

Redwire Space
Fourth Quarter and Full Year 2023 Earnings Conference Call
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Presenters

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

Q&A Participants

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

Operator

Greetings, and welcome to the Redwire Space Fourth Quarter and Full Year 2023 Earnings Conference Call.

At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. If anyone should require operator assistance during the event, 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. Thank you. You may begin.

Jeff Zeunik

Thank you, Jessi, and good morning, everyone. Welcome to Redwire's fourth quarter and full year 2023 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 GAAP reconciliations.

As previously mentioned, 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 fourth quarter and full year 2023, followed by a discussion of our outlook for 2024, and Jonathan will present the financial highlights for the same fourth quarter and full year 2023 period, after which we will open the floor for Q&A.

Please turn to Slide 6. The fourth quarter of last year was another excellent quarter for Redwire, during which we continued our positive momentum. We have now delivered four consecutive quarters of positive Adjusted EBITDA and revenue growth.

During the fourth quarter, we achieved \$63.5 million in Q4 revenue, an 18.2% improvement over Q4 2022. We achieved positive Adjusted EBITDA of \$1.7 million in Q4, a \$2.5 million increase on a year-over-year basis from the fourth quarter of 2022 to the fourth quarter of 2023.

We narrowed our net loss to \$8.2 million, a \$17.7 million year-over-year improvement from the fourth quarter of 2022. We achieved Free Cash Flow of positive \$12.6 million, a year-over-year improvement of \$18.1 million. We also achieved cash from operations of positive \$15.7 million, a year-over-year improvement of \$20.5 million. And finally, we achieved a Book-to-Bill ratio of 2.81 times during the quarter. It was a fantastic quarter for bookings.

Please move to Slide 7. In addition to a strong fourth quarter, I am very pleased to report that 2023 was a record year for financial performance at Redwire. Our ability to deliver differentiated, high-quality solutions and products to our customers resulted in tangible financial results for our shareholders.

During 2023, we achieved record revenues of \$243.8 million, which was at the top of our annual guidance range of between \$220 million to \$250 million.

We achieved positive Adjusted EBITDA of \$15.3 million and positive cash from operations of \$1.2 million for the full year. We also received \$300 million in contracts awarded during the year and had a full year Book-to-Bill ratio of 1.23 times. Our heritage plus innovation strategy is working.

Please turn to Slide 8. By focusing on the fundamental building blocks of space, we are meeting the expanding demand of our customers for Redwire's differentiated core offerings.

For the full year of 2023, we grew revenue 51.9% from 2022 to 2023. We narrowed our net loss to \$27.3 million, a \$103.4 million improvement from 2022 to 2023. We improved Adjusted EBITDA by \$26.3 million from 2022 to 2023. And with disciplined cash management, we improved cash from operations year-over-year by \$32.9 million and improved Free Cash Flow year-over-year by \$28.7 million from 2022 to 2023.

It is important to note that we achieved these positive financial results by developing and delivering critical innovations for our customers throughout the year.

We are not a maybe-someday space company. In 2023, 24 Redwire solutions were deployed on 14 launches, whether deploying antennas for natural security, rolling out solar arrays for the International Space Station or meeting our milestones on full satellite solutions for the European Space Agency, our reliable technical performance for our customers throughout 2023 was the foundation of our positive financial results.

These results are directly attributable to the commitment and expertise of our workforce. Thank you to all the employees of Redwire for a great year.

Next, we would like to focus forward and discuss our outlook for 2024. Please turn to Slide 10. With the continuing trend in the decreasing cost of launch, deploying space infrastructure is more affordable than ever. As a result, we continue to see signs of a massive expansion in demand for space infrastructure.

The image depicted on this slide underscores the breadth of the opportunity. Space infrastructure expansion not only includes small satellite constellations in lower Earth orbit, but also includes expanding investment in infrastructure for medium Earth orbit, geostationary Earth orbit, cislunar, lunar, deep space and even very low Earth orbit, or VLEO, to name a few.

As a provider of the fundamental building blocks of space infrastructure across all these areas, Redwire is participating in the growth of the entire space ecosystem from VLEO to Lunar and beyond.

From our perspective, the strong demand for space infrastructure is driven by three key developments. First, as we hear and read about routinely in the news, space is increasingly a warfighter domain. With peer and near-peer threats continuing to target U.S.-space superiority, major investment is occurring across the entire space domain.

Second is the growth in demand for lunar infrastructure. The U.S. is heading back to the moon and this time, we plan to stay. Whether participating in groundbreaking programs like Artemis or the recent Intuitive Machines commercial lunar landing where we provided critical components, Redwire will play a significant role.

