

Redwire Corporation
Third Quarter 2022 Earnings Call
November 9, 2022

Presenters

Nicole Taylor - VP, Financial Operations, IR

Pete Cannito - Chairman, CEO

Andrew Rush - President, Chief Operating Officer

Jonathan Baliff - Chief Financial Officer and Board Member

Q&A Participants

Greg Konrad - Jefferies

Austin Moeller – Canaccord Genuity

Kat Knop - B. Riley Financial

Operator

Greetings and welcome to the Redwire Third Quarter 2022 Earnings Conference Call. My name is Zico, and I'll be the operator today. At this time, all participants are in a listen-only mode. We will take questions at the end of this presentation. If anyone should require operator assistance during the conference, please press star-zero on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host for today's call, Nicole Taylor, Vice President, Financial Operations and Investor Relations. Ms. Taylor, you may begin your conference call.

Nicole Taylor

Thank you, and good morning, everyone. Welcome to Redwire's third quarter 2022 earnings call. We hope that you have seen our earnings release, which we issued yesterday afternoon after market close, and it is 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 two.

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

As previously mentioned, I am Nicole Taylor, Redwire's Vice President of Financial Operations and Investor Relations. Joining me on today's call are Peter Cannito, Chairman and Chief

Executive Officer; Andrew Rush, President and Chief Operating Officer; and Jonathan Baliff, Chief Financial Officer. With that, I would like to turn the call over to Pete. Pete?

Pete Cannito

Great. Thank you, Nicole. During today's call, we'll start with the quarterly update from me, followed by Andrew, who will present operational highlights for the quarter, and then he will be followed by Jonathan, who will present the financial highlights for the third quarter. After we finish our presentation, we will then open the floor for Q&A.

Before I begin, please note all figures in this presentation do not include our recent acquisition of Space NV unless otherwise noted, as that acquisition closed in Q4. Next slide, please?

Before we begin, as it is traditional with all quarterly presentations, I'd like to point out that the imagery used in this slide deck are of actual missions that use Redwire solutions. On this slide, we have the NASA Surface Water and Ocean Topography, or SWOT, satellite mission developed by JPL.

SWOT is the first satellite mission that will observe nearly all water on Earth's surface, measuring the height of water in the planet's lakes, rivers, reservoirs, and the ocean. Redwire is providing critical navigation components called sun sensors to enable this mission and will be scheduled to launch next month on December 5th. Please turn to slide seven.

As we talked about in previous calls, we are at the early stages of a multi-decade new global space race, with space agencies in Europe, the U.S., and around the world increasingly focused on space as a competitive domain. This broader geopolitical landscape has driven increased U.S. governmental budgets on national defense, with notably larger increases for space.

However, despite this strong demand, we have experienced some delays in contracts awarded here at Redwire. These delays, combined with a tight labor market for space talent and subcontractor supply chain disruptions, have slowed our ability to ramp up and quickly realize revenue after contract selection and award.

But, regardless, I am proud to report that Redwire was recently selected for multiple "land and expand" opportunities that are expected to increase growth momentum for power systems and structures, LEO commercialization, and human spaceflight, as well as navigation, avionics, and digital engineering. These new opportunities resulted in a sequential increase in our total backlog to \$304.0 million as of Q3 2022, which is up from \$251.7 million as of Q2 2022. This is a historic backlog level for the company.

Redwire continues to deliver on the promise of space in the present today, with multiple launches planned in Q4 2022, including the recently successful launch of NG-18 and upcoming planned launches that include Artemis I, SpaceX CRS-26, JPSS-2, and SWOT, which I previously mentioned on an earlier slide.

Most recently, in the beginning of the fourth quarter, Redwire completed the acquisition of space NV, which is expected to immediately provide increased scale, broader access to addressable markets, and significant backlog to bolster our growth platform.

So, what's the bottom line up front? Well, as you will see in our update today, it was a successful third quarter, as we saw sequential improvements across the board in Revenues, Gross Margin, adjusted EBITDA, and total backlog. Please turn to slide eight.

Specifically, we saw continued revenue momentum in the third quarter, which was up 14.0% in comparison to 2021 and 1.4% sequentially. We anticipate sequential improvement to continue in Q4 2022. Efforts to streamline operations resulted in Gross Margin increasing 34.9% on a quarter-to-date basis in comparison to the prior year, and sequentially as a percentage of revenues, by 2.3% over Q2 2022.

Focus on overhead and SG&A cost efficiencies resulted in a pro forma adjusted EBITDA in Q3 2022 of negative \$1.5 million compared to \$0.3 million in Q3 2021 and negative \$4.1 million in Q2 2022. This is another sequential improvement over the Q2 2022. Redwire will continue to focus on streamlining operations and reducing costs to achieve positive Free Cash Flow in 2023.

