Redwire Corporation
Second Quarter 2023 Earnings Call
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<u>**Presenters**</u>
Jeff Zeunik, Senior Vice President-Financial Planning and Analysis and Investor Relations
Peter Cannito, Chairman & Chief Executive Officer
Jonathan Baliff, Chief Financial Officer

<u>**Q&A Participants**</u>
Mike Crawford - B. Riley Securities
Greg Konrad - Jefferies
Suji DeSilva - ROTH MKM

Operator
Greetings. Welcome to Redwire Space's Q2 2023 Earnings 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 conference, please press "*", "0" on your telephone keypad.

Please note, this conference is being recorded.

I'll now turn the conference over to your host, Jeff Zeunik. You may begin.

Jeff Zeunik
Thank you, Shamali, and good morning, everyone. Welcome to Redwire's second quarter 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.

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
Thanks, Jeff. During today's call, I will take you through a discussion of our key accomplishments in the second quarter of 2023, followed by Jonathan, who will present the financial highlights for the same period. We will also discuss our continuing outlook for the remainder of 2023, after which we will open the floor for Q&A.

Please move to Slide 6. I'm very pleased to report that the second quarter was another record quarter for financial performance at Redwire. Our ability to deliver high-quality solutions and products to our customers is, in turn, enabling us to deliver tangible financial results for our shareholders.

During the second quarter of 2023, we achieved record revenue, gross profit and adjusted EBITDA, recognized our first quarter of positive cash from operations and positive free cash flow, made multiple strategic investments in the business to drive future growth, expanded our margins and continued to execute and win more leading-edge, high-potential contracts.

One such leading-edge contract is our recently announced award to develop trailblazing systems to build landing pads, roads and other forms of infrastructure on the moon, a rendering of which is shown on the right of this page.

The future lunar economy based on a permanent presence on the lunar surface will bring significant benefit to humanity, and we are very proud to be NASA's trusted partner for developing lunar infrastructure solutions to support this critical mission.

Please turn to Slide 7. The second quarter of 2023 was another incredible quarter for Redwire, during which we built on the momentum from the first quarter of 2023 for a very successful first half of the year. We achieved year-over-year quarterly revenue growth of 63.6% from the second quarter of 2022 to the second quarter of 2023.

For Adjusted EBITDA, I'm very pleased to report that we achieved a second sequential quarter of positive Adjusted EBITDA, with an $8.4 million increase on a year-over-year basis from the second quarter of 2022 to the second quarter of 2023.

Next, we are pleased to report we have achieved a $71.6 million, year-over-year, improvement in net loss. Also notably in this quarter, we achieved positive free cash flow for the first time as a public company. In Q2, we achieved a year-over-year improvement in free cash flow of $6.3

million to positive free cash flow of $1.1 million. This is an important milestone for Redwire and an outstanding accomplishment on both an absolute and percentage growth basis.

We also achieved year-over-year improvement of $7 million in cash from operations to positive $2.8 million in the second quarter of 2023. That's $7 million in cash from operations improvement.

Finally, it's important to note that these positive financial results are due to strong performance in operations.

In Q2, we continued our proven track record of delivering dependable, flightworthy products and extended our already significant flight heritage as we launched 11 solutions on four launches in the quarter.

Turning to Slide 8, as I just mentioned, our strong financial performance is driven by our proven ability to deliver differentiated solutions for our outstanding customers, today. This is how we know it is sustainable.

On the next few slides, we'll share just a few examples of our operational success and investments in the second quarter of 2023.

During Q2, two additional Redwire Roll-Out Solar Arrays, or ROSA Wings, were installed on to the International Space Station, bringing the total number of ROSA Wing deployments and operating in space to six.

In addition, during the quarter, Redwire announced the award of two more iROSA Wings, numbers 7 and 8, in a follow-on contract from Boeing. Our performance and reliability are leading to follow-on contracts.

Redwire also continues to advance the ROSA technology to power other space flight platforms and missions, such as for the power and propulsion element for NASA's Gateway and for Astrobotics' Lunar vertical solar array.