Third is the rapid expansion of proliferated LEO satellite constellations. Both government and commercial customers see tremendous value in a new proliferated architecture of small satellite constellations for a wide variety of applications such as communications and earth observation.

This is resulting in increased spending for satellite systems, subsystems and components. These factors and others are positive indicators of continuing demand for Redwire space infrastructure products and solutions for the foreseeable future.

With that, please turn to Slide 11. In an effort to focus and optimize our go-to-market strategy for 2024 and clearly emphasize where we are delivering value, Redwire has grouped our products and solutions into six core offerings that we consider the fundamental building blocks of space infrastructure.

First is Avionics and Sensors. These are the spacecraft subsystems and components that are used for navigation, control and imagery collection. Then, Power Generation. This includes solar arrays and power distribution systems that generate the necessary power for space systems to operate regardless of size or location.

Next is Structures and Mechanisms. These include a variety of space infrastructure that provide critical mechanical functionality for on-orbit operations from launch release mechanisms and deployable booms to berthing and docking systems.

Redwire's Radio Frequency Systems are the systems and payloads that enable space to space and space to earth communications.

Next, Platforms, Payloads and Missions. This includes full satellite systems such as the Redwire PROBA satellite, as well as our proprietary digital engineering and modeling and simulation solutions that enable spacecraft development and operations.

And finally, Microgravity Payloads, which includes next-generation biotech and material in-space manufacturing payloads that utilize the microgravity environment to manufacture innovative new products that are difficult to manufacture on earth.

These offerings can be thought of as the picks and shovels of space with broad utility to nearly all space markets and many space assets that are being developed by national security space customers, civil space agencies and commercial companies globally.

Please turn to Slide 12. With a clear focus on our six core offerings, we are executing an optimized growth strategy for 2024 that is centered around four key principles: protecting the core, scaling production, moving up the value chain and venture optionality. On the next few slides, I'll describe these principles and provide an example of a recent success that best represents these principles in action.

Turning to Slide 13. Our first growth principle, protecting the core, 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 success in 2023.

An example, in December 2023, Redwire announced that our L-band Link-16 Antenna successfully demonstrated the transmission of a Link-16 signal from space. This is a major milestone for the development of warfighter communications. Redwire has delivered antennas supporting more than 50 spacecraft for a national security constellation being developed.

With the opening of our new manufacturing and testing facility in Longmont, Colorado, announced in January, Redwire anticipates being able to triple the amount of hardware throughput in the next few years, building on the successful heritage of our RF systems.

Please turn to Slide 14. Our second growth principle, scaling production, means winning and delivering on increasingly larger orders by scaling our production to meet growing demand.

As an example, I am proud to announce that during the fourth quarter of 2023, Redwire won a \$142 million contract award for ROSA power solutions from an undisclosed satellite manufacturer. This award is a testament to the differentiation, innovation and on-orbit success of our Roll-Out Solar Array technology and demonstrates that our heritage is leading to increasingly larger orders.

This announcement comes on the heels of another announcement that we were selected as a strategic supplier for Blue Origin's trailblazing Blue Ring Space Mobility Platform, where we were awarded a contract to develop and deliver four ROSA wings, as well as multiple Argus cameras and low-voltage distribution units.

With these two awards, we have begun to scale our production capabilities, while continuing to add to the heritage of our power generation offerings, which demonstrates how we are being baselined on to growing systems. As the systems we are baselined into, such as Blue Ring and a new set of satellites using ROSA, continue to sell and scale, Redwire will grow with our customers.

Please turn to Slide 15. Our third growth principle, moving up the value chain, means leveraging our proven capabilities in developing and deploying space subsystems and components into future success developing and deploying next-generation spacecraft and integrated mission payloads.

As an example, I am also excited to announce that Redwire has invested in the design of a Very Low Earth Orbit, or VLEO, spacecraft known as SabreSat. VLEO is a crucial domain for the future of defense and intelligence operations for the U.S. and its allies.

With the SabreSat design, we are offering customers an innovative approach to explore a leap-ahead orbital platform that could meet future mission needs for a new breed of vehicles with the performance potential between that of an unmanned aerial system and a standard LEO satellite.

This is just one example of how we are exploring opportunities to move up the value chain by designing and developing differentiated next-generation spacecraft that will fill identified gaps in the market for future space infrastructure.

Please turn to Slide 16. Lastly, our fourth principle is to maintain venture optionality by continuing to pursue breakthrough development on high potential technologies that could create new markets with game-changing potential.