Additionally, early in the fourth quarter, we strengthened our balance sheet with an investment by Bain Capital and AE Industrial Partners, who together made an investment of \$80 million in the form of Series A convertible preferred stock, which was used to finance the QinetiQ Space NV acquisition, as well as to support Redwire's future growth.

The company is building momentum, and Redwire expects to achieve improved bookings during the fourth quarter of 2022, continuing to increase total backlog. However, the delays I mentioned in contract awards and the tight labor market for space talent have pushed revenue execution into subsequent quarters.

Therefore, Redwire is updating its previously provided 2022 full-year guidance to be in a range of approximately \$140.0 million to \$155.0 million in revenue, and Pro Forma Adjusted EBITDA to be in a range of negative \$13.0 million and negative \$6.0 million. This guidance does not include contributions anticipated from the acquisition of Space NV. Please turn to slide nine.

Now a snapshot of this very exciting acquisition we just completed of Space NV from QinetiQ. This acquisition is important to Redwire from both an industry and financial standpoint, and it is expected to provide Redwire with broader access to addressable markets, significant contracted backlog to support our growth, and increased public platform scale, and profitability.

Space NV is a leading pioneer of end-to-end space solutions, with a multi-decade position supporting the European Space Agency. Their core product offerings include small satellite

technology, berthing and docking equipment, and space instruments, all critical infrastructure for space, which complements Redwire's current offering both in the U.S. and Europe.

Their technological and programmatic focus widens Redwire's apertures and provides access to multiple significant global opportunities at a time when space budgets are growing in Europe. Space NV adds significant flight heritage, much like Redwire, as well as innovation and profitable topline growth. Please turn to slide 10.

Joining Space NV's business with Redwire enhances our company's scale and innovation capabilities across numerous high-growth space areas and provides expanded total addressable market and increased exposure to European customers, including the European Space Agency and the Belgian Science Policy Office.

The demand for space infrastructure in Europe is growing. The European Space Agency submits a budget request every three years and in their upcoming ministerial meeting, they anticipate submitting a three-year budget with an increase of more than 25% from funding secured in 2019.

Since the acquisition, we have renamed QinetiQ Space NV to Redwire Space NV, and we will be combining the company with our Luxembourg business to create Redwire Europe. This new international platform positions us to be a global provider of critical space infrastructure with deep customer relationships with the world's premier space agencies. Also, it gives us decades of proven flight heritage, expanded product offerings, and a very strong backlog to build on in 2023.

And with that, I will turn it over to Andrew for an update on our third quarter operational highlights.

Andrew Rush

Thank you, Pete. Before we get into the details of our last quarter, I'd like to point out this image.

What you see here is the LOFTID Technology Demonstrator being inspected in preparation for launch alongside the JPSS-2 satellite later this month. LOFTID is set to demonstrate an inflatable heat shield technology useful for both landing on Mars as well as economically recovering rockets. Redwire is proud to have provided both cameras and a deployable data recorder for this demonstration. Please turn to slide 12.

Redwire continues to be a trailblazer in space infrastructure for the next generation space economy. As Pete mentioned, driven by continued progress in operational execution and subcontractor performance, we delivered more from both a revenues perspective and a Gross Margin perspective in Q3 compared to Q2 2022, as well as compared to Q2 of 2021.

Redwire continues to demonstrate operational excellence through our on-time and early delivery of products and solutions despite supply chain pressures and macroeconomic headwinds. As many of you may have seen on the news recently, Redwire was a participant in NASA's successful execution of the planetary defense Double Asteroid Redirection Test, which most people know as DART. We supplied mission-critical navigation components and Roll Out Solar Array, or ROSA, for that successful demonstration.

NG-18 launched a few days ago and docked this morning with the International Space Station, delivering a Redwire built updated 3D printer called the BioFabrication Facility, or BFF, the ADvanced Space Experiment Processor, which we call the ADSEP Facility, and a few other facilities which will investigate new treatments to aid military service members, expand crop production research, and expand materials testing on orbit.

Redwire also delivered sun sensor components and advanced optical imaging technologies to NASA, which are anticipated for launch on NASA's historic Artemis I mission to the Moon. And SpaceX CRS-26 is set to launch later this quarter with a second pair of ROSA wings to augment the power generation capabilities of the International Space Station, carrying that facility into the latter half of this decade. Please turn to slide 13.

Our team's operational success and business development efforts have resulted in Redwire being selected for many strategic orders since our last earnings call. I'd like to highlight a few of them on today's call. First, let's turn to spacecraft power systems and structures.

