

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 001-39733



Redwire Corporation

(Exact name of registrant as specified in its charter)

Delaware

88-1818410

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

**8226 Philips Highway, Suite 101
Jacksonville, Florida**

32256

(Address of Principal Executive Offices)

(Zip Code)

(650) 701-7722

Registrant's telephone number, including area code

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	RDW	New York Stock Exchange
Warrants, each to purchase one share of Common Stock	RDW WS	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The registrant had outstanding 66,540,871 shares of common stock as of October 31, 2024.

REDWIRE CORPORATION
QUARTERLY REPORT ON FORM 10-Q
SEPTEMBER 30, 2024
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PART I. FINANCIAL INFORMATION

Each of the terms the “Company,” “Redwire,” “we,” “our,” “us” and similar terms used herein refer collectively to Redwire Corporation, a Delaware corporation, and its consolidated subsidiaries, unless otherwise stated.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains statements that constitute “forward-looking statements,” within the meaning of the Private Securities Litigation Reform Act of 1995 concerning us and other matters. Words such as “will,” “expect,” “anticipate,” “intend,” “may,” “could,” “should,” “plan,” “project,” “forecast,” “believe,” “estimate,” “outlook,” “trends,” “goals,” “contemplate,” “continue,” “might,” “possible,” “potential,” “predict,” “would” and similar expressions, generally identify these forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements include, among other things, statements relating to our future financial condition, results of operations and/or cash flows, and our projects and related timelines. Forward-looking statements are based upon assumptions, expectations, plans and projections that we believe to be reasonable when made, but which may change over time. These statements are not guarantees of future performance and inherently involve a wide range of risks and uncertainties that are difficult to predict.

Redwire believes it is important to communicate its expectations to its security holders. However, there may be events in the future that Redwire’s management is not able to predict accurately or over which Redwire has no control. The risk factors and cautionary language contained in this report, and other reports and documents filed by Redwire with the Securities and Exchange Commission (the “SEC”), provide examples of risks, uncertainties and events that may cause actual results to differ materially from the expectations described in such forward-looking statements, including among other things:

- risks associated with economic uncertainty, including high inflation, supply chain challenges, labor shortages, high interest rates, foreign currency exchange volatility, concerns of economic slowdown or recession and reduced spending or suspension of investment in new or enhanced projects;
- the failure of financial institutions or transactional counterparties could adversely affect our current and projected business operations and our financial condition and results of operations;
- our limited operating history in an evolving industry and history of losses to date makes it difficult to evaluate our future prospects and the risks and challenges we may encounter;
- if we are unable to successfully integrate recently completed and future acquisitions or successfully select, execute or integrate future acquisitions into the business, our operations and financial condition could be materially and adversely affected;
- our ability to grow our business depends on the successful development and continued refinement of many of our proprietary technologies, products, and service offerings;
- competition with existing or new companies could cause downward pressure on prices, fewer customer orders, reduced margins, the inability to take advantage of new business opportunities, and the loss of market share;
- a limited number of customers make up a high percentage of our revenue;
- matters relating to or arising from our Audit Committee investigation, including litigation matters and potential additional expenses, may adversely affect our business and results of operations;
- natural disasters, geopolitical conflicts, or other natural or man-made catastrophic events could disrupt and impact our business;
- adverse publicity stemming from any incident involving Redwire or our competitors could have a material adverse effect on our business, financial condition and results of operations;
- our business involves significant risks and uncertainties that may not be covered by insurance or indemnity;
- our business could be seriously harmed if we fail to respond to commercial industry cycles in terms of our cost structure, manufacturing capacity, and/or personnel needs;
- any delays in the development, design, engineering and manufacturing of our core offerings may adversely impact our business, financial condition and results of operations;
- unsatisfactory performance of our core offerings resulting from challenges in the space environment, extreme space weather events or otherwise could have a material adverse effect on our business, financial condition and results of operations;
- our results of operations and cash flows are substantially affected by our mix of fixed-price, cost-plus and time-and-material type contracts;
- our cash flow and profitability could be reduced if expenditures are incurred prior to the final receipt of a contract;

