



# Investor Letter 4Q 2023 & FY 2023

March 7, 2023



## Forward-Looking Statements

This presentation contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933 (the "Securities Act") and the Securities Exchange Act of 1934 (the "Exchange Act"). Forward-looking statements generally are accompanied by words such as "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "should," "would," "plan," "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. These forward-looking statements include, but are not limited to, statements regarding our industry, future events, and other statements that are not historical facts. These statements are based on various assumptions, whether or not identified herein, and on the current expectations of our management and are not predictions of actual performance. These forward-looking statements are provided for illustrative purposes only and are not intended to serve as, and must not be relied on as, a guarantee, an assurance, a prediction or a definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict and will differ from assumptions. Many actual events and circumstances are beyond our control. These forward-looking statements are subject to a number of risks and uncertainties, including those relating to: changes in domestic and foreign business, market, financial, political, and legal conditions; the uncertainty of projected financial information; delays caused by factors outside of our control, including changes in fiscal or contracting policies or decreases in available government funding; changes in government programs or applicable requirements; budgetary constraints, including automatic reductions as a result of "sequestration" or similar measures and constraints imposed by any lapses in appropriations for the federal government or certain of its departments and agencies; influence by, or competition from, third parties with respect to pending, new, or existing contracts with government customers; changes in our ability to successfully compete for and receive task orders and generate revenue under Indefinite Delivery/Indefinite Quantity contracts; our ability to pursue opportunities through mergers and acquisitions; our ability to realize the benefits of the strategic partnerships; failure to consummate the proposed transactions; failure to make or take any filing or other action required to consummate the proposed transactions in a timely manner or at all; failure to obtain applicable regulatory or shareholder approvals in a timely manner or otherwise; failure to satisfy other closing conditions to the proposed transactions; the potential impact of announcement or consummation of the proposed transactions on relationships with third parties, including clients, employees and competitors; risks that the new businesses will not be integrated successfully or that the combined companies will not realize estimated cost savings; failure to realize anticipated benefits of the combined operations; potential litigation relating to the proposed transactions and disruptions from the proposed transactions that could harm BBAI's or Pangiam's respective businesses; potential delays or changes in the government appropriations or procurement processes, including as a result of events such as war, incidents of terrorism, natural disasters, and public health concerns or epidemics, such as the coronavirus outbreak; the identified material weakness in our internal controls over financial reporting (including the timeline to remediate the material weakness) as disclosed in Form 10-K for the year ended December 31, 2022; increased or unexpected costs or unanticipated delays caused by other factors outside of our control, such as performance failures of our subcontractors; the rollout of the business and the timing of expected business milestones; the effects of competition on our future business; our ability to obtain and access financing in the future; and those factors discussed in the Company's reports and other documents filed with the SEC, including under the heading "Risk Factors." 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. There may be additional risks that we presently do not know or that we currently believe are immaterial which could also cause actual results to differ from those contained in the forward-looking statements. In addition, forward-looking statements reflect our expectations, plans or forecasts of future events and views as of the date of this presentation. We anticipate that subsequent events and developments will cause our assessments to change. However, we specifically disclaim any obligation to do so. Accordingly, undue reliance should not be placed upon the forward-looking statements.

## Non-GAAP Financial Information

This presentation includes financial measures that are not in accordance with generally accepted accounting principles ("GAAP"), such as EBITDA, Adjusted EBITDA, Adjusted Gross Margin, Recurring SG&A and Recurring Operating Expenses. We believe these non-GAAP financial measures provide investors and analysts with useful supplemental information about the financial performance of our business, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key measures used by management to operate and analyze our business over different periods of time. Non-GAAP financial measures should not be considered in isolation or as a substitute for the relevant GAAP measures and should be read in conjunction with information presented on a GAAP basis. In addition, they are subject to inherent limitations as they reflect the exercise of judgment by management about which expense and income items are excluded or included in determining these non-GAAP financial measures. Because not all companies use identical calculations, our presentation of non-GAAP measures may not be comparable to other similarly titled measures of other companies. In addition, certain 2020 financial information represents combined predecessor and successor information.