We continue to develop and deliver not only traditional rigid panel solar arrays, but also our patented, technologically differentiated roll-out solar arrays for both small satellites and larger scale spacecraft applications, such as the International Space Station and NASA's Lunar Gateway. We are also seeing more customers turn to ROSA as a solution for power generation on the lunar surface in support of future human and robotic exploration missions to the Moon.

Solar arrays are a significant portion of nearly every spacecraft operating today, but they are not the only part of a spacecraft's power system. Building on our expertise in satellite power systems and space compatible robotics, we have begun offering solar array drive assemblies, or SADAs. SADAs are used to orient the solar array, making them a key piece of any satellite or spacecraft's power system. This product and work we perform in power distribution systems on satellites enables us to expand workshare in spacecraft power systems across our organization.

With respect to Low Earth Orbit commercialization and human spaceflight, we have recently been successful in securing multiple multi-phase programs which are set to expand capability and commercial opportunities on the International Space Station and other human-rated platforms in the future. Our heritage in innovative technology is enabling design, development, and outfitting of future commercial space stations.

We have also had success in our navigation, avionics, and engineering solutions. Wins here are providing increased momentum for large, multiyear, multi-shipset sun sensor and star tracker programs. We are also testing and developing avionics software for commercial constellations, with healthy demand for critical thermal analysis, static load testing, and initial design and engineering services support. Please turn to slide 14.

Redwire's strong backlog provides confidence in our long-term growth outlook and is further supported by consistent pipeline momentum. Contracted backlog stood at \$158.9 million as of the end of Q3 2022, which is relatively consistent with our contracted backlog as of Q2 2022.

There was a sequential increase in our Total Backlog to \$304.0 million as of Q3 2022. That is up from \$251.7 million as of the end of quarter two 2022. This represents a 20.8% growth and is a historic high for us. Also note that this does not take into account anticipated additions to contracted and total backlog from the acquisition of Space NV.

Our 2022 year-to-date book-to-bill of 1.18x provides us with a strong tailwind for execution in quarter four of this year and beyond. Space is a growth market with a tremendous amount of opportunity available, as shown in our pipeline of more than \$3.5 billion in opportunities. Year-to-date, we have submitted approximately \$950 million in bids. We have approximately \$342.6 million in bids that are submitted and expected to be selected in the next six months.

I will now turn it over to Jonathan for a summary of our third quarter financial results. Jonathan?

Jonathan Baliff

Thank you, Andrew. Similar to last quarter, I will help quantify and expound on a number of the themes that Pete and Andrew just talked about.

But before I do, on slide 15 here, let me just highlight our outstanding team members prepping the solar arrays for the DART impactor spacecraft in 2021 for the recently successful mission that Andrew just talked about, in which the spacecraft impacted Dimorphos on September 26th, 2022. Exciting, but a bit bittersweet for Redwire to see two of our 28-foot ROSA solar arrays, taking one for the team for planet Earth.

All right, let's turn to slide 16 for some key financial takeaways. And just to be direct on these key points: One, Redwire continues to execute on exciting and proven critical infrastructure for our customers; DART, Artemis, NG-18, bio-printing just a few of these. These are creating the revenue growth year-over-year and our improved financial performance sequentially.

Two, Redwire continues to grow our total backlog. Demand for our infrastructure is leading to growth in our total backlog, and this quarter is at historic high levels.

Three, Redwire is back with a financially accretive M&A transaction this fourth quarter with Space NV that will add even more to our total backlog, revenue growth, and sequential financial performance as we continue to streamline the business and get more operating leverage into Rewire for the rest of the fiscal year 2022, 2023, and beyond.

Four and finally, Redwire is strengthening its balance sheet and liquidity position with the addition of approximately \$80 million in capital-accretive financing for Space NV, with additional capital expected to provide for future growth and stability.

I will go over some of the revenue specifics very quickly. But just to reiterate, our third quarter fiscal year 2022 saw higher revenues year-over-year and sequentially, \$37.2 million, and that is after the previously discussed delay in contract awards and supply chain ramp-ups due to the factors Pete just spoke about. Revenues increased 14.0% year-over-year when you look at it from a third quarter 2021 standpoint.

We also continued the trend last quarter where we delivered better financial performance in this third quarter sequentially, with revenue increasing 1.4%, gross profit as a percentage of revenues increasing 2.3%, and better operating leverage, leading to an adjusted EBITDA sequentially improving 63.7%.

Our total backlog grew 20.8%, as Andrew just spoke about, and we saw increased demand for our critical infrastructure, especially in avionics and navigation components, as well as power generation and deployable structure solutions. As we ramped up to serve this total backlog, we employed more working capital. We saw more cash utilized in the third quarter compared to the second quarter of 2022.