- we may in the future invest significant resources in developing new offerings and exploring the application of our technologies for other uses and those opportunities may never materialize;
- we may not be able to convert our orders in backlog into revenue;
- we may use artificial intelligence in our business, and challenges with properly managing its use could result in reputational harm, competitive harm, and legal liability, and adversely affect our results of operations;
- our reliance on third-party launch vehicles to launch our spacecraft and customer payloads into space;
- we may experience a total loss of our technology and products and our customers' payloads, if there is an accident on launch or during the journey into space;
- our operating results may fluctuate significantly, which makes our future operating results difficult to predict and could cause our operating results to fall below expectations or any guidance that we may provide;
- cyber-attacks and other security threats and disruptions could have a material adverse effect on our business;
- if we are not successful in attracting or retaining highly qualified personnel, we may not be able to successfully implement our business strategy;
- our business, financial condition and results of operations are subject to risks resulting from broader geographic operations;
- our net earnings could be materially affected by an impairment of goodwill;
- our pension funding and costs are dependent on several economic assumptions which, if changed, may cause our future results of operations and cash flows to fluctuate significantly over time;
- our ability to use net operating loss carryforwards and certain other tax attributes may be limited;
- the U.S. government's budget deficit and the national debt, as well as any inability of the U.S. government to complete its budget process for any government fiscal year and consequently having to shut down or operate on funding levels equivalent to its prior fiscal year pursuant to a "continuing resolution," could have an adverse impact on our business, financial condition, results of operations and cash flows;
- we depend significantly on U.S. government contracts, which often are only partially funded, subject to immediate termination, and heavily regulated and audited;
- we are subject to the requirements of the National Industrial Security Program Operating Manual ("NISPOM") for our facility security clearance, which is a prerequisite to our ability to perform on classified contracts for the U.S. government;
- we are subject to stringent U.S. economic sanctions, and trade control laws and regulations;
- if we fail to adequately protect our intellectual property rights or defend against intellectual property claims, our competitive position could be impaired and our intellectual property applications for registration may not be issued or be registered;
- we may require substantial additional funding to finance our operations, but adequate additional financing may not be available when we need it, on acceptable terms or at all;
- the reduced relative voting power of holders of our common stock and diluted the ownership of holders of our capital stock as a result of the issuance and sale of shares of our Series A Convertible Preferred Stock;
- AE Industrial Partners and Bain Capital have significant influence over us, which could limit other investors' ability to influence the outcome of key transactions;
- provisions in the Certificate of Designation related to our Series A Convertible Preferred Stock may delay or prevent our acquisition by a third party, which could also reduce the market price of our capital stock;
- our Series A Convertible Preferred Stock has rights, preferences and privileges that are not held by, and are preferential to, the rights of holders of our other outstanding capital stock;
- there may be sales of a substantial amount of our common stock by our current shareholders and these sales could cause the price of our common stock to fall;
- the trading price of our common stock and warrants is and may continue to be volatile; and
- if we were to identify additional material weaknesses or other deficiencies, or otherwise fail to maintain effective internal control over financial reporting, we may not be able to accurately and timely report our financial results, in which case our business may be harmed and investors may lose confidence in the accuracy and completeness of our financial reports.

Undue reliance should not be placed on these forward-looking statements. The forward-looking statements contained in this Report are based on current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. We do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

Item 1. Financial Statements and Supplementary Data

REDWIRE CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In thousands of U.S. dollars, except share data)

	September 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash, cash equivalents and restricted cash	\$ 43,094	\$ 30,278
Accounts receivable, net	22,653	32,411
Contract assets	46,069	36,961
Inventory	2,055	1,516
Income tax receivable	636	636
Prepaid insurance	1,291	1,083
Prepaid expenses and other current assets	10,738	6,428
Total current assets	126,536	109,313
Property, plant and equipment, net of accumulated depreciation of \$9,539 and \$6,538, respectively	16,929	15,909
Right-of-use assets	10,668	13,181
Intangible assets, net of accumulated amortization of \$24,151 and \$18,509, respectively	62,516	62,985
Goodwill	72,572	65,757
Equity method investments	—	3,613
Other non-current assets	724	511
Total assets	\$ 289,945	\$ 271,269
Liabilities, Convertible Preferred Stock and Equity (Deficit)		
Current liabilities:		
Accounts payable	\$ 19,936	\$ 18,573
Notes payable to sellers	11	—
Short-term debt, including current portion of long-term debt	1,751	1,378
Short-term operating lease liabilities	3,518	3,737
Short-term finance lease liabilities	501	439
Accrued expenses	27,813	32,902
Deferred revenue	56,684	52,645
Other current liabilities	20,807	2,362
Total current liabilities	131,021	112,036
Long-term debt, net	121,553	86,842
Long-term operating lease liabilities	9,790	12,302
Long-term finance lease liabilities	1,089	1,137
Warrant liabilities	11,436	3,325
Deferred tax liabilities	2,379	2,402
Other non-current liabilities	401	400
Total liabilities	\$ 277,669	\$ 218,444
Commitments and contingencies (Note J – Commitments and Contingencies)		

REDWIRE CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In thousands of U.S. dollars, except share data)

