready, should we be awarded the program.

So, we feel pretty comfortable by the time we get to the actual bid submission portion that if we're selected, we will have the capacity or a plan to execute on attaining the capacity associated with the timeline that we submit as part of our bid. So for instance, some really large awards may start with a design period, initially, that would then allow for simultaneously ramping up of the physical production site, as well.

So, it's a detailed process that we do when we go to submit a bid, and one of the gates that we have to pass for our internal review is, do we ultimately have the ability to execute, and that's part of this strategic balance that we work on every day.

**Jonathan Baliff**

But I mean, Brian, I do want to get to the financial element of the question you're talking about. When we submit these bids, we take into account most of, if not a vast majority of, the contract costs are obviously included in these bids. We've talked about in the past, our CapEx is quite low compared to our revenue, and it has stayed fairly low because our clients pay for a lot of these costs to be able to get to the capacity to deliver.

And we've seen this and delivered on that credibility, over the past number of years. And as we've said, to achieve the \$300 million of revenue guidance, we do not believe we need to issue any securities or anything like that. That is, again, part of the strategic bidding that we do to make sure that we're covering our costs.

**Brian Kinstlinger**

Great. And then my other question related to the EACs, it's been a bit high for the last three quarters. And Jonathan, you mentioned it's a variety of contracts. So I'm curious how this impacts your pricing strategy going forward. Can you price fixed contracts a little higher to ensure you capture the appropriate margin?

**Peter Cannito**

So we look at every bid in the context of what our financial and strategic goals are, right? So there are some things that we bid, aggressively, because it can have a strategic implication that's really important to us, as an example, maybe breaking into a new product line or a new customer. And we balance that out with some of our more mature products where the focus is more on increasing gross margins. And what we like about where we're positioned is it's a portfolio effect, right?

So measuring it on a quarter-by-quarter basis, if you look at it as just a snapshot or a moment in time, you see the strategic balance that I'm talking about moving around, and that's why we talk about, for instance, cash from operations over an LTM perspective because as you really grow revenue rapidly, that's going to introduce some level of challenges in the operational execution. As you focus on that operational execution, then you've got to balance that with your strategic growth.

So I think what you're seeing is basically a snapshot in time, and some of these are just a reflection of how we're bidding to balance financial performance, as well as strategic positioning in the market.

**Brian Kinstlinger**

Okay. Thank you.

**Jonathan Baliff**

Thanks, Brian.

**Operator**

The next question comes from Andres Sheppard with Cantor Fitzgerald. Please proceed.

**Andres Sheppard**

Hi, good morning everyone. Thanks for taking our questions and congratulations on the quarter.

**Jonathan Baliff**

Thanks, Andres.

**Andres Sheppard**

A lot of our key questions have been asked. But maybe to take a step back, ROSA continues to make great progress. Some feedback that we are getting is that the solar industry kind of continues to experience some supply chain disruptions. So just wondering if you could share maybe what you're seeing there, maybe the latest pricing for your solar business. Thank you.

**Peter Cannito**

So, we're executing. Supply chain is always something that has to be managed. I don't think it's particular, or we're not experiencing it being specific to solar arrays, only. Of course, our solar arrays aren't run-of-the-mill, put on top of your house-type solar arrays. So we have a strategic supply chain. And those supply chain partners, from my perception of where I'm sitting, are very pleased with the growth of ROSA and the growth that Redwire is experiencing. And so, when we look at these bids, we're in there in the mix with critical suppliers, ensuring that they have the capacity to grow along with us. And the results are showing up in the numbers.

**Jonathan Baliff**

Andres, when you start seeing expansion of an existing product or project, you're seeing that there's real demand for the amount of energy that's needed for specific satellites or spacecraft that obviously--we view that as an opportunity, right, because of our strong relationships, our unique technologies. And so, when you start seeing that expansion, you should assume that we obviously have those relationships in our supply chain to be able to, again, get to that capacity and then beyond.

**Andres Sheppard**

Got it. Thanks guys. That's super helpful. Maybe just switching gears to venture optionality. Can you just remind us the timeline for the next PIL-BOX missions, throughout this year? How big of an emphasis are you placing on this, over the long term? It seems it's becoming more and more as one of your maybe core focus. So just curious on the timeline and your thoughts there. Thank you.