Turning to Slide 9. During the second quarter of 2023, Redwire provided advanced engineering services and payload deployment expertise for the Bolt Rocket from X-Bow Systems, their next-generation launch vehicle. Redwire developed and delivered four key components: the launch vehicle structure, separation system, launcher interface and ground support equipment.

In addition, Redwire provided vehicle integration, launch and post-flight recovery services. The technology supporting this mission was developed by Redwire's team in Albuquerque, New Mexico, and this is the second successful mission that Redwire has supported with X-Bow systems and their suborbital rocket.

Please turn to Slide 10. Also in Q2, Redwire had three successful experiments returned from the International Space Station. Materials from our PFMI-ASCENT, Amplispace/Maker Health and Plant Habitat-3(A) investigations will return to their respective researchers on earth for further study. These are excellent examples of the continuous cycle of in-space payload development and operations that Redwire is known for.

Please turn to Slide 11. Finally, space is a multinational endeavor, and Redwire Space is a global leader in international space missions. In the second quarter of 2023, Redwire's International Berthing and Docking Mechanism, or IBDM, successfully completed its first round environmental testing.

The IBDM is the result of an extensive research and development program and was designed to overcome the limitations of conventional docking systems and to be highly versatile, resilient, high performance and low impact.

It is fully computer controlled and designed for use with both large mass and very lightweight spacecraft. The IBDM will soon complete further testing with the goal of having a fully qualified system by the end of the year.

We believe that the IBDM is the docking system for the next generation of space infrastructure, and as of the end of Q2, we have over $60 million of identified opportunities in our current year pipeline associated with this remarkable system.

Please turn to slide 12. Speaking of pipeline, our bookings during the second quarter were $45.6 million, an increase over our contracted awards for the first quarter of 2023, which totaled $29.7 million. Our last twelve months book-to-bill ratio was 1.49x, as of Q2 2023.

Finally, as you can see on the right-hand side of this slide, our contracted backlog has increased 68.3% since June 30 of last year to a contracted backlog at the end of Q2 2023, of $272.8 million. Growth in contracted backlog is one factor that gives us confidence in our future growth and stability.

We continue to have a healthy pipeline with an estimated $3.7 billion of identified opportunities, including $512 million in proposals submitted and currently under review by our customers.

Please turn to slide 13. Not only did Redwire achieve positive Adjusted EBITDA and free cash flow during the first two quarters of 2023, we did so while continuing to invest in our future growth. During the year-to-date period ending June 30, 2023, we have made $2.5 million in capital expenditures.

Examples of capital expenditures during the quarter include spend on our first-of-its-kind radio frequency test chamber in our Longmont, Colorado facility to support our rapidly growing space communications business, as well as investments in a truss for solar production in our Goleta, California facility.

During the same period, we have also made investments in research and development, totaling $2.5 million, including significant investments in the IBDM. In addition, we have made a variety of corporate investments in systems and infrastructure totaling $1.9 million that flow through the SG&A line.

Next, moving to Slide 14. Redwire recently announced plans for a 30,000 square foot state-of-the-art microgravity payload development facility with a mission operations center at the Novaparke Innovation and Technology Campus in Floyd County, Indiana.

Once complete, this facility will support increased demand for commercial companies and academic researchers focused on improving biopharma R&D, in-space commercialization, and enabling technologies essential for sustainable human space flight in low Earth orbit and beyond. Construction is expected to begin in the fourth quarter of 2023.

Clearly, we are demonstrating our ability to deliver in the present while investing in the future.

Please turn to Slide 15. 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. Please turn to Slide 16. Similar to last quarter, I will help quantify and expand on a number of the themes that Pete just talked about, including key financial takeaways, starting with the financial quarterly metrics shown on this chart, and then continuing with other quarterly, year-to-date, and last twelve month financial information, and also a brief update to our financial outlook for the remainder of the year.

Important points to reiterate in detail for this quarter's financials: one, Redwire's excellence in execution initiatives continue to deliver on our growth promises and our differentiated path to profitability as we scale our business with record quarterly and first half revenues, gross profit, Adjusted EBITDA and now, positive cash from operations and free cash flow.