Earlier this year, Redwire was pleased to announce the second mission of our in-space pharmaceutical development platform PIL-BOX, again in partnership with Eli Lilly. The second PIL-BOX mission is focused on researching widespread chronic diseases, which have massive global demand for treatment.

PIL-BOX-02 follows closely on the heels of the successful inaugural PIL-BOX-01 mission, which launched in November 2023, and returned to Earth in late December 2023, for delivery to the customer.

Please turn to Slide 17. Now turning to our bookings and backlog. Our bookings during the fourth quarter of 2023 were \$178.2 million. Our Book-to-Bill ratio was 2.81 times for the fourth quarter of 2023. We continue to see lumpy bookings growth from quarter-to-quarter, but a consistently positive growth rate on an annual basis.

Finally, as you can see on the right-hand side of this slide, our Contracted Backlog has increased 19.1% since the end of 2022, to a contracted backlog of \$372.8 million. The growth in Contracted Backlog is one of many factors that gives us confidence in our future growth and stability.

We continue to have a healthy pipeline with an estimated \$4.8 billion of identified opportunities, including approximately \$944 million in proposals submitted during the full year of 2023.

Please turn to Slide 18 for a brief discussion of the outlook for 2024 and why Redwire management believes the performance momentum from 2023 will continue into this year and beyond.

Our fourth quarter was a strong finish to 2023, with record revenues and positive Adjusted EBITDA, positive cash from operations and positive Free Cash Flow, plus sequential

improvement in the liquidity and contracted backlog. As a result, for 2024, we are forecasting full year revenue to be \$300 million, which represents a 23% year-over-year growth rate.

Through our excellence in execution initiatives, we continue to focus on improving operating leverage and cost efficiency, and we expect to continue on our path to profitability in 2024.

Please turn to Slide 19. 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 would like to highlight the photo on this Slide 19, which is of the RF testing chamber that Pete spoke about at our newly expanded Longmont, Colorado facility. This chamber is just one of the many investments we made during the year in support of future growth to serve the customer demand for Redwire's space infrastructure.

Please turn to Slide 20. Our fourth quarter 2023 saw continued positive momentum driven by this customer demand and Redwire's excellence in execution focus. We achieved record revenue of \$63.5 million, while also achieving our fourth consecutive positive Adjusted EBITDA quarter since becoming a public company and our second positive Free Cash Flow quarter as a public company.

As you can see on this chart, all of our critical financial metrics saw significant year-over-year improvement on a dollar amount and on a percentage basis. Record revenue also led to a \$17.7 million year-over-year narrowing in our net loss to \$8.2 million and a \$2.5 million improvement in Adjusted EBITDA to \$1.7 million. This result is also attributable to the disciplined project and program management and continued cost controls.

The fourth quarter 2023, also saw record positive Free Cash Flow of \$12.6 million, a year-over-year improvement of \$18.1 million, and this is after investing over \$4 million in growth CapEx and research and development during the quarter.

Please turn to Slide 21. As you can see on this page, and similar to Page 16, all of our critical financial metrics saw significant year-over-year improvement in the full year 2023 on a dollar amount and a percentage basis.

Redwire's excellence in execution yielded revenues of \$243.8 million, 51.9% growth, while also achieving four consecutive quarters of positive Adjusted EBITDA and our first full year of positive cash from operations.

Record revenue also led to \$103.4 million year-over-year narrowing in our net loss to \$27.3 million and a \$26.3 million improvement in Adjusted EBITDA to \$15.3 million. But importantly,

Redwire improved cash from operations year-over-year by \$32.9 million, leading to our fiscal year 2023 cash from operations of a positive \$1.2 million.

Operating cash flow led to year-over-year improvement in full year Free Cash Flow of \$28.7 million to a use of cash of only \$7.1 million. These impressive results are attributable to the capability and commitment of our global team members and were achieved by investing over \$13 million in growth CapEx and research and development for our future business.

Please turn to Slide 22. Specifically for quarterly revenue, as you can see from the chart on the right, this quarter's record \$63.5 million represented an 18.2% increase on a year-over-year basis, an increase of 1.4% on a sequential basis.

During the quarter, more than 85% of our revenue derived from funded government programs or from global marquee customers who were delivering in the areas of national security, satellite proliferation and the exploration of space, to name just a few.

