

March 7, 2023



Red Cat Holdings Reports Financial Results for Fiscal Third Quarter 2023 and Provides Corporate Update

SAN JUAN, Puerto Rico, March 07, 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 January 31, 2023 and provides a business update.

Operational Highlights:

- Red Cat partners with Athena AI for artificial intelligence and computer vision on new Teal 2 military drone
- Red Cat Holdings CEO to Visit NATO Countries for Talks on Military Drone Support for Ukraine
- Utah Governor Visits Red Cat Holdings Subsidiary Teal Drones to Discuss State Support for Local Defense Industry
- Teal Drones Enhances Low-Light Navigation Through New Partnership With Immervision
- Skypersonic Delivers Drones, Rover, and Piloting Platform to NASA’s Simulated Mars Missions
- Red Cat Holdings Signs Agreement to Divest Consumer Business
- Mary Beth Long, Former U.S. Assistant Secretary of Defense, Joins Red Cat Holdings Board of Directors
- U.S. Border Patrol Purchases over \$1 Million of Teal Drones

Third Quarter 2023 Financial Highlights:

- Revenues for the nine months ended January 31, 2023 were approximately \$7.7 million, compared to approximately \$5.1 million for the same period in fiscal 2022, representing an increase of more than 50% percent
- Nearly 25% of fiscal 2023 revenues to date were generated from sales to U.S. government agencies
- Cash and investments were approximately \$25 million as of January 31, 2023

"The Teal 2 sUAS, with its new best-in-class thermal camera, is getting a great response from U.S. Customs and Border Protection, multiple NATO militaries, and federal law enforcement agencies," said Red Cat CEO Jeff Thompson. "Our sales pipeline is growing rapidly, and the first program of record for quad copters – U.S. Army SRR Tranche 2 – is on track."

"We are pleased to report year-to-date revenue growth of more than 50%," stated Joseph Hernon, Chief Financial Officer. "Orders from U.S. government agencies continue to increase and represented almost 25% of fiscal 2023 revenues to date. Notably, the government procurement process can be lengthy and challenging, but the U.S. government is often a long-term, recurring customer once these relationships are established."

Conference Call

CEO Jeff Thompson and CFO Joseph Hernon will host an earnings conference call at 8:30 a.m. ET on Tuesday, March 7, 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 1-866-777-2509 (within the U.S.) or 1-412-317-5413 (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/10176273/f61708f938>

The conference call will also be available through a live webcast that can be accessed at:

<https://event.choruscall.com/mediaframe/webcast.html?webcastid=mDUwADql>

A replay of the webcast will be available until June 7, 2023 and can be accessed through the above link or at www.redcatholdings.com. A telephonic replay will be available until March 21, 2023 by calling 1-877-344-7529 (domestic) or 1-412-317-0088 (international) and using access code 2893615.

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
(Unaudited)

	January 31, 2023	April 30, 2022
ASSETS		
Cash and marketable securities	\$ 24,623,195	\$ 48,875,184
Intangible assets including goodwill, net	27,400,124	27,837,281
Inventory, including deposits	12,602,568	5,602,955
Accounts receivable, net	2,063,872	495,506
Other	4,402,829	2,267,699
TOTAL ASSETS	\$ 71,092,588	\$ 85,078,625
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	\$ 3,056,567	\$ 2,541,171
Debt obligations	1,458,681	1,970,661
Warrant derivative liability	856,100	1,607,497
Other	828,273	1,043,624
Total liabilities	6,199,621	7,162,953

Stockholders' capital	109,256,147	106,885,000
Accumulated deficit/comprehensive loss	(44,363,180)	(28,969,328)
Total stockholders' equity	<u>64,892,967</u>	<u>77,915,672</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 71,092,588</u>	<u>\$ 85,078,625</u>

**Condensed Consolidated Statements of Operations
(Unaudited)**

	Three months ended January 31,		Nine months ended January 31,	
	2023	2022	2023	2022
Revenues	\$ 3,106,644	\$ 1,856,751	\$ 7,706,377	\$ 5,116,741
Cost of goods sold	<u>3,004,032</u>	<u>1,516,970</u>	<u>7,012,483</u>	<u>4,521,974</u>
Gross Margin	102,612	339,781	693,894	594,767
Operating Expenses				
Operations	815,170	334,278	3,616,129	794,390
Research and development	1,302,008	811,288	3,189,692	1,548,983
Sales and marketing	1,208,037	238,624	2,542,037	524,642
General and administrative	1,514,504	1,337,183	4,551,706	3,264,071
Stock based compensation	<u>788,691</u>	<u>782,123</u>	<u>2,790,958</u>	<u>2,066,146</u>
Total operating expenses	<u>5,628,410</u>	<u>3,503,496</u>	<u>16,690,522</u>	<u>8,198,232</u>
Operating loss	(5,525,798)	(3,163,715)	(15,996,628)	(7,603,465)
Other Expense (Income)				
Change in fair value of derivative liability	(157,575)	(1,026,466)	(751,397)	(1,299,527)
Other, net	<u>297,779</u>	<u>427,568</u>	<u>476,847</u>	<u>559,252</u>
Other Expense (Income)	\$ 140,204	\$ (598,898)	\$ (274,550)	\$ (740,275)
Net loss	\$ (5,666,002)	\$ (2,564,817)	\$ (15,722,078)	\$ (6,863,190)
Loss per share - basic and diluted	\$ (0.10)	\$ (0.05)	\$ (0.29)	\$ (0.15)
Weighted average shares outstanding - basic and diluted	54,294,116	53,592,927	54,050,127	46,604,898

**Condensed Consolidated Statements of Cash Flows
(Unaudited)**

	Nine months ended January 31,	
	2023	2022
Cash Flows from Operating Activities		
Net loss	\$ (15,722,078)	\$ (6,863,190)
Non-cash expenses	2,752,691	1,083,885
Changes in operating assets and liabilities	(8,425,471)	(6,259,810)
Net cash used in operating activities	<u>(21,394,858)</u>	<u>(12,039,115)</u>
Cash Flows from Investing Activities		
Proceeds from (purchases of) maturity of marketable securities, net	24,282,117	(48,446,302)
Other, net	(1,985,882)	(67,715)
Net cash provided by (used in) investing activities	<u>22,296,235</u>	<u>(48,514,017)</u>
Cash Flows from Financing Activities		
Payments of debt obligations	(498,576)	(2,663,931)
Proceeds from issuance of equity, net	—	70,165,202
Payments from employee equity transactions	(594,454)	(113,959)
Net cash (used in) provided by financing activities	<u>(1,093,030)</u>	<u>67,387,312</u>
Net (decrease) increase in Cash	(191,653)	6,834,180
Cash, beginning of period	4,084,815	277,347
Cash, end of period	3,893,162	7,111,527
Marketable securities	20,730,033	48,446,302
Cash and marketable securities	<u>\$ 24,623,195</u>	<u>\$ 55,557,829</u>



Source: Red Cat Holdings, Inc.