EBITDA is defined as net income (loss) before interest expense, interest income, income tax (benefit) expense, depreciation and amortization. Adjusted EBITDA is defined as EBITDA further adjusted for equity-based compensation, employer payroll taxes related to equity-based compensation, net decrease in fair value of derivatives, restructuring charges, loss on extinguishment of debt, transaction bonuses, capital market advisory fees, termination of legacy benefits, management fees, non-recurring integration costs and strategic initiatives, commercial start-up costs, transaction expenses and goodwill impairment. Adjusted EBITDA Margin is defined as Adjusted EBITDA as a percentage of Revenue. Recurring Operating Expenses is defined as total operating expense as adjusted for equity-based compensation expense in selling, general and administrative, equity-based compensation expense in research and development, restructuring charges, capital market advisory fees, non-recurring integration costs and strategic initiatives, accounts receivable reserves related to Virgin Orbit, transaction expenses and goodwill impairment. Recurring SG&A is defined as Total SG&A minus Equity Compensation in SG&A, Non-Recurring integration costs and strategic initiatives, non-recurring litigation costs, and the write-off of bad debt from the Virgin Orbit bankruptcy. Reconciliations to the most directly comparable GAAP measures are provided in the Appendix to this presentation.



## Additional Information and Where to Find It

### Important Additional Information Will be Filed with the SEC

BigBear.ai Holdings, Inc. ("BBAI") will file with the United States Securities and Exchange Commission (the "SEC") a proxy statement of BBAI relating to a special meeting of BBAI's stockholders (the "proxy statement"). STOCKHOLDERS ARE URGED TO CAREFULLY READ THE PROXY STATEMENT AND OTHER RELEVANT DOCUMENTS TO BE FILED WITH THE SEC IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT BBAI, PANGIAM INTERMEDIATE HOLDINGS, LLC ("PANGIAM"), THE PROPOSED TRANSACTIONS AND RELATED MATTERS. Stockholders will be able to obtain free copies of the proxy statement and other documents filed with the SEC by the parties through the website maintained by the SEC at [www.sec.gov](http://www.sec.gov). In addition, investors and stockholders will be able to obtain free copies of the proxy statement and other documents filed with the SEC by the parties on BBAI's website at <https://ir.bigbear.ai>.

### Participants in the Solicitation

BBAI and Pangiam and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from the stockholders of BBAI in respect of the proposed transactions contemplated by the proxy statement. Information regarding the persons who are, under the rules of the SEC, participants in the solicitation of the stockholders of BBAI, respectively, in connection with the proposed transactions, including a description of their direct or indirect interests, by security holdings or otherwise, will be set forth in the proxy statement when it is filed with the SEC. Information regarding BBAI's directors and executive officers is contained in BBAI's Annual Report on Form 10-K for the year ended December 31, 2022 and its Proxy Statement on Schedule 14A, dated May 24, 2023, which are filed with the SEC.

### No Offer or Solicitation

This communication is not intended to and does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy or an invitation to purchase or subscribe for any securities or the solicitation of any vote in any jurisdiction pursuant to the proposed transactions or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law.

## *Investors, Customers, and Employees –*

As we close out FY 2023, I am proud of the work that we have done as a company to solidify BigBear.ai's foundation and position it for the future. We entered the year in a different position than many other companies that are playing a role in the transformative potential of artificial intelligence. After joining in October 2022, I spoke openly about needing a foundational year to overhaul our operating structure, wind down contracts that did not meet our business objectives, reset the strategic priorities of the company, and manage uncertainty in a volatile macroeconomic and geopolitical environment. In short, we had to do the hard work to get our house in order.