So, let's discuss the specifics. We achieved record revenue of $60.1 million in the second quarter of 2023. We achieved our second consecutive positive Adjusted EBITDA quarter since becoming a public company, a positive Adjusted EBITDA of $4.4 million in the second quarter of 2023. And as said before, that's an $8.4 million increase on a year-over-year basis versus the second quarter of 2022.

This record Adjusted EBITDA occurred primarily due to a more than doubling of gross profit, year-over-year, which we will detail in a few minutes.

This excellent progress in gross profit, program management and continued cost controls also contributed to a $71.6 million year-over-year improvement to a $5.5 million net loss in the second quarter of 2023.

Second and notably, in Q2 2023, we achieved positive free cash flow for the first time as a public company and that was $1.1 million based on a positive $2.8 million of cash from operations. This is a year-over-year improvement in cash from operations of $7 million and a sequential $16.9 million improvement over the last quarter.

Please turn to Slide 17. Specifically for quarterly revenue, as you can see from the chart on the right, and as I said before, we had a $60.1 million revenue stream for the second quarter of 2023 versus $57.6 million for the first quarter of 2023, representing an increase of 4.3% on a sequential basis. And as I said before, this is a 63.6% increase on a year-over-year basis.

Excluding revenue contributed by Space NV, our second quarter revenues were $45.9 million, excellent growth of 24.9% on a comparable year-over-year basis.

We were able to achieve this in the US businesses, due to the significant growth in backlog. More than 85% of our revenue is derived from funded government programs or from global marquee customers who are delivering, for example, in the national security area, LEO commercialization habitation and exploration of space areas, to name a few.

Finally, on a Q2 2023, full year, last twelve month basis Redwire grew revenue at 45.6%, an acceleration of revenue growth from Q1 2023's last twelve months of 33.5% talked about on last quarter's call.

Turning to Slide 18. For this year-to-date or first half, Redwire recorded $117.7 million of revenue which, excluding the revenue contributed by Space NV, was growth of 31%, compared to the first half of 2022.

Redwire's first half of 2023 saw 69.1% year-over-year revenue growth across all three primary focus areas, whether it be Space Systems as an integrated space mission enabler, or payloads to explore, live, work in space or with Redwire Europe and our multi-national space leadership.

The first half revenue percentage by customer type shown on this chart also shows the strength of the diversification of Redwire revenue, adjusted EBITDA and cash flow with revenue streams 45.4% from Civil, 33.5% from Commercial and 21% from National Security customers.

Of note, this half, our first half 2023 Commercial customer revenues have seen the largest growth percentage, 103.6% year-over-year. And our National Security revenues grew year-over-year by 43.9% in the half versus 9.1% growth in the first half of 2022, an almost five times acceleration of this customer class's revenue.

Please turn to Slide 19. Redwire’s path to profitability continued successfully in this quarter, as you can see from the progress made on the chart to the right. With a steady march of quarterly financial improvement in 2022, now continuing in 2023 with Q2 2023, Adjusted EBITDA improving $8.4 million year-over-year to a positive $4.4 million.

This record Adjusted EBITDA improvement was primarily driven by our improvement in gross profit. Our excellence in execution initiatives are showing results. Better contract mix, the roll-off of lower margin contracts, better labor utilization, and better program management increased on a year-over-year gross margin basis from 19% to 26.5%, and our year-over-year gross profit grew 2.3 times higher, from $7 million to $15.9 million.

The Adjusted EBITDA improvement was also supported by cost control, with Redwire's second quarter 2023 SG&A expenses at 29.4% of revenue, a significant drop from the 47.8% in the second quarter of 2022.

Please move on to Slide 20. Similar to our first quarter, on the left-hand chart, we show free cash flow. As a reminder, free cash flow provides a metric based on our US GAAP cash from operations, minus CapEx.

As you can see, during the second quarter of 2023, we had positive free cash flow of $1.1 million, compared with the first quarter of 2023's use of cash of $14.8 million, a sequential improvement of almost $16 million. On a last twelve months basis, free cash flow also improved 16.5% in the second quarter of 2023.

Credit for this goes to the revenue growth and profitability improvements already discussed. But in addition, we had more efficient and effective working capital management over the second quarter and our management continues to be laser focused on this, through 2023 and beyond.

