

**Redwire Corporation**  
**Fourth Quarter and Full Year 2022 Earnings**  
**March 29, 2023**

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**Presenters**

**Jeff Zeunik – Senior Vice President-Financial Planning and Analysis**

**Peter Cannito – Chairman and Chief Executive Officer**

**Jonathan Baliff – Chief Financial Officer**

**Q&A Participants**

**Greg Konrad – Jefferies**

**Griffin Boss – B. Riley Securities**

**Austin Moeller – Canaccord**

**Suji DeSilva – ROTH MKM**

**Operator**

Greetings and welcome to Redwire fourth quarter and full year 2022 earnings conference call. My name is Sherry and I will be your operator today. At this time all participants will be in listen-only mode. We will take questions at the end of this presentation.

If anyone should require operator assistance during the conference please press “\*” “0” on your telephone keypad. As a reminder this conference is being recorded. It is now my pleasure to introduce your host for today’s call, Jeff Zeunik, Senior Vice President of Financial Planning and Analysis. Mr. Zeunik, you may begin your conference call.

**Jeff Zeunik**

Thank you, Sherry, and good morning, everyone. Welcome to Redwire’s fourth quarter and full-year 2022 earnings call. We hope that you have seen our earnings release, which we issued earlier this morning; 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. Joining me today 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, we will take you through a discussion of our key accomplishments in the fourth quarter and full year 2022 from me, followed by Jonathan, who will present the financial highlights for the same periods. We will also provide some insights into how we're thinking about 2023, after which we will open the floor for Q&A.

However, before we get into the details for those that may be new to the call, I'd like to start with an overview of the space industry today and Redwire's position within it. We are at the early stages of a multi-decade new global space race with space agencies in the U.S., Europe, and around the world increasingly focusing on space as a competitive domain. Additionally, the broader commercial market is demanding space in the present, not just some future promise, and we believe that Redwire is ideally positioned to capitalize on both of these dynamics.

Please turn to Slide 6. Redwire is a pure-play space infrastructure company with Mission Solutions and payloads for civil, commercial, and national security space customers, and our mission is to accelerate humanity's expansion into space by delivering reliable, economical, and sustainable infrastructure for future generations. With decades of proven flight heritage combined with innovative products and culture, Redwire is uniquely positioned to assist our customers in solving the complex challenges of future space missions and industries.

Redwire has three primary areas of focus that form our business. These include enabling space mission providers such as government agencies and large prime contractors with a broad portfolio of space infrastructure, systems, subsystems, and components. Secondly, providing the infrastructure and technology needed for people to permanently live and work in space and lastly, assisting international spacefaring allies in the development of organic space capabilities.

We demonstrated many successes in our three key focus areas throughout 2022, including having Redwire products on nine launches over the course of 2022, with five of those launches occurring in Q4, 15 payloads currently operational on the International Space Station, and growing to over 700 employees at 11 facilities in both the United States and Europe.

Please turn to Slide 7. Looking back, the fourth quarter of 2022 was the most successful quarter in Redwire's history. Our revenues of \$53.7 million were the highest of any quarter to date. We ended the quarter and the full year with a total backlog of \$465.1 million dollars. We closed on our acquisition of Space NV, our second global acquisition. And our adjusted EBITDA for the fourth quarter of 2022 improved by over 47.5% versus the third quarter of 2022. And we launched 11 products and capabilities on those five Q4 launches I mentioned previously. It was a great quarter.

Please turn to Slide 8. Starting with backlog. I am very pleased to report that backlog has grown by 71.2% from the end of 2021 to December 31, 2022. As you can see, at the end of 2021, our total backlog was a very respectable \$271.6 million. Based on strong demand for our products and services, total backlog grew to \$465.1 million at the end of 2022. This was an outstanding achievement on both an absolute and percentage basis and has given us significant momentum heading into 2023.