We stand here in early 2024 knowing that we did what we said we would do. The choices we made to streamline the business led to delivering on both revenue and Adjusted EBITDA guidance for the year. While we experienced unexpected headwinds, including a customer bankruptcy and program delays in 2H 2023 related to Congress passing continuing budget resolutions, our employees continue to demonstrate their commitment to our customers and the BigBear.ai mission. With the completion of the Pangiam acquisition and incremental cash proceeds of approximately \$54M from warrants exercised in Q1 2024, we are well positioned for healthy growth in 2024 and beyond.

Our 4Q 2023 results reflect the impact of the efficiencies we've achieved in our operating posture, including **positive Adjusted EBITDA and cashflow in 2H 2023**. Looking to revenue, Congress has not yet enacted a full budget for FY 2024, instead passing multiple continuing resolutions, which causes significant uncertainty for our Federal clients and hampers their ability to allocate contract dollars and start new programs. We saw this impact in 4Q 2023, with certain programs sliding to the right, but still **delivered on revenue guidance of \$155M**.

In October 2023, BigBear.ai **was invited back to participate for the third time with the Navy's AI Task Force** at its annual Naval Exercise, Digital Vanguard. Our leading computer vision capabilities were on display again showing the power of artificial intelligence integrated into the Navy's existing systems where BigBear.ai demonstrated object detection from Full Motion Video (FMV), as well as descriptive and predictive analytics.

In December 2023, the US Army **announced an extension of the GFIM Phase 2 Prototype**. During the initial Phase 2 period, BigBear.ai laid the groundwork for a modernized force structure system. This extension will see **the continuation of that partnership as the project moves towards operationalizing our prototype within the cloud, a pivotal step towards moving to production**.

We also **announced our new strategic partnership with Amazon Web Services (AWS) Professional Services (ProServe)**. AWS ProServe customers can access the power of BigBear.ai's ProModel warehousing solutions, including optimized facilities design, streamlined process workflows, efficient staffing models, and strategic resource allocation. Warehousing operations are critical to how our global society operates, and BigBear.ai and AWS are playing a role in maximizing their efficiency and continuity.



## Letter from the CEO

On February 29, 2024, we completed the Pangiam acquisition. With this acquisition, BigBear.ai is taking a deliberate step towards **operationalizing AI at the edge in three markets: National Security, Supply Chain Management, and Digital Identity**. Pangiam is a market leader in Digital Identity, and brings government services, facial recognition, image-based anomaly detection and advanced biometrics to our portfolio, expanding the value we bring to our combined customers and partners, and increasing our footprint internationally. Together we are positioning ourselves as a bold leader in the AI arms race.

Looking ahead, we are focused on the successful integration of Pangiam and achieving healthy growth in the combined business. 2024 is an important year for BigBear.ai, and we look forward to sharing our continued progress in the coming quarters.

We are pleased to share **2024 revenue guidance of \$195M - \$215M**.

**Currently we are not releasing Adjusted EBITDA guidance** as we focus on the critical first steps of integrating Pangiam, and want to reinforce our commitment to moving the business forward and unlocking efficiencies of scale.

2024 is off to a great start for BigBear.ai, and we're staying focused on our mission to deliver clarity for the world's most complex decisions. In closing, I want to say thank you to our employees, customers, partners, and stockholders. With your ongoing support, our momentum is growing and together we're shaping a very bright future for BigBear.ai.

Warm regards,

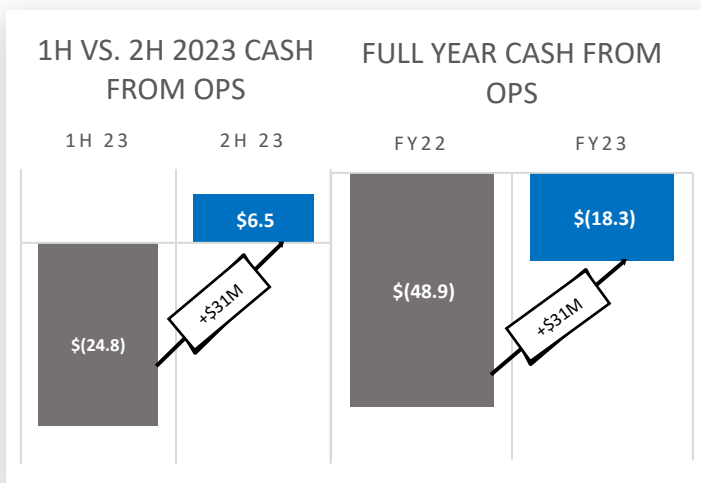
A handwritten signature in black ink, appearing to read "M. Long", written in a cursive style.