	September 30, 2024	December 31, 2023
Convertible preferred stock, \$0.0001 par value, 125,292.00 shares authorized; 100,912.65 and 93,890.20 issued and outstanding as of September 30, 2024 and December 31, 2023, respectively. Liquidation preference of \$239,860 and \$187,780 as of September 30, 2024 and December 31, 2023, respectively ⁽¹⁾ .	\$ 108,696	\$ 96,106
Shareholders' Equity (Deficit):		
Preferred stock, \$0.0001 par value, 99,874,708 shares authorized; none issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	—	—
Common stock, \$0.0001 par value, 500,000,000 shares authorized; 66,540,871 and 65,546,174 issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	7	7
Treasury stock, 614,654 and 353,470 shares, at cost, as of September 30, 2024 and December 31, 2023, respectively	(2,688)	(951)
Additional paid-in capital	184,325	188,323
Accumulated deficit	(280,937)	(233,791)
Accumulated other comprehensive income (loss)	2,873	2,903
Total shareholders' equity (deficit)	(96,420)	(43,509)
Noncontrolling interests	—	228
Total equity (deficit)	(96,420)	(43,281)
Total liabilities, convertible preferred stock and equity (deficit)	\$ 289,945	\$ 271,269

⁽¹⁾Please refer to Note K – Convertible Preferred Stock for additional information.

The accompanying notes are an integral part of the condensed consolidated financial statements.

REDWIRE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

(In thousands of U.S. dollars, except share and per share data)

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Revenues	\$ 68,638	\$ 62,612	\$ 234,541	\$ 180,315
Cost of sales	56,615	45,495	194,709	133,077
Gross profit	12,023	17,117	39,832	47,238
Operating expenses:				
Selling, general and administrative expenses	17,521	18,302	52,971	52,026
Transaction expenses	5,121	—	5,399	13
Research and development	1,893	1,532	4,681	3,990
Operating income (loss)	(12,512)	(2,717)	(23,219)	(8,791)
Interest expense, net	3,610	2,629	9,537	7,937
Other (income) expense, net	5,309	1,232	14,734	2,689
Income (loss) before income taxes	(21,431)	(6,578)	(47,490)	(19,417)
Income tax expense (benefit)	(472)	(253)	(348)	(369)
Net income (loss)	(20,959)	(6,325)	(47,142)	(19,048)
Net income (loss) attributable to noncontrolling interests	—	(72)	4	(73)
Net income (loss) attributable to Redwire Corporation	(20,959)	(6,253)	(47,146)	(18,975)
Less: dividends on Convertible Preferred Stock	3,383	2,874	16,125	12,040
Net income (loss) available to common shareholders	\$ (24,342)	\$ (9,127)	\$ (63,271)	\$ (31,015)
Net income (loss) per common share:				
Basic and diluted	\$ (0.37)	\$ (0.14)	\$ (0.96)	\$ (0.48)
Weighted-average shares outstanding:				
Basic and diluted	66,529,288	64,795,985	65,936,597	64,475,390
Comprehensive income (loss):				
Net income (loss) attributable to Redwire Corporation	\$ (20,959)	\$ (6,253)	\$ (47,146)	\$ (18,975)
Foreign currency translation gain (loss), net of tax	877	(860)	127	(304)
Total other comprehensive income (loss), net of tax	877	(860)	127	(304)
Total comprehensive income (loss)	\$ (20,082)	\$ (7,113)	\$ (47,019)	\$ (19,279)

The accompanying notes are an integral part of the condensed consolidated financial statements.

REDWIRE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)
(Unaudited)

(In thousands of U.S. dollars, except share data)

Three Months Ended September 30, 2024	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity (Deficit)	Noncontrolling Interests	Total Equity (Deficit)
	Shares	Amount	Shares	Amount						
Balance as of June 30, 2024	65,980,697	\$ 7	373,420	\$ (1,007)	\$ 180,716	\$ (259,978)	\$ 1,996	\$ (78,266)	\$ —	\$ (78,266)
Equity-based compensation expense	—	—	—	—	3,593	—	—	3,593	—	3,593
Common stock issued for share-based awards	560,174	—	—	—	16	—	—	16	—	16
Shares repurchased for settlement of employee tax withholdings on share-based awards	—	—	241,234	(1,681)	—	—	—	(1,681)	—	(1,681)
Foreign currency translation, net of tax	—	—	—	—	—	—	877	877	—	877
Net loss	—	—	—	—	—	(20,959)	—	(20,959)	—	(20,959)
Balance as of September 30, 2024	66,540,871	\$ 7	614,654	\$ (2,688)	\$ 184,325	\$ (280,937)	\$ 2,873	\$ (96,420)	\$ —	\$ (96,420)