Please turn to Slide 9. 2022 was a record year for Redwire. For the full year 2022, we grew Redwire's total revenue by 16.7%. This revenue growth was achieved across a highly diversified base of long-term government contracts and marquee commercial customers with strong financial backing, such as Boeing, Lockheed Martin, and many others, representing 86.2% of 2022 revenues. This diversity and resiliency gives Redwire a stable foundation for our future growth.

Please turn to Slide 10. So where did this revenue come from? Here at Redwire, we are a key mission enabler for our customers across their most important missions. For our most recent Q4 2022, the next few slides highlight just a few examples of successes that underscore the importance of our capability.

For example, in Q4, two additional Redwire rollout solar arrays or ROSAs were installed on the International Space Station, bringing the total to four of our ROSAs providing critical power to that key international capability, and there are more on the way in 2023. That is a great example of how we are providing results now, not just in the future.

On the bottom of Slide 10, we are highlighting how current flight heritage leads to future opportunities as we have been chosen to be a trusted provider of power on the lunar surface in the future. As we previously announced in Q4, Redwire was selected by the Astrobotic's VSAT program to provide a retractable, vertical solar array that will rise to a height of 32 feet. This program is key to enabling critical power infrastructure on the surface of the moon.

Please turn to Slide 11. On November 16, 2022, the United States once again made space history with the launch of Artemis I, and as one would expect, Redwire was on board as part of this history-making team. Redwire provided the Orion capsule a total of 11 internal and external cameras, which is why we refer to Redwire as the eyes of Orion, and those cameras supported the entire 268,563-mile journey without fail. This was the farthest distance traveled by a spacecraft designed for human transportation to date and Redwire's cameras clearly demonstrated why we are the trusted optics for the mission. Those amazing images sent back from the Redwire cameras on Orion will inspire generations to come, and we look forward to being part of the team on future Artemis missions.

Please turn to Slide 12. As I mentioned at the beginning of this presentation, Redwire is a leader when it comes to facilitating man's ability to explore, live and work in space. And in doing so, we are on the cutting edge of microgravity research with the potential to significantly change our lives here on earth.

For example, Redwire has the first bioprinter permanently installed on the ISS. And in Q4, we launched a mission to use our BioFabrication Facility to print a meniscus, a critical part of the knee, which will spend a total of 14 days being cultured in an Advanced Science Experiment Processor that was also provided by Redwire. This research is an important step towards understanding how microgravity may be the key to unlocking the future production of biostructures that could revolutionize healthcare, and Redwire is at the forefront.

Please turn to Slide 13. Successfully bringing agriculture to space will be critical to unlocking humanity's ability to explore, live and work far away from earth for long periods of time and Redwire is working on the key. In Q4, aboard Northrop Grumman's CRS-18 commercial resupply to the ISS, 240 seeds were sent to space for our Plant Habitat-03 investigation, which will spend 91 days growing inside the habitat.

The information gleaned from this experiment is helping establish the foundations of knowledge necessary to take space agriculture to large-scale production. Understanding agriculture in microgravity is important to building a permanent human presence in space and I'm confident that as we learn to grow plants in space, we will also collect data that will help grow plants more effectively here on earth along the way.

Please turn to Slide 14. Of course, space is an international endeavor, and to underscore the amazing programs and complementary capabilities of Space NV, headquartered in Belgium, our newest members of the Redwire team, I would like to highlight a Space NV program that launched in Q4 aboard the SpaceX CRS-26 mission to the International Space Station called T-Paola.

T-Paola is an experiment that was designed and built by Redwire Space NV in Belgium that will try to determine new principles for the control of solid particles in liquids. It leverages the Space NV Selectable Optic Diagnostics Instrument that has investigated over 30 liquids in space over the past 13 years. That is some incredible space heritage.