And remember, this cash flow improvement is after the almost $7 million of first half investments for growth that Pete spoke about earlier and is not dependent on any one solution or any one customer class.

On the right-hand chart, we show our available liquidity as of June 30, 2023, which totaled an ample $36.2 million, a nominal change from Q1 23. This quarter's liquidity is much improved from a year ago, and we continue our path to profitability, and I want to thank all of Redwire's teams for this quarter's result, a total global effort that will continue through 2023 and beyond.

I will now turn the presentation back over to Pete to provide a brief outlook for the remainder of 2023. Pete?

Peter Cannito

Thanks, Jonathan. Please turn to Slide 22. As you can see from our presentation, Redwire continues to deliver now with strong operational and financial performance while investing in our future, resulting in strong pipeline and future backlog.

For these reasons, for 2023, we reaffirm our full year guidance range of $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 their hard work and--on an excellent second quarter and to all our customers for trusting Redwire.

We will now open the floor for questions.

Operator
And at this time, we will be conducting a question-and-answer session. If you would 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. For participants using speaker equipment, it may be necessary to pick up the handset before pressing the star keys.

Our first question comes from the line of Mike Crawford with B. Riley Securities. Please proceed with your question.

Mike Crawford
Thank you. Pete, maybe I'd like to start with the numbers you gave for the proposals submitted and under review. So, the deck shows $489 million at June 30th; you mentioned $512 million today. Is that accurate that there is a $23 million increase in the first month of the quarter?

Peter Cannito
So, we'll have to get back to you [later in the call] on that question, Mike. I think it's in that range and we might be confusing year-to-date submitted bids as of a certain time period versus the year-to-date. Let me see here. But I'm going to pull up the number real quick.

Mike Crawford
Okay. Well, maybe more importantly, you have this $3.7 billion pipeline and do you have enough experience at this point to characterize like potential win rate or thoughts on how you're going to turn that into a backlog in the coming year?

Peter Cannito
It's a really good question. The answer is essentially no. At this point, we don't have a conversion rate that has enough consistency, over time, that we're comfortable reporting on. A number of those opportunities, there's some big swings in there that could, for instance, change any conversion rate I were to give you, anyways.

So, I think the $3.7 billion really underscores that there's a lot of great opportunities for us to work against. And based on the backlog growth you've seen, we have a consistent enough win rate to include our growth over time here. Jonathan, did you have any additional comments on the $512 million versus $489 million?

Jonathan Baliff
Yeah, I think that on the $489 million, it's only those submitted during the year. So, $489 million, we just had a cutoff on the year-to-date submitted bids. The $512 million includes a few other bids that had been submitted.

Mike Crawford
Okay, perfect. And then, Jonathan, I know you gave a few of the reasons, the drivers of the improvement in gross margin with your excellence in execution, like roll off of lower margin contracts, better program management, etc.

But was there anything particular in the mix in this quarter and last that led to these really sizable beats versus forecasted margins? And I guess the follow-through is, is that more of a new baseline for what we should expect going forward?

Jonathan Baliff
Well, look, Mike, I always appreciate your question in trying to get at basically a projection of our current gross margins, which we do not publicly give, but let me help you out here.

Look, if you look at last year and the nature of a number of EAC adjustments and some program management, really what you've seen is improvement across all three focus areas, whether it be enabling space missions, live-work in space or what we call Redwire Europe and international or multinational.

All three saw improvement in the gross margins and gross profit, but you really saw it in the space industries or, basically, the live work in space focus area. You really saw that year-over-year improvement, and that's just due to some new contracts coming on, better program management, fewer EAC adjustments, all the things that I talked about before.

I do have to also mention, when we talk about cost control, we don't just talk about cost control from the standpoint of SG&A and operating margin. We also talk about within the contracts themselves. And so being able to operate on time and do better on-time delivery of milestones, both helps us from a gross margin standpoint and gross profit and then, obviously, from a cash flow standpoint.

Mike Crawford
Okay.

Jonathan Baliff

Does that help, Mike.