Nine Months Ended September 30, 2024	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity (Deficit)	Noncontrolling Interests	Total Equity (Deficit)
	Shares	Amount	Shares	Amount						
Balance as of period end December 31, 2023	65,546,174	\$ 7	353,470	\$ (951)	\$ 188,323	\$ (233,791)	\$ 2,903	\$ (43,509)	\$ 228	\$ (43,281)
Equity-based compensation expense	—	—	—	—	8,046	—	—	8,046	—	8,046
Common stock issued for share-based awards	994,697	—	—	—	546	—	—	546	—	546
Shares repurchased for settlement of employee tax withholdings on share-based awards	—	—	261,184	(1,737)	—	—	—	(1,737)	—	(1,737)
Convertible preferred stock paid-in-kind dividend	—	—	—	—	(12,590)	—	—	(12,590)	—	(12,590)
Sale of joint ventures	—	—	—	—	—	—	(164)	(164)	(225)	(389)
Foreign currency translation, net of tax	—	—	—	—	—	—	134	134	(7)	127
Net loss	—	—	—	—	—	(47,146)	—	(47,146)	4	(47,142)
Balance as of September 30, 2024	66,540,871	\$ 7	614,654	\$ (2,688)	\$ 184,325	\$ (280,937)	\$ 2,873	\$ (96,420)	\$ —	\$ (96,420)

The accompanying notes are an integral part of the condensed consolidated financial statements.

REDWIRE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)
(Unaudited)

(In thousands of U.S. dollars, except share data)

Three Months Ended September 30, 2023	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity (Deficit)	Noncontrolling Interests	Total Equity (Deficit)
	Shares	Amount	Shares	Amount						
Balance as of June 30, 2023	64,445,106	\$ 6	141,811	\$ (381)	\$ 192,962	\$ (219,250)	\$ 2,629	\$ (24,034)	\$ 228	\$ (23,806)
Equity-based compensation expense	—	—	—	—	2,451	—	—	2,451	—	2,451
Common stock issued under the committed equity facility	27,948	—	—	—	87	—	—	87	—	87
Common stock issued for share-based awards	326,787	—	—	—	—	—	—	—	—	—
Shares repurchased for settlement of employee tax withholdings on share-based awards	—	—	94,201	(248)	—	—	—	(248)	—	(248)
Foreign currency translation, net of tax	—	—	—	—	—	—	(854)	(854)	(6)	(860)
Net loss	—	—	—	—	—	(6,253)	—	(6,253)	(72)	(6,325)
Balance as of September 30, 2023	64,799,841	\$ 6	236,012	\$ (629)	\$ 195,500	\$ (225,503)	\$ 1,775	\$ (28,851)	\$ 150	\$ (28,701)

Nine Months Ended September 30, 2023	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity (Deficit)	Noncontrolling Interests	Total Equity (Deficit)
	Shares	Amount	Shares	Amount						
Balance as of December 31, 2022	64,280,631	\$ 6	141,811	\$ (381)	\$ 198,126	\$ (206,528)	\$ 2,076	\$ (6,701)	\$ 226	\$ (6,475)
Equity-based compensation expense	—	—	—	—	6,317	—	—	6,317	—	6,317
Common stock issued under the committed equity facility	27,948	—	—	—	87	—	—	87	—	87
Common stock issued for share-based awards	491,262	—	—	—	—	—	—	—	—	—
Shares repurchased for settlement of employee tax withholdings on share-based awards	—	—	94,201	(248)	—	—	—	(248)	—	(248)
Convertible preferred stock paid-in-kind dividend	—	—	—	—	(9,030)	—	—	(9,030)	—	(9,030)
Foreign currency translation, net of tax	—	—	—	—	—	—	(301)	(301)	(3)	(304)
Net loss	—	—	—	—	—	(18,975)	—	(18,975)	(73)	(19,048)
Balance as of September 30, 2023	64,799,841	\$ 6	236,012	\$ (629)	\$ 195,500	\$ (225,503)	\$ 1,775	\$ (28,851)	\$ 150	\$ (28,701)

The accompanying notes are an integral part of the condensed consolidated financial statements.

REDWIRE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands of U.S. dollars)