The addition of Space NV, a transaction we announced on October 3rd and closed on October 31st, changed our operating scope and scale and will add meaningfully to our improved sequential quarterly performance and total backlog. But also, importantly, the acquisition was financed by proven investors in our space, pardon the pun.

Bain Capital, a \$160 billion leader in multi-asset alternative investment management, is joining with us and joining with our existing shareholder, AE Industrial Partners, a leader in aerospace investing, to provide \$80 million in capital to fund the acquisition and provide working capital for the growth demonstrated by our record third quarter total backlog.

Finally, our third quarter operating performance has shown improved commercial momentum, as Pete talked about, and better operating leverage, and this is expected for the remainder of 2022. But as we already spoke about, even with demand for space infrastructure remaining strong, we have experienced delays in contract award ramp up.

These 'move-to-the-right' contract start delays, combined with a tight labor market for space talent and subcontractor supply chain disruptions, have slowed our ability to ramp up and

quickly realize revenue after contract selection, but we will recognize this revenue. It's tied to large contract awards within that \$304.0 million total backlog, and there could be large swings in the revenue recognition in this fourth quarter.

Consequently, management believes it is prudent to widen/revise the revenue guidance range for the full fiscal year 2022 to \$140 million to \$155 million. Consistent with this change, and also taking into account that we are delivering better Gross Margins and operating leverage, we are also revising the Pro Forma Adjusted EBITDA ranges to be between a negative \$13.0 million and negative \$6.0 million.

Note this range does not include the meaningful financial contribution anticipated from our Space NV acquisition. Management will update you on those positive impacts for the year on our fiscal year-end 2022 earnings call.

Please turn to slide 17. As part of our third quarter call, we want to provide a bit more detail into Redwire's revenue growth by using a year-to-date GAAP comparison shown on the left and then also on the right, the quarter sequentially. This is similar to what we showed in the second quarter.

When looking at the chart of the left, and as you'll see, our year-to-date third quarter 2021 revenues of \$96.5 million improved 10.7% to \$106.8 million for year-to-date third quarter 2022. These increases are attributable to deployable and engineering solutions product gains, with meaningful wins with our national security and commercial customer base.

These revenue increases on a year-over-year basis were partially offset by a small decline in the civil space customer base attributed to our in-space manufacturing programs and are based mostly in the first half of fiscal year 2022. Customer diversity allows Redwire to absorb these small declines in one customer base - due to improved performance in another customer base.

On a sequential quarterly basis, our third quarter 2022 revenues increased 1.4% from the second quarter 2022, with modest increases attributable across our business lines and customers. And this is taking into account the move-to-the-right contract start delays in September combined with the tight labor market that I already spoke about. We anticipate we will see that delayed revenue in the fourth quarter of 2022 and the first half of 2023.

Please turn to slide 18. Similar to last quarter, we wanted to provide a bit more detail concerning Redwire's adjusted EBITDA profile using a year-to-date third quarter year-over-year bridge, shown on the left, and on a sequential quarterly basis, shown on the right. On the left chart, for the year-over-year bridge comparison, adjusted EBITDA decreased from a positive \$1.8 million in year-to-date third quarter of 2021 to an adjusted EBITDA loss of \$10.2 million in the year-to-date third quarter 2022.

Adjusted EBITDA was positively impacted by the additional revenue growth we've been talking about. We continue to see revenue momentum, with a positive \$1.9 million contribution on a Gross Margin neutral basis. And this is attributable to the higher book-to-bills that we're seeing in the second and third quarter of 2022 compared with the second and third quarter of 2021.

Our year-to-date Gross Margin, which is shown on the next bar, led to a negative \$3.9 million, but this is driven by declines in the first half Gross Margin and masks the fact that the quarterly Gross Margin improved 34.9%, as Pete talked about, on a quarterly basis, and sequentially, it was up 13.8% over the second quarter of 2022. This excellent result was attributable to margin improvements in our deployable and critical components and engineering solutions programs.

Similar to what we showed in the second quarter, as you can see on the next bar, the negative \$10 million operating expenses demonstrates the impact we spoke about last quarter. Redwire made investments in business development, R&D, and public company costs in 2022 that have helped expand the size of our contract opportunities and backlog, but it has also impacted our year-to-date EBITDA.

Most of this \$10 million in operating expenses occurred in the first quarter of the 2022. And we began a more deliberate focus on streamlining the business in the second and third quarters, as Pete addressed earlier, and we will continue to do so. We are focused on these costs. As an example, in the third quarter of 2022, we reduced absolute SG&A to \$15.3 million, the lowest in five quarters, from \$34.3 million in the third quarter of 2021 and \$17.6 million in the second quarter of 2022. That's a significant decrease on an absolute basis and note this is before bringing on Space NV.