**Peter Cannito**

It's a good question. So we just launched another four. So that's going to keep us busy for a while. And of course, there's been a lot of headlines around trips to the ISS. So I think we're on

target to continue the same operational tempo that we've been able to exhibit so far this year. And I agree with you that it's becoming a bigger focus as we achieve more and more successes.

So I'd like to emphasize, this isn't venture domain, even though we call it venture optionality. We're not losing millions and millions of dollars in putting these up. These are customers, and we get revenue associated with these, and they have their own profitability target. But the real potential is going to come from our ability to hit on a crystal and working with a partner to, ultimately license that IP, and it's still early days.

So I think, hopefully, what you and the market are seeing is that we have really great momentum this year and turning this idea of pharmaceutical production crystals on orbit--and it's not just for pharmaceuticals, it's for other applications, as well--is really at that nexus point from turning to just being in-space experimentation to the ability to have a regular cadence, almost production level cadence to build that out.

And Redwire is at the lead in terms of the number of these things that we're putting up on a regular, what I would say, business level-tempo. And that's what we're really excited about. But in terms of being able to start pointing at revenue contribution in out years, we're just not at that level yet in the product life cycle to start making those predictions.

### **Jonathan Baliff**

I mean, the prediction we gave you is that there would be 16 additional PIL-BOX missions in 2024. We obviously now have disclosed the four that just went up. So we're continuing that accelerated cadence because, again, this time last year, we started talking about this development, it's not experimentation, it's development investigations of the drugs, themselves.

The PIL-BOX is working. We're getting our clients or really our partners, great results. But again, it's the development of these proteins, which we explained, last quarter. So we're on track with those 16.

And the only thing other thing I would say, Andres, is there's been a lot of investment in the last decade in this PIL-BOX and other parts of the biopharma and personalized medicine, over \$70 million of investments for this. So we're benefiting from that, where others in the venture part of space dealing with pharma and personalized medicine are just now starting their investment cycle. We've already got that investment in place, and now we're starting to reap the benefits.

But like Pete said, we've been very conservative both in how we talk about our revenue forecast for this year, \$300 million, but also how we talk to you about the venture optionality.

We believe in it. Obviously, we wouldn't have invested \$70 million if we didn't. But that being said, it's going to come with these new business models in space that are, frankly, mimicking a contract development and manufacture of biopharma terrestrially. So there is a business model



that's known and knowable that will apply to space with, frankly, the same clients like Eli Lilly or Butler University.

### **Peter Cannito**

Yes, I think what Jonathan highlights is really important. If you really want to understand this aspect of the business, you have to look at it the way the venture investors are looking at the competitive opportunity or competitive organizations that are just getting started, right? We've been--if you look at the tempo, we're moving from experimentation into production.

We're not at the major loss, what typically comes in a venture life cycle of major losses around a product. That is not where we are with this line by any stretch of the imagination. It's generating revenue. I think we have a lot of excitement and are starting to prove out the market.

So, if you look at the analysis associated with how the valuations are being applied to those who are just getting into this area and you look at that and try to value the option that is embedded in Redwire associated with this segment, considering we're further down the stream in terms of turning this into a real business, you start to see the full potential.

### **Andres Sheppard**

Got it. That's super helpful. I really appreciate all that color. Maybe if I could squeeze one last one, really quick. Jonathan, how should we think about the Free Cash Flow for the rest of this year and maybe into next year? I realize, obviously, you don't guide it, but any color there that you might be able to provide us with? Thank you.

### **Jonathan Baliff**

First of all, I appreciate you answering your own question because we don't give Free Cash Flow or operating cash flow. I'll just give two, let's just say, aspects to at least give you some color on this and context. One, we're very proud of the operations teams. Obviously, this is a multiyear exercise of path to profitability.

So we don't ever look at just any one quarter. We have a tendency, and we're kind of disclosing LTM basis to be able to generate cash from operations. We don't make any adjustments, it's cash from operations to be able to invest. And that investment includes a number of things that are in our growth strategy such as moving up the value chain, that's this quarter's focus, or last quarter's venture optionality. Although, again, like I said, we've already invested in that a lot.