Mike Crawford
Yeah, yes. So, that was a great job of kind of answering the question, but not really.

Jonathan Baliff
Look, we told you, Mike, in the past, we're not giving guidance, but we have an intent of getting these margins up, right. We just don't give any guidance, Mike, but you can tell, we're making progress quarter-over-quarter. It's Pete's direction to all the management team to continue this. It's not going to be an overnight, but you can see the progress. And then you see also the money dropping to the bottom line, which is really the operating leverage coming back into the business as a public company.

Peter Cannito
Yeah. I'll just add that again, the key factor is, as I mentioned in the pipeline, we have some pretty big swings. Some of these swings may be cost plus fixed fee, for instance. And therefore, the gross margin profit could change based on landing one of these big swings, even though the absolute value of the profit would significantly increase with scale.

So, there's a number of different trade-offs that happen when you're kind of building a complex mix of programs like we are and an outsized cost plus fixed fee -is an example of one of the reasons we're reluctant to put a mark on the wall for a gross profit margin.

Mike Crawford
All right. Thanks, Pete. And I guess I have one closing kind of bigger picture question on, if you look at space systems, space industries, multinational, is there one of these addressable markets that is most attractive, or are there different potential margin characteristics for any of those three, I wouldn't call them segments, but areas of focus?

Peter Cannito
No, it's really about the portfolio effect in this instance. They each bring something to the table. Obviously, some of the focus areas are growing faster than others. Some have provided more scale. Others are really important for the future. Certainly, there's different growth rates occurring internationally versus the US market, and the US market, as you saw from the percentages that Jonathan presented, you have a number of different dynamics in Civil, National Security and Commercial, as well.

So it's really, I think the important part is that each area of focus brings something to the portfolio that makes the whole come together in a really resilient, stable, growing way.

Mike Crawford
Okay. Thank you. Thank you very much.

Jonathan Baliff
Thank you, Mike.

Operator
Our next question comes from the line of Greg Konrad with Jefferies. Please proceed with your question.

Greg Konrad
Good morning. I'm just going to--

Peter Cannito
--Greg, how are you?

Greg Konrad
Good. How are you doing?

Peter Cannito
Good

Greg Konrad
Just going to follow-up on margins, not expecting an answer, but just coming at it a different way. I mean, you mentioned some of the variability around mix, going forward. But I mean, when you think about the second half of the year, is there at least a baseline to maintain positive EBITDA? And if we do think about the biggest swings, is that more on the COGS line, or is there some variability around SG&A, just thinking about OpEx spending?

Peter Cannito
In terms of the margin mix or the margins, it's really a function of the product mix and the type of contracts that we win as we scale. In terms of what I call gross margin discipline, that's an area that we've been putting a lot of focus on. We've demonstrated as part of our excellence in execution initiative, the ability to continue to make great headway there, and that is our intention to continue that going into the future. Jonathan, do you want to add anything?

Jonathan Baliff
Yeah, the only thing I would add is, we continue to see improvement on the SG&A margin line. The SG&A margin line this quarter, still much better on a year-over-year basis, but this quarter, more than any other, we had a lot of investments in SOX, ERP that find its way into that SG&A line.

So, we really did see on a run rate basis, our SG&A margin go down sequentially, quarter-over-quarter. But it looks a little higher but really, we had some specific investments is what I would call them; they’re one-offs. But we include them and we don't try to say that they're not SG&A and do some adjustments. So that's why you're seeing that.

But I think that once we continue to win these bigger projects and revenue, you're going to see that stay fixed on an absolute basis, and that's where operating leverage comes.

On the gross margin basis, again, I know you're asking a specific question about the future. We really have an intent to keep this gross margin moving from the standpoint of being able to continue the path to excellent on-time delivery, better on-time delivery, better programs that have higher margins. So we're going to continue--that's an intent. We just don't give a guidance towards it, Greg, but hopefully, you're getting a sense of what we're trying to do here.

Greg Konrad
I mean, there's been great momentum. And then, I mean, just switching to the outlook for the top line for the year. If we kind of take the midpoint of the guide, it's kind of a sequential flat in H2 versus Q2 levels. What is the variability? Is it the supply chain? Is it orders that you expect coming in? Is it capacity? Just how are you kind of thinking about revenues, at least near-term?