Please turn to Slide 15. As you can see, the acquisition of European-based Space NV in Q4 2022 has significantly expanded Redwire's global footprint and scope of business. Space NV has a deep portfolio of highly synergistic and complementary core space infrastructure offerings and adds significant heritage with over 100 missions for human spaceflight, satellites, and interplanetary exploration and over 35 years of on-orbit experience. Space NV's 2022 revenue was approximately \$58.9 million dollars, adding \$11.7 million to our annual revenue between the closing of the acquisition on October 31<sup>st</sup> and the end of 2022.

Please turn to Slide 16. As I mentioned, Q4 was a strong finish to a record year at Redwire setting us up for continued success in 2023. In 2022, we had a LTM book-to-bill ratio of 2.04, and contracted backlog more than doubled, growing by 124%, leading to a total backlog at the end of 2022 of \$465.1 million. This gives us confidence in our future growth and stability.

With that, I'd now like to turn the call over to Jonathan Baliff, Redwire's Chief Financial Officer. And following Jonathan's remarks, I'll provide a few closing thoughts concerning the outlook for 2023, and then we'll open the call for questions and answers. Jonathan?

**Jonathan Baliff**

Thank you, Pete. Please turn to Slide 18. Similar to last quarter, I will help provide financial detail on a number of the commercial and operational themes that Pete just talked about, including 1) key financial takeaways, starting with quarterly revenue here on the right-hand chart and then continuing with other quarterly financial information and 2) key takeaways for the full year 2022.

Key points to reiterate from Pete's discussion for this financial highlight, 1) Redwire continues to execute for our government and marquee customers with critical and proven space infrastructure and payloads, including Space NV's T-Paola science experiment, iROSA Power Solutions, Artemis camera systems, and the BioFabrication Facility. These and other infrastructure solutions, systems, and payloads created record fourth quarter 2022 and full-year revenue, even without the contribution of Space NV.

And 2) speaking of Space NV, Redwire closed this financially accretive transaction in less than a month on October 31, 2022, adding to our revenue diversification with more government and marquee customers and improving our financial performance as we continue to scale and create more operating leverage into this business for 2023. 3) demand for Redwire infrastructure is leading to record growth in our total backlog and, in particular, our contracted backlog for this quarter.

And finally, the addition of approximately \$81 million in capital and improved free cash flow in the fourth quarter, Redwire strengthened our balance sheet and created a record-high liquidity position going into 2023.

As you can see from the chart on the right, we had \$53.7 million for fourth quarter 2022 revenue versus \$37.2 million for the third quarter, representing an increase of 44.2% on a sequential basis. This demonstrates progression of improved quarterly revenue and led to a 63.4% increase in Q4 2022 revenue versus the first quarter of 2022.

Our fourth-quarter revenue of \$11.7 million was provided by Space NV since October 31, as Pete said. Our fourth-quarter revenue also benefited from the \$91.2 million in fourth-quarter contract additions to total backlog, and these were in addition to the \$109.8 million of backlog that we acquired with Space NV. An example of this increase is one of the largest power supply infrastructure contracts in Redwire history, providing \$5.5 million in revenue in the fourth quarter alone. Now excluding the \$11.7 million of revenue contributed by Space NV, our fourth quarter revenues were still a record \$42 million dollars.

Please turn to Slide 19. Our full year 2022 saw higher revenues on a year-over-year basis, \$160.5 million for full year 2022 versus \$137.6 million for full year 2021, and this represents an increase of 16.7% on a year-over-year basis. Year-over-year increases in revenue were from all three of our primary customer types, civil, national security, and commercial, with 86.2% of our revenues

coming from government and marquee customers. The year-over-year increase in revenues included contributions from Redwire's Indiana business unit as well as infrastructure revenue from the deployables and engineering solutions space.

As previously noted, Space NV provided \$11.7 million to yearly growth since October 31, 2022. Without this contribution, you would've seen an increase of 8.2% on a year-over-year basis, and this growth would've been even better but was partially offset by the inflation and supply chain pressures that we spoke about on our third-quarter call. And this resulted in an unfavorable EAC adjustment, primarily in the Mission Solutions reporting unit.