So when we talk about our LTM improvement of \$33 million in cash from operations, that gives us the confidence that we can invest a bit more on a full year basis, which you see what we're doing. We have a page on those types of investments that are primarily in the technology and basically commercializing the technology. But also, it's associated with creating global scale, which is why our SG&A has been coming down on an LTM basis percentage of revenue.

So, the two things simply put are we are generating operating cash flow to make higher levels of investment, and we're seeing that credibility in that we're seeing the revenue growth. Like if-  
-so then we make those investments, they impact cash flow from operations on a quarterly basis. Maybe one quarter, they can be lumpy. And then when you look at it on an LTM basis, the trends are our friend.

And the other piece, the second piece, which is really important, is we continue to have high levels of liquidity. And that high level of liquidity allows us to also make sure that we're having a prudent capital structure and a prudent way to continue to invest.

**Andres Sheppard**

Excellent. Thanks very much, again. Congrats on the quarter. I'll pass it on.

**Jonathan Baliff**

Thanks.

**Peter Cannito**

Thank you.

**Operator**

The next question comes from Suji Desilva with ROTH Capital. Please proceed.

**Suji Desilva**

Hi, Peter. Hi, Jonathan. Congrats on the progress here. I'll keep it to one question to keep on time. Someone asked about capacity here. I wanted to drill down into the VLEO capability you have. Just to understand how it's going to evolve from the current programmatic sort of feel where you're designing and building a spacecraft for two or three customers, I believe.

Is it going to return to a situation where it's a per spacecraft revenue model? Or if it's program-based on a continued basis, what kind of capacity and how many programs can you simultaneously handle? Any thoughts there would be helpful.

**Peter Cannito**

So, if I understand your question correctly, you're asking whether it'll be a handful of programs or whether it's scaling. Maybe if you could just clarify a little bit, I didn't totally understand.

**Suji Desilva**

Either it's more programs layering on this one, or each program has multiple spacecraft expect to be delivered, like which way that's going to be going.

**Peter Cannito**

Okay, both. I think you're going to initially see governments take the lead in this segment, and you're going to see investment in developing this next-generation spacecraft capability, and it'll

predominantly be development, at first. And then much like you saw the evolution that happened from small sats to proliferated LEO constellations, as the spacecraft come online - so from our perspective, as Phantom and SabreSat move out of the development phase and become a very stable proven spacecraft platform, you're going to see larger and larger quantity orders increase over time. Did that answer your question?

**Suji Desilva**

It did, yes. And just how many programs do you simultaneously have capacity for, do you think right now, or if you can think of that?

**Peter Cannito**

Does Redwire has capacity for?

**Suji Desilva**

Yeah, sure. I'm sorry, for VLEO specifically, VLEO.

**Peter Cannito**

In terms of an estimate, the number of VLEO opportunities in the market?

**Suji Desilva**

That you could handle simultaneously, yes.

**Peter Cannito**

We can handle simultaneously. So as Jonathan articulated—now I understand, I apologize. The nice thing about when we enter into a new space like this, particularly when it's imperative for the government, and these are predominantly in government, is we're growing our capacity along with the development associated with the government programs, right? So these tend to be multi-year development programs, where we move through key milestones like preliminary design reviews and then critical design reviews and then develop out new technologies, until we get to a stable baseline.

So, during the early stages of development, we have the ability to scale our capacity, along with each new program as they come in. And we bid these things with a nice cash milestone profile associated with these bids. So the bids come along with the necessary resources and time we need to scale.

So, I'm not going to hazard a guess at a number, but I'm not spending my nights up worrying about this idea that as the government continues to invest in more and more of these programs and as we go out and bid on more and more of these programs that we're going to run into a production bottleneck.

**Suji Desilva**

Okay. Very helpful. Thank you.

**Operator**

Thank you. At this time, I would like to turn the call back over to management for closing comments.

**Peter Cannito**

Great. Well, I'd like to thank everybody for their questions, some really excellent questions, today. And again, I want to thank all the Redwire employees across the globe for just a tremendous effort in delivering these results. None of this happens without our employees, our partners, our customers, our teammates. So thank you to all of them, and thank you to all of you, and go Redwire.

**Operator**

Thank you. This does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation, and have a great day.