Excluding the revenue contributed by Space NV, our fourth quarter revenues were \$48.6 million, an excellent organic growth of 15.5% on a quarterly year-over-year basis through work on existing contracts and incremental revenues from bookings, a bookings increase that Pete spoke about that resulted in a strong fourth quarter book-to-bill ratio of 2.81 times.

Please turn to Slide 23. For the full year 2023, not only did we grow revenues by 51.9% on a U.S. GAAP basis. And this is excluding revenue by Space NV, but revenue grew organically at 26.9%, compared to 2022. Additionally, during 2023, 71% of our revenue by location of the customers were attributable to the U.S., and 29% were attributable to Europe and other geographic locations.

Finally, let's step back and look at Redwire's growth since 2021, a period of significant change for the space sector, significant interest rate increases and a slowing of the global economy and a very challenging capital market for small cap companies.

During the period from 2021 to 2023, the compounded annual growth rate of Redwire revenue on a U.S. GAAP basis has been 33.1%, while also achieving positive cash from operations in 2023.

Please turn to Slide 24. We drove an improvement in Adjusted EBITDA of \$2.5 million year-over-year from the fourth quarter of 2022 to a positive \$1.7 million in the fourth quarter of 2023. Once again, our year-over-year Adjusted EBITDA improvement was primarily driven by an improvement in gross profit with fourth quarter gross profit growing 1.2 times higher from \$8.6 million to \$10.7 million on a year-over-year basis. This gross profit improvement was primarily driven by better contract mix and the maturing of our program management.

The sequential decline in Adjusted EBITDA was primarily driven by discrete EAC adjustments on select projects, partially offset by higher revenues during the fourth quarter. And just to note, on a year-over-year basis, Redwire saw a significant reduction in our net EAC adjustments compared to FY '22, while also growing revenue by over 50%.

Our Adjusted EBITDA improvement was also supported by excellent cost control from Redwire's fourth quarter SG&A that were 26% of revenue, a notable drop from the 30.8% in the fourth quarter of 2022.

On a year-over-year basis, we saw an improvement in Adjusted EBITDA of \$26.3 million. This was primarily driven by excellent increase in operating leverage, year-over-year, on both a percentage and an absolute basis.

For the full year, SG&A margin decreased from 43.8% in 2022 to 28.1% in 2023, with a reduction in total absolute spend of almost \$2 million, from \$70.3 million to \$68.5 million.

Please turn to Slide 25. As we have mentioned several times today, throughout last year we made significant prudent strategic investments. During 2023, we made \$8.3 million in capital expenditures, which is double 2022's CapEx of \$4.2 million, plus \$5 million in investments in research and development and \$3.6 million in a variety of corporate investments in systems and infrastructure that flow through SG&A.

Clearly, we continue to demonstrate our ability to perform and deliver now, while also making investments in future growth and profitability, which we're beginning to self-fund.

Please turn to Slide 26. Similar to last quarter, on the left-hand chart, we show Free Cash Flow. As a reminder, Free Cash Flow provides a metric based on our U.S. GAAP cash from operations, minus capital expenditures, or CapEx. On a year-over-year basis, quarterly Free Cash Flow improved by \$18.1 million to a record positive \$12.6 million for the fourth quarter, due to a \$20.5 million improvement in cash from operations.

Credit goes to the revenue growth and profitability improvements already discussed, and in addition, we had more efficient and effective working capital management over the fourth quarter. And this is helped by a diversity of core offerings, customers, new contracts, which cascades down to our cash flow from operations. Again, we continue to invest a significant amount in CapEx and research and development.

We saw improvement in year-over-year quarterly cash from operating activities, while continuing to invest in the business and actually make other expenditures associated with the resiliency of Redwire. These expenditures are intended to grow, diversify our revenue, scale the operations and accelerate our path to profitability.

On the right-hand chart, we show our available liquidity as of December 31, 2023, which totaled \$48.3 million, including \$30.3 million in cash and cash equivalents. This quarter's liquidity is a significant sequential improvement as we continue on our path to profitability.

I want to thank all of Redwire's team for this quarter's excellent results, a total global effort that we will work to continue in 2024 and beyond.

Please turn to Slide 27. I will now turn over the presentation to Pete to provide brief final remarks. Pete?

Peter Cannito

Thank you, Jonathan. For perfect clarity, I would like to go back and reemphasize from Slide 23 that the 51.9% growth on U.S. GAAP was including Space NV, and Redwire grew organically at 26.9%, compared to 2022, excluding Space NV.

I, too, would also like to thank all the Redwire professionals around the world for their hard work and excellent fourth quarter and full year 2023 and all our customers for trusting Redwire. We will now open the floor for questions.