Customer diversity allows Redwire to absorb these declines in one customer type due to improved performance in another customer type, especially now that our customer types include a larger portion from Europe, but even if we exclude the Space NV contribution from 2022 revenues as if the acquisition had not occurred, Redwire would still have achieved revenues of \$148.9 million, well within our full-year 2022 revenue guidance of \$140 million to \$155 million. And this is also significant growth on a U.S. GAAP basis for the past number of years. It is important to note that we have seen a 98.3% compounded annual growth rate in GAAP revenues since the end of 2020.

Please turn to Slide 20. Before I discuss our quarterly improvement in adjusted EBITDA in fiscal year 2022, shown on this slide on the right-hand chart, I'd like to briefly comment on our net income, net loss results. Although we did have an increase in our GAAP net loss during the fourth quarter to \$25.9 million this was primarily driven by a \$16.2 million non-cash impairment charge. In addition, for the full year 2022, the net loss of \$130.6 million, as compared to the net loss of \$61.5 million for the full year of 2021, includes a \$96.6 million non-cash impairment expense, which did not occur in the full year of 2021. And this non-cash impairment expense was primarily in our Mission Solutions unit.

Now, turning to quarterly adjusted EBITDA improvement in 2022, which again is on the right-hand chart, you can see a 47.5% sequential quarterly improvement in adjusted EBITDA in the fourth quarter, demonstrating the positive momentum we spoke about last year. We also saw an 83.4% improvement from the beginning of 2022, and this is due to a number of factors, including; first, higher revenues due to new contract wins; second, an improved mix of larger and higher gross margin contracts, much of it in our deployable and components lines of business; and third, the streamlining of our corporate overhead following investments over the past 18 months, which continue to drive down SG&A on an absolute and percentage of revenue basis now at 30.8% versus 50.7% in the fourth quarter of 2021 and the 63.7% from our first quarter of 2022.

This adjusted EBITDA improvement was impacted by the same inflation and supply chain pressures that resulted in unfavorable EAC adjustments and increased production costs primarily in our Mission Solutions reporting unit, so we would've seen even more improvement in EBITDA in the fourth quarter.

Space NV provided \$0.6 million contribution to adjusted EBITDA, but even if you exclude the Space NV contribution from 2022 adjusted EBITDA as if the acquisition had not occurred, Redwire would still have achieved adjusted EBITDA loss of \$11.6 million within the 2022 guidance range of negative \$13 million to negative \$6 million provided.

Please turn to Slide 21. Let's discuss free cash flow, liquidity, and balance sheet improvement for the fourth quarter. As we did on the third quarter call on the left-hand chart, we show free cash flow. As a reminder, free cash flow provides a perspective based on our operating cash flow and CapEx unadjusted for onetime items. Cash is cash.

As you can see, during the fourth quarter 2022, free cash flow consumption was improved 56% to a use of cash of \$5.5 million compared to the third quarter 2022 of \$12.6 million. Much of this improvement sequentially this quarter is due to the improvements in sequential revenue and adjusted EBITDA that I already spoke about. Redwire management remains focused on accelerating the improvement trend in our free cash flow. As we have noted, we continue to improve our free cash flow while we execute on the growth of our \$465.1 million of backlog.

On the right-hand chart, we show our available liquidity as of December 31, 2022, which totaled \$53.3 million, a record amount on a quarterly and year-end basis achieved through excellent cash management and the \$81.25 million equity financing that both financed the Space NV acquisition and also strengthened our balance sheet. With \$28.3 million in cash and \$25 million in available borrowings under our credit facilities Redwire entered 2022 with a stronger balance sheet and record liquidity.

Please turn to Slide 22, and I will now turn the presentation back to Pete to provide an outlook for 2023. Pete?

**Peter Cannito**

Thanks, Jonathan. Please turn to Slide 23 for a brief 2023 outlook for what Redwire management sees as continuing the performance momentum for 2022.