On the right chart, the almost 64% sequential quarterly adjusted EBITDA improvement from our second quarter to the third quarter of 2022 demonstrates this operating leverage coming back into the company due to the factors I just spoke about with a focus on cost. You can see the new contract wins, better contract mix, higher Gross Margins that we spoke about, much of it in our deployables and engineering solutions space programs, increasing Gross Margin.

Second, streamlining the corporate overhead will continue following the investments of the past 15 months to continue to drive down SG&A on an absolute basis and even on a percentage basis. Our third quarter SG&A margin now is at 41.1%, but that's down from 105.1% a year ago, and we're going to continue to work on that.

Please turn to slide 19. Let's discuss free cash flow and liquidity for the third quarter and finishing up with a liquidity and balance sheet improvement update before I turn it over to Pete. As we did on the second quarter call, on the left-hand chart, we show free cash flow. And we've updated the management disclosures concerning free cash flow, as we told you we would do in the second quarter call.

Free Cash Flow is now provided from the perspective of operating cash flow minus CapEx on an unadjusted basis, so cash is cash. And as you can see, the third quarter 2022 free cash flow improved 16.6% to a use of cash of \$12.6 million compared to last year's third quarter 2021 \$15.1 million use of cash. It was a higher use of cash than the second quarter of 2022, and this sequential use of cash was due to a number of factors.

One, free cash did benefit from improved revenue and sequential Gross Margins but, two, it was impacted by continued operational and capital investments in the Redwire platform. And finally, three, it was impacted by working capital build for contract awards, where the cash is expected to be received in the fourth quarter and beyond. We're reinforcing, in many ways, our supply chain.

Redwire management is very focused on accelerating the general improvement that we see here. We want to see better improvement in 2023. As Pete said, we will continue to streamline the business as we continue our revenue momentum.

On the right-hand chart, we show our available liquidity as of June 30th, 2022, which totaled \$17.0 million, comprising of \$7.0 million in cash and \$10.0 million in available borrowings under our credit facilities. But this has significantly changed this fourth quarter, which I'll talk about on the next slide. Please turn to slide 20.

On October 3rd, we announced the acquisition of QinetiQ Space NV, now renamed Redwire Space NV. On October 28th, the company entered into an investment agreement with Bain Capital and AE Industrial Partners for a combined investment of \$80 million. In October 31st, we completed the acquisition of Space NV.

Here are the three takeaways for this. One, after giving effect to this financing and with zero synergies assumed in the calculation, the transaction is expected to be financially accretive immediately to Redwire's adjusted EBITDA and free cash flow upon closing. Second, Space NV has experienced very profitable top line growth and features a strong financial profile. As Pete said before, for the year ended March 31st, 2022, Space NV recorded €49 million of revenue and €3 million of profit after taxes.

Three, as of the third quarter 2022, Redwire's total backlog, as we talked about, rose to \$304.0 million. This is a historic high for the company. But since the transaction closed in the fourth quarter, Redwire expects to directly benefit from Space NV's contracted backlog, which stood at €113 million as of March 31st, 2022.

The combined investment from Bain Capital and AE Industrial Partners puts Redwire in a much stronger financial position. Look at our liquidity on the right-hand chart. This update shows that, after the Space NV purchase and related costs and working capital funding, we have more than tripled our liquidity in the early part of this current fourth quarter.

Concerning leverage, this financing adds \$80 million of equity to our balance sheet, improving the credit worthiness of Redwire in a number of important aspects. On November 1st, 2022, Redwire entered into a fifth amendment to the Adams Street Capital Credit Agreement. This fifth amendment to the credit agreement, among other things, extended the suspension of the requirement concerning the company's maximum consolidated total net leverage ratio by an additional quarter, and favorably amended the ratio that will apply during the first year following the resumption of this requirement. So, Adam Street continues to provide support and the critical liquidity, as you can see, we need to grow.

This investment in Redwire represented by two proven leaders in the aerospace and space industries are a strong vote of confidence in Redwire's position, both as a leader in the commercialization of space as well as our strategy of providing critical infrastructure to our clients to provide growth and profitability. They bring a strong track record to the table and have a reputation of building great companies, and we were proud to partner with them.

Redwire's strong total backlog and proven track record of success enable it to have access to capital during the period when many of these financial avenues are closed to others. The quantity of capital raised above the purchase price of Space NV allows Redwire to strengthen its balance sheet and fund future growth projects.

Please turn to slide 21, and I will turn it over to Pete for final comments. Pete?