Operator

Thank you. Ladies and gentlemen, at this time, we will be conducting our question-and-answer session. We ask that you please limit yourself to one question and one follow up and then re-queue for any additional questions. If you would like to ask a question, please press "*", "1" on your telephone keypad. A confirmation tone will indicate that 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. One moment please while we poll for questions.

Our first question is coming from the line of Suji Desilva with ROTH MKM. Please proceed with your question.

Suji Desilva

Good morning, Peter. Good morning, Jonathan. Congratulations on the revenue growth here and the profitability that's coming with it; really good execution here.

Peter Cannito

Hey, Suji.

Suji Desilva

Hey, guys. So, the \$300 million guide for '24, can we just understand some sense of linearity there? Is there any back-end loading, or is that fairly linear first half to second half? And maybe you can talk about the backlog visibility you have into the next 12 months versus the overall backlog?

Peter Cannito

Yes, so the backlog visibility is really good for both '24 and into '25. The \$300 million, I would say how that's going to play out, like we've been saying, one of the reasons we don't give quarterly guidance is that our revenue tends to come in lumpy. This is because some of our programs have pretty significant material buys.

So, I would think about it as distributed annually, but there's the opportunity for certain quarters to be much higher or lumpy than others that could be when you're looking at a big material buy in a particular quarter that could skew the numbers. Does that answer your question?

Suji Desilva

Yes, it does. Absolutely. And then perhaps for Jonathan, a question on the gross margin trend. I think the fourth quarter was down a little bit. Just how should we think about gross margin going into 2024? What's the right framework for that?

Jonathan Baliff

Look, you saw--and I'll answer it more historical than future because we don't give gross margin or gross profit guidance. But look, we saw a really nice steady increase in gross margin and gross profit through 2023. Very similar to what Pete said, again, a lot of our revenue comes in a bit lumpy. I would say also that our contract mix is such that you're not going to see the level of increases that we saw in '23 into '24.

I think that the nature of the significant increases, we've gotten a lot of benefit and we'll continue to do better on project management and program management. But some of the contract mix, especially as we get larger projects, again, I just--I want to say that we don't expect that level of increase to happen.

That being said, our EBITDA margin, remember, we're seeing a lot better SG&A margin decreases as the operating leverage in the business improves. And so EBITDA margin, again, for us, is something we also look at because we're continuing to make investments, which come on the SG&A line, but we're growing revenue a lot more than SG&A and therefore, for EBITDA, you see a lot more of it dropping to the bottom line.

And so, that's how I kind of answer that question because a lot of these bigger projects, you're just not going to be able to see the same level of growth from a contract mix standpoint. Pete, I don't know if you have anything else to say here.

Peter Cannito

Yes, that's right. I mean, I think it's product mix and the larger the programs, sometimes the lower the gross margins and it's a mix of material buys and also--but the absolute value of the gross profit over the years will continue to be positive for us.

Suji Desilva

Understood. And then one last question probably for Peter. Just the very topical in the headlines about government funding trends in various space endeavors. Particularly, there was a specific headline on OSAM-1, I'm just curious on the implications for you guys. Maybe talk about national security as a growing opportunity for you and how that maybe is a mix shift.

Peter Cannito

That's a great question. So, first and foremost, we have no exposure to OSAM-1. We weren't involved in that program in any way. As a matter of fact, we see the winding down of OSAM-1 as freeing up dollars in the NASA budget that we certainly will be throwing our hat in the ring and engaging with the customer to see if that can free up some dollars for programs that we're largely interested in. So, no impact there.

National security, I love that question. We actually doubled our national security revenue in Q4. So, we're experiencing pretty significant growth in national security. We did put out a press release about our new office in Chantilly that has some pretty sizable secure space associated with it. I think I've mentioned on previous calls that I think Redwire hits above its weight class in terms of our clearances and our insights into national security.

I have a high-level security clearance and have worked in national security for my entire career, and we have a number of contracts that have the associated documentation in there to allow us to operate at high levels of classification. So, we're really bullish on the current trends going on in national security and Redwire's ability to participate in that growth.

Suji Desilva

Okay. Thanks, Peter. Thanks, Jonathan.

Jonathan Baliff

Thanks, Suji.

Operator

Thank you. Our next question is coming from Griffin Boss with B. Riley Securities. Please proceed with your question.

Griffin Boss

Hi Pete, Jonathan. Thanks for taking my questions. So yeah, first off, for me, the growth in pipeline and bids submitted is really impressive, especially given the strong backlog growth we saw in the quarter. Can you just give us some more color on the breakdown of that pipeline, just generally speaking, kind of what areas you're seeing with the most opportunity tying it back to those six core offerings that you talked about?