Our most recent fourth quarter was a strong finish to the year with record revenues, improvements in gross profit, adjusted EBITDA and free cash flows, and a strong end-of-year backlog. As a result, for 2023, we expect our full-year revenue to be between \$220 million to \$250 million, which represents 46% year-over-year growth at the midpoint of the range.

With that, I'd like to thank all the Redwire employees for a fantastic year and a record quarter. Thank you for working hard across the world to accelerate humanity's expansion into space and thank you all. We will now open the floor to questions.

**Operator**

Thank you. If you'd like to ask a question, please press "\*" "1" on your telephone keypad, a confirmation tone will indicate your line is in the question queue. You may press "\*" "2" if you

would like to remove your question from the queue. And for participants using speaker equipment, it may be necessary to pick up your handset before pressing the “\*” keys.

One moment while we poll for questions. Thank you. Our first question is from Greg Konrad with Jefferies. Please proceed.

**Greg Konrad**

Good morning.

**Jonathan Baliff**

Good morning, Greg.

**Peter Cannito**

Hey, Greg.

**Greg Konrad**

Maybe just to start a couple things around the outlook that you ended with, first just in terms of Space NV, how are you thinking about the incremental contribution to 2023?

**Peter Cannito**

So, hey, Greg, how are you? Good to have you on the call. Yes, so we don't really break it out going forward in 2023. But what I can tell you is that at the time of closing the acquisition for Space NV on October 31, their contracted backlog was \$109 million. And at the end of 2022, in December 31, it had already grown to \$128 million in contracted backlog. So, we like the direction that Space NV is headed, and we think they're going to be a strong contributor to the overall Redwire going forward in 2023.

**Greg Konrad**

And then just staying on revenues, I mean, how are you thinking about backlog conversion? If I look at the organic revenues in 2022, they were actually above the starting point of contracted backlog, the 2023 outlook, it lags the backlog a bit, including the acquisition contribution. Has backlog conversion maybe shifted a bit with the acquisition or just maybe some of the contracts that you saw in 2022?

**Peter Cannito**

That's a great observation and a great question. So some of it is the nature of having a really high book-to-bill. We've been booking a lot of revenue this year at a faster pace. And some of it is the nature of our contracts. As we've talked about in previous calls Redwire has the ability to win large multi-year contracts comparatively to our revenue. So what I think you're also starting to see is a trend towards some larger contracts in the backlog that span multiple years.

**Jonathan Baliff**

Greg, just take a look at, if I may, Pete, you're seeing a bit of a quicker turn from backlog into revenue in that fourth quarter. We're at a much better entry into 2023 than we entered 2022, both from a backlog and then obviously a revenue standpoint. Just take a look at our last 12



months backlog. Entering 2022, it was approximately 1.2; it now stands at 2, and we're also starting to see, again, I want to reiterate in third quarter, we did say there were going to be delays, into the fourth quarter, that actually happened.

**Greg Konrad**

That's helpful. And then you guided for EBITDA last year. You didn't guide this year. You did call out some gross margin improvement and operating leverage. And if you look at 2022, you had a nice progression towards breakeven. Does that carry into 2023? Or how are you thinking about profitability for this year?

**Peter Cannito**

Great question. So the momentum definitely carries into 2023. We are very focused on controlling our costs, increasing our gross margins and although we don't make a forecast for 2023, we expect to continue to drive that trend forward.

**Greg Konrad**

Would you expect it to be at least positive for 2023 or not committing to that?

**Peter Cannito**

Well, not committing because, obviously, there's a number of different investments - opportunities that can come along the way in 2023. But we are very focused on profitability as a company overall. And we've been able to demonstrate now, as you pointed out in 2022 the ability to continue to drive in that direction and we have no intention of letting up on that.