Pete Cannito

All right. Thank you, Jonathan. So, to wrap up a very busy and exciting third quarter with some very notable subsequent events recently occurring in early Q4, here are the high points we want you to take away.

Most importantly, Redwire continues to deliver for our customers, not in the future but in the present. We're generating revenue and backlog today. Andrew talked about a number of these different programs; the recent successful launch of NG-18, which was carrying our next generation bioprinter, our cameras that, weather permitting, are going to be launching on Artemis here in the next quarter; the set of iROSA Solar Arrays that are on SpaceX CRS-26 that are headed to the International Space Station. These and others created this third quarter 2022 revenue growth year-over-year and improved our financial performance sequentially, even with the delays in the contract ramp up which have impacted financial performance and 2022 guidance.

Next, Redwire continues to grow total backlog. You've heard it a couple of times from myself, Jonathan, and Andrew, that we've hit a historic high in our total backlog. Demand for our infrastructure is leading to this historic growth.

Thirdly, Redwire continues our successful track record of financially accretive acquisitions to scale our platform. We are notable in the industry for our ability to grow inorganically. And this

quarter, with Space NV, this will add to our total backlog. This will increase our revenue growth and will improve our sequential financial performance as we streamline and get more operating leverage into the business for the rest of fiscal year 2022 and 2023. We're very excited about this unique acquisition.

And finally, as Jonathan just covered in great detail, Redwire is strengthening its balance sheet and liquidity position, with the addition of approximately \$80 million in capital from highly respected industry investors Bain Capital and AEI. This is resulting--this has resulted in an accretive financing for Space NV with additional capital for future growth and stability.

And with that, I now turn it over to the operator for Q&A.

Operator

Thank you. We will now be conducting a question-and-answer session. If you would like to ask a question, please press star-one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star-two 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.

Thank you. Our first question is from the line of Greg Konrad with Jefferies. Please state your question.

Greg Konrad

Good morning. Maybe just to begin just on guidance, you mentioned improved Q4 performance, but at the low end of guidance, it seems like revenues could be down sequentially. Can you maybe talk about, with less than two months to go, what are the biggest variables? You mentioned labor, supply chain, awards and, you know - driving that wide range for the year. And then, you know, tied to that, you mentioned nothing's been updated for Space NV. Is there a reason that that wouldn't contribute to the final two months of the year?

Pete Cannito

Yeah. Hey Greg. How are you?

Greg Konrad

Good, thanks.

Pete Cannito

So, that's a great question - the biggest factor (in revenue recognition) given the historic highs in backlog is our ability to ramp up on those contracts. You hit the top two that we mentioned, the demand for space talent in the industry and the ability to hire, to get those individuals up and running on our most recent contracts award, as well as getting our subcontractors to fulfill our orders as we're running out of time in the fourth quarter.

So, that's what's really driving the variability. It's not for lack of demand of our products and services. It's really about the ability to predict how quickly we're going to be ramped up with the remaining time in the year.

Concerning the Space NV, we've deliberately, because Space NV happened early in the closing, early in Q4, not including any of their numbers in our guidance today for 2022. But most certainly, under our ownership for the fourth quarter, we will quantify the additional revenue and backlog that Space NV will bring to 2022 during our next earnings call, as we will have a solid two months of run time with Space NV as part of Redwire. But, this guidance today for the remainder of 2022 do not include any of that. That's all upside for us.

Greg Konrad

That's helpful. And then on labor, can you maybe quantify some of the stress? I mean, the labor issues, you know, obviously aren't unique to you, and we've been hearing it across suppliers. But is there any way to think about what the requirements are and how that's been trending? And then how does maybe inflation and wages kind of impact those numbers?

Pete Cannito

Also a very good question. So, we don't have any quantitative data that we've prepared to share publicly. But again, the space industry is growing fast. There's a limited talent pool right now. So, getting out there and competitively hiring people is taking longer than we had previously projected. We are growing. It just has to do with comparing it to what our previous plans were. That ability to hire is pushing revenue into subsequent quarters, so we're ramping up slower.

We will disclose more concerning inflation on our next call. We are watching the macro environment very closely, but we don't have any numbers to share right now publicly. Like everybody in the industry, we're going to have to look at it from both sides of the coin, not only an increasing cost to our inputs, but also the ability to increase our prices and pass that along to our customers. So, we'll take a note to talk a little bit more on that in Q1 of next year. I don't know, Jonathan, if you have anything you want to add to that.

Jonathan Baliff

I mean, internally, let's just say we know the numbers and we know what we want to do. There are some competitive aspects to what you're asking, Greg, from the standpoint of contract bids and other things, that we just are not prepared to talk about publicly.