Peter Cannito

We don't really break down the individual opportunities in the pipeline. But I will point you to our four growth principles for 2024, because I think that represents really what's going on in that continued growth in our pipeline and proposals under review.

Again, as we continue to scale and as we continue to demonstrate on-orbit performance, that is leading to us being baselined on larger and larger programs. I think we have, in many of our products, a lot of customer confidence, and so, we're bidding on bigger programs, as well as moving up the value chain, like I mentioned, and starting to take some bigger swings on larger subsystems, fully integrated mission payloads and even full satellite mission solutions.

As you're probably aware, in Europe, we provide full satellite missions with our PROBA satellite and have done so for many years. We're now starting to look at other opportunities to move into white space, like I mentioned in VLEO spacecraft, as well, that will result I think in a growing pipeline, over time.

Griffin Boss

Got it, yeah. Thanks for, thanks for that, Pete. Obviously there are a lot of exciting developments in space right now. I guess I'll just turn over to--I mean, you called out the growth in lunar infrastructure. And obviously, there's been a lot of press about that with the recent lunar landing from Intuitive, and you guys are ingrained on that. How big of an opportunity do you guys see NASA's CLPS program, in general? And are you working with any of the other CLPS awardees, beyond Intuitive?

Peter Cannito

So, one of the great things about Redwire is we participate across multiple opportunities in all of the different areas. Off the top of my head, I can't think about what we've announced in this area or not, but we were certainly proud to be part of the Intuitive Machines bid. And I think that you'll find whenever Redwire provides capability that is successful in one mission, we build the credibility that makes us a highly sought-after partner in other missions, as well.

Lunar infrastructure was--we're very proud to be a partner in that mission, it was very successful for us. We talked about, I think, earlier last year, our Mason program that we won, where we're providing the technology and researching with our partners at NASA, technology for building landing pads on the moon. I think that if there was a landing pad on the moon, the probability of a smoother lunar landing, at least we think, would be higher. So, maybe some of the early attempts underscore the potential benefit of that technology.

But yes, we're very focused on lunar infrastructure. We talked about also our VSAT partnership as well, where we'll be providing some solar arrays for lunar infrastructure in the future, as well.

So, a nice trend for Redwire, and that's one of the reasons I chose to put up that slide trying to reemphasize to everybody that space infrastructure just isn't about LEO satellites, although

that's a really fast-growing and really important part of the market. Our TAM includes going beyond just satellites to things like the rapid and exciting growth we're seeing in the future of the moon.

Griffin Boss

Yeah, excellent. I really appreciate the detailed response, Pete. And then just one more, if I could, for Jonathan. Just turning back to the EAC adjustments. Obviously, as you mentioned, they came down significantly, year-over-year, and I mean it's becoming somewhat of a moot point given the size and scale of your revenue. But can you just give us some more color on where those were coming from in the fourth quarter? Was it one or two specific programs or more widespread on a smaller scale?

Jonathan Baliff

It definitely wasn't widespread. What I would say is, like 2022, generally our EAC investments are in our, let's call it, lower TRL. We have very mature projects and a little less mature projects. We do the equivalent of some R&D, as we create the next-generation space infrastructure. Generally, those EACs are with that type of infrastructure. But again, I have to emphasize, we cut it in half while doubling--I'm sorry, while bringing up our U.S. GAAP revenue by over 50%.

So again, I think kudos goes to our operations group and our presidents for really making sure this program management is happening on time because the key to these EAC adjustments and net EAC adjustments is on-time delivery, which we're very focused on as part of our excellence in execution.

Griffin Boss

Got it. Okay. Thanks for taking my questions and great to see the progress.

Jonathan Baliff

Thank you.

Operator

Thank you. Our next question is coming from the line of Andres Sheppard with Cantor Fitzgerald. Please proceed with your question.

Andres Sheppard

Good morning, everyone. Congratulations on the strong financial quarter, and thanks for taking our questions. I guess I was just wondering, considering you reported a positive Free Cash Flow in Q4, I realize you're not guiding Free Cash Flow throughout 2024. But just curious if you can maybe give us some color as to how we should continue to think about that for modeling purposes. Should we expect a continued growth, quarter-over-quarter, or what's the best way to think about that? Thank you.