Mandy Long  
CEO, BigBear.ai



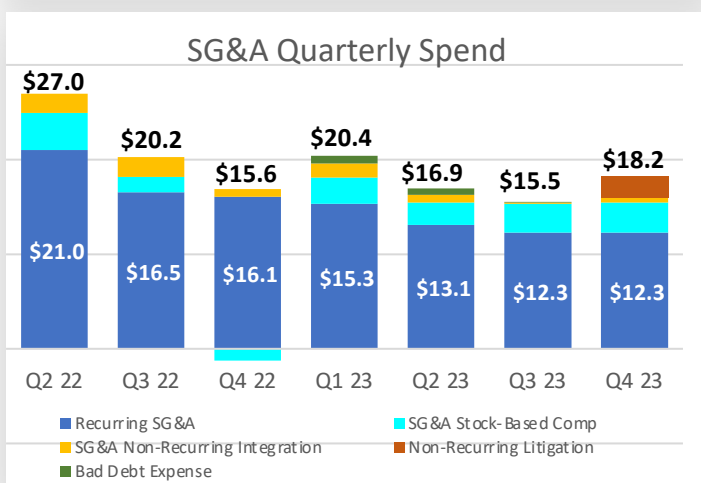
## Positive 2H 23 cash flow from operating activities at +\$6.5M

- Improvement of \$31M between 1H vs. 2H and \$31M improvement year-over-year compared to FY 2022 at [\$48.9M]



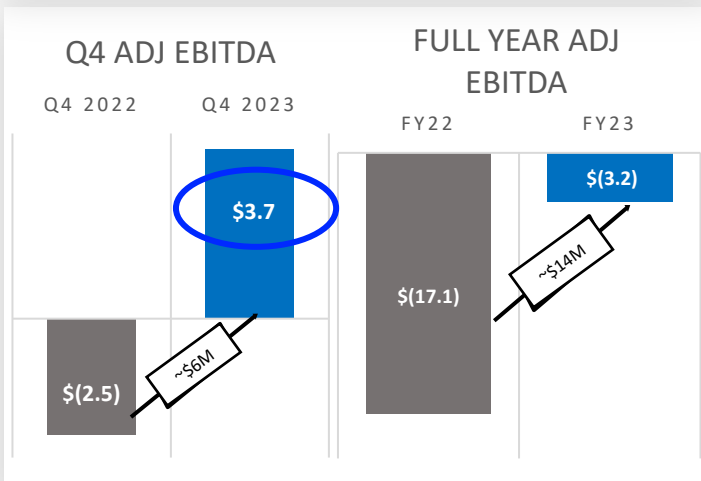
## SG&A quarterly expenses lower by \$8.8M and 33% from Q2 22 peak

- Q4 2023 Recurring\* SG&A down 41% from Q2 2022 for \$35M annualized run rate



## Strong Positive Adjusted EBITDA\* of +\$3.7M in Q4 2023

- 83% improvement in Full Year performance at [\$3.2M] compared to 2022 at [\$17.1M] Adj EBITDA\*
- \$13.9M YoY improvement in Adj EBITDA on flat revenues



### **Successful Close of Pangiam Acquisition**

This strategic move, finalized on March 1, 2024, accelerates BigBear.ai's mission to create clarity for the world's most complex decisions in three markets: national security, supply chain management, and digital identity. The combined entity will create one of the industry's most comprehensive Vision AI portfolios, combining facial recognition, image-based anomaly detection and advanced biometrics with BigBear.ai's computer vision and predictive analytics capabilities.