**Greg Konrad**

And then, I mean, somewhat tied to that, I know you don't guide to cash, but when you just think about the cost of growth, I mean, you highlighted the strong liquidity coming into this year. How do you maybe think about some of the drivers of cash, whether it's working capital to support growth, CapEx in general or just how you're thinking about the moving pieces of cash?

**Peter Cannito**

I'll give a quick answer, then I'll turn it over to Jonathan. I mean, again, we're very focused on being good stewards of cash, especially in the current environment. But we do have investments that we're making as well. So we keep a close eye on it.

Fundamentally because of the way Redwire is built up, with revenues in the hundreds of millions of dollars, with a lot of space heritage, with long-term contracts, many of them government contracts, we feel pretty good about our ability to maintain liquidity and that's basically the way we look at it going forward. Jonathan, I don't know if you have anything.

**Jonathan Baliff**

Yes, I think there's three things I would talk about. First, look at our operational cash flow improvement - we managed that well in the fourth quarter. We paid down actually a lot of AP. Second, we ended up having, on a net cash basis, a much stronger balance sheet with lower leverage ratios. And third, we're going to continue working our contracts, as we want to receive

a large amount of the cash upfront as we go and do the manufacturing of the infrastructure and a number of our different solutions. So, we're very focused on making sure we get a lot of that cash up front. So, we're not only converting the backlog to revenue and obviously positive adjusted EBITDA and then free cash flow and then net income. We demonstrated that in the fourth quarter, and we're going to continue to drive towards that through the year.

**Greg Konrad**

And then, sorry for all the questions, but maybe just sneak one last one in. The \$1 billion of submitted bids that you called out in the presentation, is that what is outstanding? And then, I mean, how do you think about bidding strategy and any color around win rates, or what you're seeing and then tied to that, any target for book-to-bill for 2023?

**Peter Cannito**

So the \$1 billion refers to the number of bids that were submitted in various stages. We don't track exact win rates, but if you take the billion dollars of bids submitted as an example, having a contracted backlog somewhere between \$300 million and \$400 million, our win rates are roughly hovering between 30% to 40%. And that's kind of what we would expect from a company like ourselves. We really don't have a hard target for book-to-bill, but in order for us to achieve our forecast, you can do the math, and we want a LTM book-to-bill at least over 1.2.

**Greg Konrad**

Thank you.

**Operator**

Our next question is from Griffin Boss with B. Riley Securities. Please proceed.

**Griffin Boss**

Hi, thanks for taking my questions. Maybe just one for me I think. So taking a step back, can you guys give any color on commercial space station opportunities and whether you're already in discussions with those who are building out commercial space stations to replace the ISS? Or is it too early to really say?

**Peter Cannito**

Really appreciate you joining the call. We are absolutely engaged on commercial space stations. If you look at the history of Redwire, with 15 facilities, payloads currently operating on the International Space Station, some of the ones that I highlighted in a call today, we're one of the very few companies that actually have the experience with the outfitting of meaningful content on space stations.

So we are not exclusive to any single commercial space station provider. There are a handful of them that are all very credible out there. We see that as a really excellent trend for Redwire because, again, after those stations get on orbit, we're the ones who have the meaningful content, the microgravity research, the biotechnology capabilities, the materials, the 3D printing that are going to make those space stations successful ultimately. That's just on our payload side.

In addition to that, I highlighted that we have the ROSAs, the rollout solar arrays on the International Space Station. We're also actively engaging with the commercial LEO space station providers on key mission-enabling subsystems like ROSA to enable the power for their systems, as well as other critical subsystems to make those commercial space stations viable as well.

**Griffin Boss**

Got it. Excellent. Thanks for that, Peter. And maybe I'll just sneak one in; apologies if I missed this. Did you guys break out the end customer group for your backlog number? Is that going to be heavily weighted to government customers as well?

**Peter Cannito**

So, we didn't break it out, but we tend to have a number of government contractors. That's where a lot of the growth in space is occurring. I think, Jonathan, you want to add to that?