	Nine Months Ended	
	September 30, 2024	September 30, 2023
Cash flows from operating activities:		
Net income (loss)	\$ (47,142)	\$ (19,048)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	8,538	7,971
Amortization of debt issuance costs and discount	584	448
Equity-based compensation expense	8,046	6,317
(Gain) loss on sale of joint ventures	(1,303)	—
(Gain) loss on change in fair value of committed equity facility	—	179
(Gain) loss on change in fair value of warrants	8,111	2,475
Deferred provision (benefit) for income taxes	(47)	(1,012)
Non-cash lease expense	23	248
Non-cash interest expense	—	525
Other	(74)	157
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	14,496	2,031
(Increase) decrease in contract assets	(8,754)	(9,008)
(Increase) decrease in inventory	(537)	(221)
(Increase) decrease in prepaid insurance	(208)	936
(Increase) decrease in prepaid expenses and other assets	(4,039)	255
Increase (decrease) in accounts payable and accrued expenses	(4,964)	(2,202)
Increase (decrease) in deferred revenue	(7,448)	(2,734)
Increase (decrease) in operating lease liabilities	(256)	(241)
Increase (decrease) in other liabilities	10,551	(979)
Increase (decrease) in notes payable to sellers	11	(557)
Net cash provided by (used in) operating activities	(24,412)	(14,460)
Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired	(796)	—
Net proceeds from sale of joint ventures	4,598	—
Purchases of property, plant and equipment, net	(4,064)	(3,524)
Purchase of intangible assets	(2,788)	(1,690)
Net cash provided by (used in) investing activities	(3,050)	(5,214)
Cash flows from financing activities:		
Proceeds received from debt	42,971	23,696
Repayments of debt	(8,183)	(19,890)
Payment of debt issuance fees to third parties	(780)	—
Repayment of finance leases	(357)	(282)
Proceeds from third-party advances	7,820	—
Proceeds from issuance of common stock	546	84
Payment of committed equity facility transaction costs	—	(571)
Payments of issuance costs related to convertible preferred stock	—	(52)
Shares repurchased for settlement of employee tax withholdings on share-based awards	(1,737)	(248)
Payment of contingent earnout	—	(443)
Net cash provided by (used in) financing activities	40,280	2,294
Effect of foreign currency rate changes on cash, cash equivalents and restricted cash	(2)	(77)
Net increase (decrease) in cash, cash equivalents and restricted cash	12,816	(17,457)
Cash, cash equivalents and restricted cash at beginning of period	30,278	28,316
Cash, cash equivalents and restricted cash at end of period	\$ 43,094	\$ 10,859

The accompanying notes are an integral part of the condensed consolidated financial statements.

REDWIRE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Tabular amounts in thousands of U.S. dollars, except percentages, unit, share, and warrant amounts)

Note A – Description of the Business

Redwire Corporation (the “Company”) provides mission critical space solutions and high-reliability space infrastructure for the next generation space economy. The Company develops and provides core space infrastructure offerings for government and commercial customers through long-duration projects. These core offerings include technologies and production capability for avionics and sensors; power generation; structures and mechanisms; radio frequency systems; platforms, payloads and missions; and microgravity payloads. The Company serves both U.S. and international customers with these core offerings that have civil space, national security and commercial applications.

Note B – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles (“U.S. GAAP”) for interim financial statement information and the rules of the SEC. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. The unaudited condensed consolidated balance sheet as of December 31, 2023 was derived from audited financial statements but does not include all disclosures required by U.S. GAAP. In the opinion of management, the condensed consolidated financial statements include all adjustments, consisting of adjustments associated with acquisition accounting and normal recurring adjustments, necessary for the fair presentation of such financial statements. All intercompany balances and transactions have been eliminated in consolidation.

These unaudited condensed consolidated financial statements should be read in conjunction with the information contained in the Company’s 2023 Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on March 20, 2024. Interim results are not necessarily indicative of the results that may be expected for a full year.

The Company consolidates all entities that are controlled by ownership of a majority voting interest. Additionally, there are situations in which consolidation is required even though the usual condition of consolidation does not apply. Generally, this occurs when an entity holds an interest in another business entity that was achieved through arrangements that do not involve voting interests, which results in a disproportionate relationship between such entity’s voting interests in, and its exposure to the economic risks and potential rewards of, the other business entity. This disproportionate relationship results in what is known as a variable interest, and the entity in which the Company has the variable interest is referred to as a Variable Interest Entity (“VIE”). An entity must consolidate a VIE if it is determined to be the primary beneficiary of the VIE. The primary beneficiary has both (1) the power to direct the activities of the VIE that most significantly impact the entity’s economic performance and (2) the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. Please refer to Note P – Joint Venture for additional information.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods.

Management has prepared the estimates using the most current and best available information that are considered reasonable under the circumstances. However, actual results could differ materially from those estimates. Accounting policies subject to estimates include, but are not limited to, valuation of goodwill and intangible assets, revenue recognition, income taxes, certain equity-based compensation awards, post-retirement benefit plans, paid-in-kind dividends, and warrant liabilities.

Segment Information

Operating segments are defined as components of an entity for which separate financial information is available and regularly reviewed by the Chief Operating Decision Maker (“CODM”) in deciding how to allocate resources and in assessing performance. The Company’s CODM is its Chief Executive Officer. The Company has concluded that it operates in one operating segment and one reportable segment, space infrastructure, as the CODM reviews financial information presented on a consolidated basis for purposes of making operating decisions, allocating resources, and evaluating financial performance.