More info: [Press Release](#)

### **Awarded \$17.9M Extension on Phase 2 of U.S. Army GFIM OTA**

In December 2023, the US Army announced an extension of the GFIM Phase 2 Prototype. During the initial Phase 2 period, BigBear.ai laid the groundwork for a modernized force structure system. This extension will see the continuation of that partnership as the project moves towards operationalizing the prototype within the cARMY cloud.

More info: [Press Release](#)

### **Expanded Relationship with AWS**

In December 2023, BigBear.ai announced it is working with Amazon Web Services (AWS) Professional Services (ProServe). AWS ProServe customers can access the power of BigBear.ai's ProModel warehousing solutions, including optimized facilities design, streamlined process workflows, efficient staffing models, and strategic resource allocation

More info: [Press Release](#)

### **Digital Horizon Naval Exercise**

In October 2023, BigBear.ai was invited back to participate for the third time with the Navy's AI Task Force at its annual Naval Exercise, Digital Vanguard. Our leading computer vision capabilities were on display again showing the power of artificial intelligence integrated into the Navy's existing systems where BigBear.ai demonstrated object detection from Full Motion Video (FMV), as well as descriptive and predictive analytics.



# Appendix





# Adjusted EBITDA Reconciliation

Key Metric: (\$ thousands)	<u>Quarters Ended</u>		<u>Years Ended</u>	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Revenue	40,563	40,357	155,164	155,011
Net loss	(21,256)	(29,895)	(60,366)	(121,674)
Interest expense	3,544	3,770	14,200	14,436
Interest income	(306)	-	(392)	-
Income tax (benefit) expense	50	(226)	101	(1,717)
Depreciation & amortization	1,965	1,994	7,901	7,758
EBITDA	(16,003)	(24,357)	(38,556)	(101,197)
Adjustments:				
Equity-based compensation	6,079	(295)	18,671	10,865
Employer payroll taxes related to equity-based compensation	75	-	440	-
Net increase (decrease) in fair value of derivatives	9,395	(27)	7,424	(1,591)
Restructuring charges	42	2,641	822	4,203
Non-recurring integration costs and strategic initiatives	545	781	3,025	7,255
Non-recurring litigation	2,250	-	2,250	-
Transaction expenses	1,284	454	2,721	2,605
Goodwill impairment	-	18,292	-	53,544
Capital market advisory fees	-	-	-	741
Commercial start-up costs	-	-	-	6,490
<b>Adjusted EBITDA</b>	<b>3,667</b>	<b>(2,511)</b>	<b>(3,203)</b>	<b>(17,085)</b>
Gross Margin	32.1%	29.2%	26.2%	27.7%
Adjusted EBITDA Margin	0.9%	(6.2%)	(2.1%)	(11.0%)

## Recurring SG&A Reconciliation

Key Metric: (\$ thousands)	2Q 22	3Q 22	4Q 22	1Q 23	2Q 23	3Q 23	4Q 23
Selling, general and administrative	26,952	20,233	15,570	20,362	16,930	15,533	18,232
SG&A Equity-based compensation	(3,928)	(1,635)	1,279	(2,803)	(2,319)	(3,071)	(3,156)
Non-recurring integration costs and strategic initiatives	(2,024)	(2,075)	(781)	(1,508)	(813)	(159)	(545)
Non-recurring litigation	-	-	-	-	-	-	(2,250)
Virgin Orbit AR Reserve	-	-	-	(750)	(675)	(50)	-
<b>Adjusted (recurring) selling, general and administrative expenses</b>	<b>21,000</b>	<b>16,523</b>	<b>16,068</b>	<b>15,301</b>	<b>13,123</b>	<b>12,253</b>	<b>12,281</b>