**Jonathan Baliff**

We have over 86% in government and marquee client base. Let me break this 2022 revenue out for you: for the full year you're talking about 38.6% civil, which is government client base.

National security grew smartly to 27.4%. And then the commercial is 34.0%. And even though they're commercial customers, many of the ultimate contracts are with the government. So we're excited about these marquee government and customers.

Total backlog is growing. One of the differences in the civil percentage, you're not seeing the full, annual contribution of Space NV. Space NV, again has a mostly government and marquee client with ESA.

**Griffin Boss**

Got it. Okay. Great. That's it for me. Thanks for taking my questions. Appreciate it.

**Peter Cannito**

Thank you, Griffin.

**Operator**

Our next question is from Austin Moeller with Canaccord. Please proceed.

**Austin Moeller**

Hi, good morning. Nice quarter.

**Jonathan Baliff**

Thanks, Austin.

**Peter Cannito**

Hey Austin.

**Austin Moeller**

Hi. My first question here, can you talk about what specific products in the revenue mix are expected to drive the gross margin improvement in 2023? And I assume you've included inflation cost escalators into the new contracts to improve margins relative to inflation expectations?

**Peter Cannito**

Yes. Well, first of all, Austin, thanks for joining the call. Glad to have you on. Absolutely, right, we're bidding with inflation in mind, and of course, our customers understand they're living the same issue.

In terms of gross margin improvements, we're really driving it across the board, right? So, as we continue to innovate and we have technologies like ROSA, like the cameras that have always had flight heritage, but now have really exceptional demonstrated flight heritage on the Artemis. These are really differentiated products. So that gives us additional margin in the marketplace. So really, across all of our product mixes, we're starting to incrementally drive our margins up. Jonathan, you want to add?

**Jonathan Baliff**

Let me give you the specifics here because this is actually really important - because it wasn't just a record revenue quarter, and you saw the progression, but we started gross margin in Q1 of 2022 at 15.7%. We've grown it pretty significantly through the full year at 17.9%. And that's including some EAC adjustments that negatively impacted it.

So, we're talking about getting to greater than 20% gross margins on an all-in basis. We'll be providing some more detail as we go into 2023. One thing of note to the investor community is that the nature of our ESA contracts with Space NV generally have them enjoying a very nice EBITDA margin, but their gross margins are going to be slightly lower, just given the nature of the classification of their costs and sales.

But on the U.S. legacy businesses, you're talking about a very meaningful improvement in gross margins. When you combine that with the operating leverage that we're getting as we scale the business, you're talking about a business that's driving towards profitability, not just on an adjusted EBITDA basis, on a net income basis, and free cash flow basis.

**Austin Moeller**

Okay, that's helpful. And then, just to think about 2023, you've got \$272 million in the backlog, you expect \$235 million in revenue. So considering you have 74% revenue visibility for next year do you expect most of that existing backlog to convert to revenue this year, or how should we think about the timing of that?

**Jonathan Baliff**

Yes, Austin, let's just get the numbers correct. The contracted backlog more than doubled 124% increase to \$313 million dollars. And then the overall total backlog was greater than \$465 million dollars. And so, from our standpoint, those are the numbers that we're putting out, Austin. And again, it's a pretty significant increase.

There's no doubt that we are very focused on not just converting that backlog to revenue in 2023. And as Pete has said before, it can be kind of lumpy. We're driving many of those contracts like we did in the fourth quarter to ultimately, improved and positive free cash flow and profitability.

**Austin Moeller**

Okay. And then just one more. Can you go into a little bit more detail about what specific programs are driving the backlog expansion here? Is it mainly iROSA and deployables, or how should we think about the overall percentages of each product line?

**Peter Cannito**

Yes, thanks for that question, Austin. It's actually a key point about Redwire. One of the significant contributors to our stability and our resilience is the fact that no one single program or product, or solution is driving over 10% of our revenue. So it's a pretty diverse base of programs collectively that are contributing to both our backlog and our revenue growth. Jonathan, do you want to add anything?