REDWIRE CORPORATION
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(Tabular amounts in thousands of U.S. dollars, except percentages, unit, share, and warrant amounts)

Foreign Currency Translation

The Company's condensed consolidated financial statements are presented in United States dollars ("USD"), which is the functional currency of the Company. The local currency of the Company's operations in Luxembourg and Belgium, the Euro, is considered to be the functional currency of those operations. Assets and liabilities of the Company's foreign subsidiaries, where the functional currency is the local currency, are translated into USD at exchange rates effective as of the balance sheet date. Revenues and expenses are translated using average exchange rates in effect for the periods presented.

Balance sheet translation adjustments are reported in accumulated other comprehensive income (loss). Realized gains and losses on foreign currency transactions are included in other (income) expense, net on the condensed consolidated statements of operations and comprehensive income (loss).

Cash, Cash Equivalents and Restricted Stock

Cash and cash equivalents includes cash on hand, cash balances with banks and similar institutions and all highly liquid investments with an original maturity of three months or less. Restricted cash includes cash balances which are restricted as to withdrawal or usage by contractual agreement and consists of a cash-collateralized standby letter of credit for a submitted proposal.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported on the condensed consolidated balance sheets to the condensed consolidated statements of cash flows for the following periods:

	September 30, 2024	September 30, 2023
Cash and cash equivalents	\$ 27,796	\$ 10,859
Restricted cash ⁽¹⁾	15,298	—
Total cash, cash equivalents and restricted cash	<u>\$ 43,094</u>	<u>\$ 10,859</u>

⁽¹⁾ Amount includes \$7.8 million of proceeds received from third-parties that is refundable except in certain limited circumstances and is also included as other current liabilities on the condensed consolidated balance sheets.

The table below presents supplemental cash flow information during the following periods:

	Nine Months Ended	
	September 30, 2024	September 30, 2023
Supplemental cash flow information:		
Cash paid (received) during the period for:		
Interest	\$ 8,383	\$ 7,132
Income taxes	225	—
Non-Cash Investing and Financing Activities:		
Convertible Preferred Stock dividend paid-in-kind	\$ 12,590	\$ 9,030
Capital expenditures not yet paid	2,225	1,473

Emerging Growth Company

Section 102(b)(1) of the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act") exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a registration statement declared effective under the Securities Act of 1933, as amended, or do not have a class of securities registered under the Securities Exchange Act of 1934, as amended, (the "Exchange Act")) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that an emerging growth company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such an election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard.

This may make comparison of the Company's financial statements with another public company that is neither an emerging growth company nor an emerging growth company that has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

REDWIRE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
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Recently Adopted Accounting Pronouncements

In January 2020, the Financial Accounting Standards Boards (“FASB”) issued Accounting Standards Update (“ASU”) No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. Subsequent to the issuance of ASU 2020-04, there were various updates that amended and clarified the impact of ASU 2020-04, including an update in December 2022, which deferred the sunset date in Topic 848 from December 31, 2022 to December 31, 2024. ASU 2020-04 provides temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate. Entities can elect not to apply certain modification accounting requirements to contracts affected by “reference rate reform” if certain criteria are met. An entity that makes this election would not have to remeasure the contracts at modification date or reassess a previous accounting determination. The amendments in this ASU apply to all entities (subject to meeting certain criteria) that have contracts, hedging relationships, or other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The Company has elected the temporary optional expedients and exceptions afforded to entities with contract modifications affected by reference rate reform for the periods available. The impact of this election did not have a material impact on the Company’s condensed consolidated financial statements or related disclosures.

Recently Issued Accounting Pronouncements

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires a public entity to disclose significant segment expenses and other segment items on an annual and interim basis, provide in interim periods all disclosures about a reportable segment’s profit or loss and assets that are currently required annually and require a public entity that has a single reportable segment to provide all the disclosures required by the amendments in the ASU and existing requirements under Topic 280. Additionally, it requires a public entity to disclose the title and position of the CODM. The ASU does not change how a public entity identifies its operating segments, aggregates them, or applies the quantitative thresholds to determine its reportable segments. The new guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. A public entity should apply the amendments in this ASU retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the impact of adoption, which is expected to have an impact on disclosures with no impact on the Company’s results of operations, cash flows and financial condition.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The ASU requires a public business entity (“PBE”) to disclose, on an annual basis, a tabular rate reconciliation using both percentages and currency amounts, broken out into specified categories with certain reconciling items further broken out by nature and jurisdiction to the extent those items exceed a specified threshold. In addition, all entities are required to disclose income taxes paid, net of refunds received disaggregated by federal, state/local, and foreign, as well as by jurisdiction, if the amount is at least 5% of total income tax payments, net of refunds received. For PBEs, the new guidance is effective for annual periods beginning after December 15, 2024, with early adoption permitted. An entity may apply the amendments in this ASU prospectively by providing the revised disclosures for the period ending December 31, 2025 and continuing to provide the pre-ASU disclosures for the prior periods, or may apply the amendments retrospectively by providing the revised disclosures for all periods presented. The Company is currently evaluating the impact of adoption, which is expected to have an impact on disclosures with no impact on the Company’s results of operations, cash flows and financial condition.