But rest assured, internally we have a very good sense of what we can do. And in many of our newer contracts, you're starting to see higher Gross Margins, are taking this into account. So, the commercial and operational response is happening. The adjustment is happening internally - we're just not prepared on this call to disclose the response publicly for a number of reasons.

Greg Konrad

And then, is there any way to maybe characterize the other stress you talked about, which was delays in contract awards? Because, I mean, you have both the government and commercial side. Just wondering if this is a government issue. Or on the commercial side, it seems like maybe there's some funding issues. I mean, when you think about those awards, how do you kind of break that out between government and commercial?

Pete Cannito

We're seeing the same trends in both. Sometimes they're actually combined commercial contracts that are depending on some level of government funding.

We believe that there's a lot of new opportunities and innovative capabilities in space that different companies are starting to get their arms around. And as they put their programs and their planning in place, it increases the variability of the timelines. So, they're dealing with the same things we are. They're dealing with the ability to ramp up on staffing. They're dealing with their own subcontractor supply chain issue. So, it's across the board in both government and contracts. I don't know, Andrew. Do you have anything you want to add to that?

Andrew Rush

Yeah. I think that's well said. As we've talked about on previous calls, we have seen, on the commercial side, program projections kind of come back down to earth, as it were. But most of that is now flushed through our commercial pipeline (and is taken into account) in our anticipated awards.

So, really what Pete was hitting on in terms of our commercial customers delays in getting their teams ramped up, getting their programs ramped up to execute, is more what's driving slips to the right in contract award rather than funding availability.

Greg Konrad

And then maybe just one last one for me. I mean, I know it's a little bit early. But just looking at, you know, total backlog today, you know, some of the headwinds this year, I mean, how are you thinking about growth next year and just kind of puts and takes, you know, given that backlog, but also some contribution from M&A?

Pete Cannito

So, we're excited about the momentum going into 2023. We believe it's really strong. I'll point you to four numbers that we're specifically looking at as a really great indicator of where we're headed.

We've mentioned multiple times the \$304 million and hitting historically high backlogs. We expect that trend to continue. Andrew mentioned on one of his slides that we have, I believe, almost \$343 million in bids submitted. These are already under evaluation by our customers that we expect an award decision within the next six months. So, \$304 million backlog already

on the books, and (second) another \$343 million that we expect to hear from in the next six months. So, that's great momentum.

Third, I'll add to that our year-to-date 1.18 times book-to-bill. So, our book-to-bill for the year continues to grow. We're growing faster than we're executing our revenue. So, that's another really great indicator for the momentum to going into 2023.

Fourth, then as you mentioned as well, as of March 2022, which is the most recent audited information we have, Space NV had 113 million euros in backlog – and we have indications that that number is very solid or better as 2022 has progressed, so we know they're also experiencing great growth. So, we're optimistic about their ability to finish 2022 strong, and then increased momentum specifically as (they become) part of Redwire and the different synergies that we can bring to the table there with that acquisition to increase and enhance our growth in 2023 significantly as well.

So, the numbers are indicating that--again, we'll have more to talk about in our next call. But all the numbers are indicating really strong momentum going into 2023. And with the significant improvement of liquidity on our balance sheet, we're really well positioned.

Greg Konrad

Thank you.

Operator

Thank you. Our next question is from Austin Moeller with Canaccord. Please go ahead.

Austin Moeller

Hi. Good morning, Pete and Jonathan.

Pete Cannito

Hey, Austin.

Jonathan Baliff

And Andrew's here, too. So, thank you, Austin.

Austin Moeller

Hi, Andrew. So, my first question: Has the government enabled you to include inflation impacts in your existing contracts, or will that mostly be included in future contracts in the backlog? And what's the average length of a contract for Redwire programs?

Andrew Rush

Thanks for that question, Austin. So, we have a variety of contract types with the government. We have cost-plus fixed fee (CPFF) contracts, firm fixed price (FFP) contracts, and then T&M

(time and materials). On the cost-plus fixed fee contracts, those allow us to very seamlessly collect any impacts due to inflation. Our T&M are also very similar to the CPFF.

On the FFP contracts, in contrast, we are more responsible, because it's a firm fixed price contract, for any changes in cost versus as bid. However, we try to insulate ourselves as much as possible on that front by getting on contract with our subcontractors early. And so, many of our FFP contracts have already locked in subcontractor costs, insulating us against, you know, inflationary impacts.

We also, going forward in our bids, are taking into account the impacts of inflation as well as being thoughtful introducing and continuing to follow a level of rigor on our FFP contracts in terms of the cash milestone payments, to stay ahead on cash and get our cash up front where appropriate.