Jonathan Baliff

Well, I'll link a bit of our cash flow generation in that fourth quarter with a large contract win which we disclosed. And so, some of the cash comes in and you see it on the balance sheet. That being said, we've said in the past, and that's one of the nice things about the fourth quarter is that we're bidding on projects that are greater than our annual revenue, right. And those are projects that, obviously, are multiyear.

But the bottom line is we generally in our projects want a decent amount of cash coming in on the front end for material subcontractors and just generally because we're running a much tighter ship on our working capital.

That being said, again, mimicking what Pete said, it can be lumpy. But I will say we believe now we have a very nice liquidity profile and cash flow from operations. This is a company that can fund a significant amount of its growth as not just witnessed in the fourth quarter but, also, we generated positive operating cash flow - and that's in addition to an IRAD spend that was significantly higher in the fourth quarter and the full year '23 than we did in the previous years.

So again, we don't give specific quarterly guidance on that, but we continue our path to profitability and we're, again, focused on making sure that we can fund a lot of our own growth.

Andres Sheppard

Got it. That's super helpful. And I guess that's actually a great segue to my next question. So regarding that recent \$142 million contract to produce the solar arrays, I'm wondering, how should we be thinking about that translating into revenue, over what time period might you expect to recognize the majority of this contract? Thank you.

Peter Cannito

Yes, no, great question. So, we'll be recognizing that over '24 and a little bit of '25. Like many Redwire contracts, it's - well, I don't want to make a broad characterization, but many of our contracts are 2-year contracts. And it's already kicked off and started. So, we'll be seeing the impact of that all through Q1, all the way through the rest of the year.

Andres Sheppard

Got it. I see. Okay. So then I could assume that that's embedded in the revenue guidance for 2024, I guess?

Peter Cannito

That's correct.

Andres Sheppard

Got it. Okay. And maybe just one last question, if I may, one for Jonathan. How are you thinking about activity in the M&A market for 2024? I know historically, you have grown inorganically, as well as organically. So just curious if you're looking to remain active in this market. Thank you.

Jonathan Baliff

The answer is yes, but we're very focused on our return on invested capital, cash flow and profitability. I'll hand it over to Pete. But again, from a CFO standpoint, we've obviously shown an ability to do successful M&A, both on a commercial, operational, and financial basis. We continue to look at it, but we're pretty disciplined when it comes to M&A. Pete?

Peter Cannito

Well, the good news is we know how to do it. We've done it nine times so far, I believe. So that's a really viable tool in our toolkit. But we're constantly scanning the market for the best value out there. And yes if we find something that makes a lot of sense both strategically and has a really nice financial profile that meets our overall objectives, we're certainly out there and active.

Andres Sheppard

Got it. Very helpful. Congratulations on the quarter, again. I'll pass it on. Thank you.

Jonathan Baliff

Thank you.

Operator

Thank you. As a reminder, ladies and gentlemen, if you would like to ask a question at this time, please press "*", "1" on your telephone keypad. We do ask that you limit yourself to one question and one follow up, and then re-queue for any additional questions. Our next question is coming from the line of Brian Kinstlinger with Alliance Global Partners. Please proceed with your question.

Brian Kinstlinger

Great. Thanks so much. Solid bookings, and thanks for all the backlog and pipeline stats, as usual. You submitted more than \$944 million in bids in 2023. Can you quantify the value of bids that have yet to be awarded? And then as we look at the \$4.8 billion in the pipeline, how much of that do you expect to bid in 2024? Will it be more than 2023?

Peter Cannito

So, I'm not sure I totally understand the question, but if I don't answer it, just let me know. So in terms of characterizing the proposals under review, we don't give any specific data on that, but I'll say they all vary in size. So, we have a variety of larger programs, as well as a really strong, like I like to say, protecting the core basis for repeat orders, as well. So, that's how I would characterize what is under the bids that are under submission right now, if that's what you are asking.

In terms of the pipeline, again, I'll point everyone back to our four growth principles for 2024. We see the pipeline continuing to expand, as we move up the value chain and continue to scale production. I think, obviously, it's really exciting to win a \$142 million contract and so, just the

near-term 2024 impact of that in our financial projections is really exciting, but it also underscores our ability to compete for and win larger and larger programs. So with that kind of success under our belt, I would anticipate that the intent is for, when it comes to the pipeline that we're going to continue to include larger swings in that pipeline. Did I answer your question?

Brian Kinstlinger

Kind of. I'm curious, do you expect to bid on more in 2024 than 2023?

Peter Cannito

The pipeline falls out how it does, many times. But yes, we're investing in our bid and proposal, and if we execute on our plan of bidding on larger programs, then you should see that number go up.