Note C – Business Combinations

On August 30, 2024, the Company completed the acquisition of Hera Systems, Inc. (“Hera”), a spacecraft developer focused on specialized missions for national security space customers. Hera’s primary operations include developing high-performance spacecraft to support the evolving requirements for national security missions operating in contested space. Hera’s advanced platform incorporates cyber-secure communications, resilient power systems, highly accurate pointing, extensive maneuverability and massive on-board computing power supporting mission- and payload-specific machine learning. This acquisition is not material individually to the Company’s financial position as of September 30, 2024, or the results of operations for the three and nine months ended September 30, 2024. Therefore, the pro forma operating results and other disclosures for the Hera acquisition are not presented.

The Company incurred \$1.1 million of costs during the three and nine months ended September 30, 2024, respectively, and incurred nominal costs during the same periods in 2023, respectively, related to completed acquisitions as of the respective periods. These expenses are included in transaction expenses on the condensed consolidated statements of operations and comprehensive income (loss).

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Note D – Fair Value of Financial Instruments

Cash, cash equivalents and restricted cash, accounts receivable, contract assets, inventories, prepaid expenses and other current assets, accounts payable, accrued expenses, deferred revenue and other current liabilities are reflected on the condensed consolidated balance sheets at amounts that approximate fair value because of the short-term nature of these financial assets and liabilities.

The fair value of the Company's debt approximates its carrying value and is classified as Level 2 within the fair value hierarchy as it is based on discounted cash flows using a current borrowing rate.

Committed Equity Facility

On April 14, 2022, the Company entered into a common stock Purchase Agreement (the "Purchase Agreement") and a Registration Rights Agreement with B. Riley Principal Capital, LLC ("B. Riley"). Pursuant to the Purchase Agreement, the Company has the right, but not the obligation, to direct B. Riley to purchase a specified amount of shares (each, a "Purchase") over the 24-month period from Commencement (as defined in the Purchase Agreement). Shares issued to B. Riley under the Purchase Agreement cannot exceed 19.99% of the shares outstanding prior to the execution of the Purchase Agreement. In addition, the number of shares eligible to be purchased by B. Riley in a single Purchase may not exceed the lesser of (i) 50% of the Purchase Volume Reference Amount, defined as the total aggregate volume of the Company's shares traded on the New York Stock Exchange ("NYSE") during ten consecutive trading days prior to the Purchase date divided by ten, and (ii) 20% of the total number of the Company's shares traded on the NYSE during the intraday purchase period, which is determined by the trading day on which B. Riley receives a valid purchase notice from the Company.

Pursuant to a Registration Rights Agreement entered into with B. Riley, the Company filed a registration statement on Form S-1 with the Securities and Exchange Commission ("SEC") on April 22, 2022, as amended by Post-Effective Amendment No. 1 to Form S-1 on Form S-3 filed on June 8, 2023, which registered an initial 9,000,000 shares of common stock to permit the subsequent resale of shares purchased under the committed equity facility.

The Company controls the timing and amount of any sales to B. Riley, which depend on a variety of factors including, among other things, market conditions, the trading price of the Company's common stock, and determinations by the Company as to appropriate sources of funding for its business and operations. However, B. Riley's obligation to purchase shares is subject to certain conditions. In all instances, the Company may not sell shares of its common stock under the Purchase Agreement if it would result in B. Riley beneficially owning more than 4.99% of its common stock at any one point in time.

At inception, the Company evaluated the Purchase Agreement with B. Riley and determined that the committed equity facility was not indexed to the Company's own common stock and, therefore, measures the derivative asset at fair value based on the consideration transferred to B. Riley in exchange for its irrevocable commitment to purchase up to \$80.0 million in shares of the Company's common stock. Subsequent changes in the fair value of the derivative asset are dependent upon, among other things, changes in the closing share price of the Company's common stock, the quantity and purchase price of shares purchased by B. Riley during the reporting period, the unused capacity under the committed equity facility as of the balance sheet date and the cost of raising other forms of capital. As certain inputs are not observable in the market, the derivative asset is classified as a Level 3 instrument within the fair value hierarchy. The Company adjusts the previous fair value estimate of the committed equity facility at each reporting period based on changes in the weighted average purchase price of shares purchased by B. Riley during the period, the unused capacity available under the committed equity facility, expected stock price volatility and other macroeconomic factors which impact the cost of raising comparable forms of capital. On April 14, 2024, the Purchase Agreement with B. Riley expired in accordance with its terms and was not extended. As a result, the Company no longer recognized a derivative asset related to the committed equity facility after April 14, 2024.