Peter Cannito
Yeah, so it has to do with the size of orders and the timing of orders. As you know, in this industry, it can be very difficult sometimes to predict when, for instance, a government award occurs. So, I would say that the majority of the uncertainty is about timing associated with awards.

Jonathan Baliff
Yeah, and just know, again, we want to be prudent in our guidance and sticking with that, we're halfway through the year. We're proud of what we've been able to achieve, the team has done a great job executing. But like Pete said, it can be lumpy, but we're just trying to be prudent.

Greg Konrad
And then just last one, I mean, in H1 Commercial led the increase. I'm not sure of how much of that is organic versus inorganic. But have you seen any broader changes in the Commercial realm? I mean, there's obviously a little bit of volatility around funding before and some other items. Just can you talk about the broader trends in the commercial business?

Peter Cannito
Yeah. I mean, I think you hit on it, and it's talked a lot about in the news. Commercial is growing fast. There's a significant amount of opportunity there, but Redwire's as a mission enabler had some exposure to customers receiving their funding, as well. So, depending on the funding profile of our customers, obviously, that trickles down to us, as well.

But overall, there's still a lot of enthusiasm around the Commercial segment of the market and we believe that trend will continue, over time. We're also seeing a lot of breakout Commercial successes, as well, that is leading to some tailwind.

And then, while we're on the topic, I'll just point out and reemphasize one of the areas we're excited about in the National Security area, which happens to be the area that's growing or accelerating the fastest as part of our growth.

There's certainly a significant amount of opportunity emerging in National Security, as well. And we think that Redwire, based on some of our security infrastructure and contracts, has a real opportunity to capitalize on those trends.

Greg Konrad
Thank you.

Jonathan Baliff
I mean, just to emphasize, without Space NV, to answer a specific question, we saw 31% growth without Space NV on a first half basis. And on an LTM basis, as you know, we saw 45.6% growth. And so, we're making progress, best way I can say.

Greg Konrad
Thank you.

Operator
Our next question comes from the line of Suji DeSilva with ROTH MKM. Please proceed with your question.

Suji DeSilva
Hi Peter. Hi, Jonathan. Congrats on all the progress here.

Jonathan Baliff
Thank you very much, Suji.

Peter Cannito
Thanks.

Suji DeSilva
Sure. So first of all, I just want to try to distinguish in the pipeline. Maybe this is a follow-up to some of the asked questions. The $500 million of contracts submitted versus the multibillion-dollar pipeline.

And when you submit the proposal, does that give you some level of understanding of the timeframe for the award, or should I refer back to your prior comments here, Jonathan, where that is one of the most uncertain parts of kind of running the revenue line?

Peter Cannito

No, we don't control the timing of the award. So, it can be highly variable; government contracts are notorious for being awarded late. It can be a continuing resolution. It can be a protest. There's a lot that goes into the timing of these awards so it's very difficult to predict.

Jonathan Baliff
I'm just making note, when you compare it to the last quarter, the pipeline has moved up almost $300 million from $3.4 billion to $3.7 billion. So we're seeing more coming through the pipeline. But as Pete said, the timing is something that we think long and hard about and be prudent about what we can predict.

Suji DeSilva
Yeah. So just to ask a question a little more simply. I mean, is it reasonable to expect that the one when you submitted a contract that will be awarded within the next 12 months, or is that not a reasonable way to think about it?

Peter Cannito
So, I would just repeat that the government has a number of things that they have to deal with as well as our commercial customers to include their financing. So it's very difficult to predict. Yeah. I mean, I would think if I was going to try to focus on something, I'd focus on the backlog. We've had excellent growth in our backlog. We're very proud of that. Our team has done an extraordinary job in winning the confidence of our customers to increase that backlog. And that's where I would look to in terms of that reliable revenue moving into the future.

Suji DeSilva
That's helpful, Peter. It's been a great execution on the backlog. And maybe you can, second question, do you focus on the National Security part of the business? There's been a lot of talk, you know, to date, about launch and about satellites and Earth observation.