Jonathan Baliff

And you've seen it go up, Brian, in the last few quarters, both pipeline and bids. And so, that trend, again, we've seen two quarters of it increasing. That trend, we expect to, again, to continue bidding on larger projects. Like we said, we've announced, obviously, a win on that, but there's, again, we don't set expectations based on pipeline but again, the last two quarters has shown a good trend.

Peter Cannito

That's why I wanted to underscore what we see as the three demand drivers, so I think the market could support us bidding more.

Brian Kinstlinger

And then one follow-up on the visibility question that one of the analysts asked. I'm curious, as I've listened to some other contractors discuss guidance, I'm curious how much of your \$300 million in revenue guidance do you expect to come from the current backlog versus how much do you need to generate in awards or revenue from awards that are yet to be won in 2024 to hit your 2024 goals?

Peter Cannito

So we don't break it down. But I think if you look at backlog at the start of 2023 and then what we ended up from a revenue point, I think if the trend continues, you could see that with our current backlog in comparison, which I don't have the exact number. I believe it's three--

Jonathan Baliff

--Yes, \$372.8 is this—we're entering the year with \$372.8. Last year, on an equivalent basis, I've emphasized that contracted backlog, last year, it was \$313.1 million. So you're talking about a very significant increase in backlog with--remember, we had almost \$244 million of revenue. So we are--you're seeing an increase of the increase on contracted backlog on an apples-to-apples basis, Brian.

So getting to your question, we don't give that. But if you look at--again, we always say that our contracts are around two years in Redwire 101, we talked about that profile, you can see that we're getting good visibility into '24 and '25 with this level of backlog increase.

Peter Cannito

Yes, the numbers are \$372 to a \$300 forecast is a reasonable amount of backlog to support our forecast of the year.

Brian Kinstlinger

Okay. Thank you.

Operator

Thank you. Our next question is coming from Greg Konrad with Jefferies. Please proceed with your question.

Greg Konrad

Good morning.

Jonathan Baliff

Hey, Greg.

Peter Cannito

Hey, Greg.

Greg Konrad

Maybe just to ask the last question in a different way. You carried a range for revenue guidance throughout the year, even into the final quarter. And this year, you're guiding to more of a point estimate. Has anything changed in terms of how you guide or what you're seeing or risks that cause that variability that make you more comfortable this year to give a point estimate versus a range?

Peter Cannito

Our forecasting, we believe, is maturing. So, we are trying to tighten the range. I think in this particular case, it was just about keeping it simple. A lot of times in last year, we found that if we gave a range, people just selected the midpoint. So, we thought that it would be more appropriate to just select where we think that things are going to come out and then keep it simple throughout the year.

Greg Konrad

And then maybe just to follow up on drivers. I mean, I appreciate laying out the six core offerings, and we probably could slice it that way, regionally, or even by customer. But at least near term, thinking of those six core offerings, are there one or two areas that drive more of

the growth and then maybe longer-term areas of those six that lead to maybe more upside? Or how are you thinking about growth, across those six areas?

Peter Cannito

So, I think all of them have significant growth potential. If you were to say currently, and we don't break it down by specific numbers, but the solar array business has been really strong. There's been a really positive reception to our Roll Out Solar Array technology, highly differentiated. It has a lot of great heritage. So, I think certainly, solar is a big part of it.

Moving up the value chain and looking at more platforms and full payloads, like I said, in that segment has a lot of high growth potential, as well.

I think one of the things that I find most exciting about Redwire is the portfolio effect of our offerings. Again, we don't break it down this way, but we have some offerings that I would characterize as very high volume potential, but perhaps lower gross margin. We have other offerings that I would characterize as having maybe more limited total addressable market but tend to have better gross margins.

So we can take that portfolio effect and manage our offerings and focus our growth dollars in a way that help us balance our revenue and profitability, over the long term.

Greg Konrad

I'll leave it at two. Thank you.

Peter Cannito

Thank you very much. Greg.

Jonathan Baliff

Thanks, Greg.

Peter Cannito

I did--just to follow up, go back into the archives and see that we announced that we are partnered with Firefly on the Blue Ghost Lunar Lander. So in addition to Intuitive Machines and Firefly and we obviously know all the other ones, as well. So just a follow-up on that.

Operator

Thank you. We have reached the end of our question-and-answer session, so I'd like to turn the floor back over to management for any additional concluding remarks.

Peter Cannito

All right. Well, we appreciate the engagement as always. Thank you for participating in today's call and go Redwire.

Operator

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