Austin Moeller

Okay, great. And that just--that sort of touches on my next question, was--which was, are you planning to factor in more upfront cash collections on future contracts with customers, just given where we're at?

Pete Cannito

Yes, absolutely.

Austin Moeller

Okay, great. Yeah. Thank you for the color.

Jonathan Baliff

We didn't answer your other question Austin - you did ask a question considering our contract length. It's generally 1.5 years to three years. So, there is an ability to reprice on certain contracts, getting more price increases (to compensate for inflation). And you're seeing that bake into in how we think about the revenue momentum in 2023 and 2024.

Austin Moeller

Okay, great. That's very helpful, Jonathan. Thanks.

Operator

Thank you. Ladies and gentlemen, if you would like to ask a question, please press star-one on your telephone keypad.

Our next question is from Kat Knop with B. Riley. Please proceed with your question.

Kat Knop

Hi there. So, just a quick question here for me. So how much are you currently relying on subcontractors to fulfill orders versus your own employees? And then what's the difference in wages there, if you could?

Pete Cannito

Yeah. Hey, Kat. How are you? This is Pete. So, we don't disclose that information for competitive reasons. But obviously, we have over 600 employees now, so we're doing a fair amount of fulfillment, rest assured, as Redwire.

Jonathan Baliff

I mean, Kat, you and I have spoken in past. Let me just add to that. In the future, we are going to be able to provide you guys in 2023 unit economics, right? We want to be able to do that for you guys so you can model out the nature of the unit economics (for our infrastructure offerings) to create a little bit more granularity (in understanding our growth and profitability).

We are not prepared to do that right now. We're balancing, obviously, the disclosure obligations with competitive information. This is a particularly critical and exciting time for us because you're seeing that momentum in our backlog build. Many of those have contracts that get the margins up and be able to satisfy them and have more control over that. So, just bear with us. But, you know, we're on it internally for sure.

Kat Knop

All right, great. Thank you. And then sorry if I wasn't understanding correctly. But were you not awarded contracts with submitted proposals or have those contracts kind of been delayed and not awarded yet? Can you give any color there? Yeah, that would be helpful.

Pete Cannito

So, we have had delays in contracts, and we also have had contract ramp up. The change in guidance is associated primarily with the inability to ramp up with the remaining time this year (to recognize the revenue from the increase) to \$304 million in backlog.

It's really just about how we came into the third quarter, due to some delays we had talked about on previously calls, orders and contracts were expecting in quarter two that were delayed into quarter three. You've seen that bump now in our Total Backlog. And now we have the remaining time to try to ramp up and execute. And we are putting in our revised guidance based on how quickly we're going to be able to ramp up to execute on that (in 2022 and beyond).

Kat Knop

Okay, great. And then just one final one.

Jonathan Baliff

And we're being fairly prudent in this guidance Kat. We're being fairly prudent about it.

Kat Knop

Great. And then just a final one from me. So, from a total pipeline perspective, so that, like, \$3.5 billion number, are you seeing any new areas of growth? I guess kind of what's going on directionally there, if there's anything new that you can share?

Pete Cannito

Yeah. I mean, we're seeing growth across the board, both near-term and actually a lot of really great opportunities entering in our pipeline for the long-term. You know, we've often talked about what we call our blue-chip foundation with venture optionality. And that blue chip foundation we're referring to is what we also refer to as our picks and shovels offering. These are the things that every space program's going to need, like power, avionics, antennas, capabilities like digital engineering. So, we have great demand currently in the present for the near-term (space) picks and shovels.

And then we're also seeing really good step-up in demand as we move towards a future where there's going to be an incredible economy in LEO, not only currently in the near-term on the International Space Station, but the planned commercial space stations that organizations like Blue Origin and their Orbital Reef are planning. We're seeing a lot of demand now that is coming because, you know, these things are going to be built over the next decade, and that building has already started.

So, the demand signals are really strong across the entire board. The blue-chip foundation of our picks and shovels is seeing strong demand as the demand for space in general grows. And then, of course there's venture optionality associated with one-of-a-kind technologies we have, like our in-space manufacturing, our bio capabilities. These are the payloads that are going to populate future commercial space stations. We know that because they're the capabilities that are populating the ISS today. You're going to see a significant uptick in that area as well.

Kat Knop

Great. Thank you.

Operator

Thank you. There are no further questions at this time. I would like to turn the floor back over to Peter Cannito for closing comments.

Pete Cannito

Yeah, I'd just like to thank everybody for joining the call today. We're very excited about our third quarter results, but we have work to do. And we're looking forward to sharing more information about our acquisition of Space NV in the future. But thank you, everybody, for joining today.

Operator

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.