**Jonathan Baliff**

No, I gave percentages on civil, national security, and commercial. They're pretty equal, and the nature of our backlog follows that for the most part.

**Austin Moeller**

Okay, great. Yes, thanks for the details on the strong diversification there. Appreciate it.

**Operator**

Our final question is from Suji DeSilva with ROTH MKM. Please proceed.

**Suji DeSilva**

Hi, Peter. Hi, Jonathan. Congrats on a strong 2022 there.

**Peter Cannito**

Thank you very much, Suji.

**Suji DeSilva**

Sure. A lot of questions have been asked. Let me ask about manufacturing capacity to think about that broadly for your company. Are you expanding that? Do you have sufficient CapEx going to that? It seems like a relatively light CapEx budget for 2023 but just wanted to get color there.

**Peter Cannito**

Yes, no, it's great to have you on the call, and I appreciate the question. We continue to make CapEx investments. We opened a very large facility in Goleta, California, in 2022. This facility, I don't know, Jonathan, do you have the exact square foot? It's the largest facility...

**Jonathan Baliff**

It's 62,000 square foot.

**Peter Cannito**

Yes, in Goleta, and it'll house the power and propulsion element wings for the Gateway project. So it's a massive manufacturing facility for our solar arrays. But we continue to invest too. We're looking at investing in Longmont. We're doing a CapEx investment in a antenna facility there with a really state-of-the-art RF chamber that's going to enable us to continue to do the testing for antennas for large constellation programs like the SDA tranches and et cetera.

But for the most part, we're pretty good because of the way we grew through acquisition. All of the different building blocks of Redwire came with significant facilities already, which is great for us because we already have the capabilities in-house and we don't have to make massive investments in manufacturing expansion in order to execute against our backlog.

### **Jonathan Baliff**

The other important thing is that our clients pay for a large part of our facilities as part of their programs with Redwire. We're not a CapEx-intensive company because our contracts pay for a lot of what you consider as the facilities and getting the facilities prepared for the manufacturing and assembly of power systems and other solutions that we provide. So because we have that greater than 86% government and marquee client, a lot of the contracts end up paying for facilities. That provides that operating leverage that we're talking about.

### **Suji DeSilva**

Okay, Peter. That's very helpful. And then maybe last question on the power supply ROSA business. Should we think about any metrics kind of ASP unit metrics like kilowatts, things like that as a way to model the business going forward? Or is that not the right way to think about these large solar array contracts?

### **Peter Cannito**

That is not the right way to think about the large solar array contracts. The way I would think about the large solar array contracts is in the advantages of the capability associated with having solar arrays that are flexible enough to be deployed in a small package and then roll out to a much larger package. So when you think about some of the great questions we got about commercial space stations, that's a key advantage from a logistics and implementation perspective.

When you think about things like Gateway and the PPE wings that we're building, when you think about the win we had with Astrobotic for VSAT, and you think about the future of power infrastructure that is going to be required on the lunar surface in order to sustain a human presence there, this Redwire IP associated with the Roll-Out Solar Arrays is garnering a lot of demand, especially because it has, I mean, what better use case and flight heritage can you have than having it on the ISS? So I think people are -- when they go to -- when a lot of these very power-hungry solution providers come out, they look to Redwire and our proven capabilities. And I think about it that way because it's not a mass manufacturing play of solar arrays across huge constellations.

### **Suji DeSilva**

Okay. Thanks for taking the questions. Thanks, guys.

**Peter Cannito**

Thank you.

**Operator**

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

**Peter Cannito**

Yes. Again, I'd just like to thank all the Redwire employees worldwide for the hard work they do every day for our customers. I'd like to thank our customers for believing in us, and I'd like to thank all of you for joining the call today. And with that, we're signing off.

Go Redwire.

**Operator**

Thank you. This does conclude today's conference. You may disconnect your lines at this time. And thank you for your participation.