I just want to understand Redwire's sort of offerings to National Security because that may be kind of highlight, have been, may have been highlighted a little less in the last few quarters. So, I'd be curious what the opportunities are there.

Peter Cannito
Yeah, we have interest across our entire portfolio mix from the National Security segment of the market. It's not so much I would focus on which products they're interested in, specifically in list offerings, because it's pretty much across the board.

What I would focus on is that Redwire has unique security infrastructure and personnel clearances and contracts, quite frankly, that if you follow the government contracting industry, you know that you have to have contracts that have documentation that allows you to participate in more classified work, and we have those elements as part of our business.

So, when I talk about the accelerated growth and when you see the accelerated growth, I think it's more a reflection of the fact that we're a trusted company that has that barrier to entry, if you will, in terms of the ability to work on some of the government's most sensitive space programs. Does that make sense?

Suji DeSilva
Yeah. Absolutely. It's a very helpful perspective. And then maybe lastly, you cited the 85% government marquee customer data point in the presentation. I'm just curious, you know, is that make expected to the change next one to two years or stay roughly there? And maybe you could just kind of help us understand the 15%, are there large customers that you could cite in that to understand how that can grow, or is that diversified across a lot of emerging customers? Thanks.

Peter Cannito
Suji, I'll ask you to repeat the last part because I didn't totally get that, but let me jump on the first part, first. You know, all of our mix, one of the exciting things that I like to talk about Redwire is that we hit above our weight class in terms of the opportunities that we're pursuing in the pipeline.

So, sometimes you have the potential to have really large wins in a particular area of the business that can have an outsized impact on our base, if you will, which is awesome and really exciting about Redwire, because these big swings are the kinds of things that are fueling our growth.

However, at the same time, it makes it difficult sometimes to make bold predictions about a variety of different mixes like national security. We may be growing in any one of the different segments or even sometimes your gross margins as I referenced in this idea of that, a very large cost plus fix fee win could change our profile there.

So, you might have an instance where you might have an increase in the number of wins in the commercial segment, except for they're smaller dollar amounts compared to, say, a very large single win in say, the Civil or National Security space, and that could again, change these numbers.

So, we like the mix. I think the most important thing to us is that we're operating across all these different areas, successfully, and that gives us a lot of resilience and stability, regardless of what the market is doing. Sometimes, when the Commercial slows down due to maybe access to capital, we have really great stability associated with increases in National Security growth. Civil is always there.

Europe is one of the areas we're particularly excited about because they are really growing their budgets over there. So, that gives us additional stability and resiliency in that portfolio effect I talked about earlier, as well. I didn't understand the second half of the question about the 15%. What was that in reference to?

Suji DeSilva

Sure. Yeah, Peter, I think you answered it to some extent. The remaining 15%, whether it's across many smaller customers or whether there's one or two large customers dominating that portion? I think you already said it was relatively--

Peter Cannito
--Yeah--yeah, got it.

Jonathan Baliff
Let me just--I mean, I'm going to bolt on to that because when you look at the customers that we're doing current bids for, you have 85% that are marquee and government, and we're pretty specific about how you get into that bucket. The other 15%, these are actually many of them very, very large customers, too.

And when you look at the $489 million in bids this year, those are submitted, to date. There's the $512 million, there was a little bit of residual coming out of 2022 that adds to that $489 million. But the bottom line is that 15% are still really quality customers, too, right.

Suji DeSilva
Got it. Great guys. Thanks. Appreciate the detail.

Operator
And we have reached the end of the question-and-answer session. I'll now turn the call back over to Peter Cannito for closing remarks.

Peter Cannito
Thank you very much. I'd like to thank everybody for those outstanding questions. I'd like to really thank the team for another great quarter. Thank all of our employees and customers for the exciting work we do every day.

Like I mentioned, we're really excited when a customer like NASA entrusts us with a really incredible program like the Mason [Tipping Point] program to build roads and launch pads on the moon. Again, that's what we're all about here at Redwire, and we appreciate everyone's time today, and thank you for listening. Go Redwire.

Operator
And this concludes today's conference, and you may disconnect your lines at this time. Thank you for your participation.