Pursuant to the Purchase Agreement, the purchase price for each share of common stock is equal to 97% of the volume weighted average price ("VWAP") on the applicable purchase date, which results in a 3% fee on the purchase of the Company's common stock. The Company did not sell shares to B. Riley during the three and nine months ended September 30, 2024.

Private Warrants

In September 2021, the Company issued 7,732,168 private warrants in a transaction exempt from registration under securities regulations. The warrants, which are not listed for trading on a stock exchange, entitle the holder to purchase one share of the Company's common stock at an exercise price of \$11.50 per share, subject to adjustment. The warrants will expire on September 2, 2026, at 5:00 p.m., New York City time, or earlier upon redemption or liquidation. The private warrants were established as a liability at issuance. Classification of the private warrants as liability instruments was based on an analysis of the guidance in accordance with U.S. GAAP and in a statement issued by the Staff of the SEC regarding the accounting and reporting considerations for warrants

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issued by special purpose acquisition companies entitled “Staff Statement on Accounting and Reporting Considerations for Warrants Issued by Special Purpose Acquisition Companies.” The Company considered whether the private warrants display the three characteristics of a derivative, and concluded the private warrants meet the definition of a derivative. However, the private warrants fail to meet the equity scope exception and thus are classified as a liability measured at fair value, subject to remeasurement at each reporting period. The changes in fair value of the private warrant liability were a decrease of \$1.9 million and an increase of \$0.5 million for the three months ended September 30, 2024 and 2023, respectively, and an increase of \$8.1 million and \$2.5 million for the nine months ended September 30, 2024 and 2023, respectively. These changes in fair value are recognized as other (income) expense, net in the condensed consolidated statements of operations and comprehensive income (loss).

The private warrants were valued using a modified Black-Scholes Option Pricing Model (“OPM”). As certain inputs are not observable in the market, the private warrants are classified as Level 3 instruments within the fair value hierarchy. The table below presents the fair value per warrant and the valuation assumptions under the Black-Scholes OPM:

	September 30, 2024	December 31, 2023
Fair value per share	\$ 1.48	\$ 0.43
Warrants outstanding	7,732,168	7,732,168
Exercise price	\$ 11.50	\$ 11.50
Common stock price	\$ 6.87	\$ 2.85
Expected option term	1.92 years	2.67 years
Expected volatility	65.30 %	74.20 %
Risk-free rate of return	3.69 %	4.00 %
Expected annual dividend yield	— %	— %

The table below presents the Company’s financial instruments measured at fair value on a recurring basis:

		September 30, 2024			
Balance Sheet Location		Level 1	Level 2	Level 3	Total
Liabilities:					
Private warrants	Warrant liabilities	\$ —	\$ —	\$ 11,436	\$ 11,436
Total liabilities		\$ —	\$ —	\$ 11,436	\$ 11,436
		December 31, 2023			
Balance Sheet Location		Level 1	Level 2	Level 3	Total
Assets:					
Committed equity facility	Prepaid expenses and other current assets	\$ —	\$ —	\$ —	\$ —
Total assets		\$ —	\$ —	\$ —	\$ —
Liabilities:					
Private warrants	Warrant liabilities	\$ —	\$ —	\$ 3,325	\$ 3,325
Total liabilities		\$ —	\$ —	\$ 3,325	\$ 3,325

There were no changes in the fair value of Level 3 financial assets during the nine months ended September 30, 2024. Changes in the fair value of Level 3 financial liabilities were as follows:

Liabilities:	Private Warrants	Total Level 3
December 31, 2023	\$ 3,325	\$ 3,325
Changes in fair value	8,111	8,111
September 30, 2024	\$ 11,436	\$ 11,436

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Note E – Accounts Receivable, net

The accounts receivable, net balance was as follows:

	September 30, 2024	December 31, 2023
Billed receivables	\$ 22,653	\$ 28,926
Unbilled receivables	—	3,485
Total accounts receivable, net	<u>\$ 22,653</u>	<u>\$ 32,411</u>

Accounts receivable are recorded for amounts to which the Company is entitled and has invoiced to the customer. Unbilled receivables, presented in the table above, consist of unbilled amounts under time-and-material (“T&M”) contracts where billing and payment is subject solely to the passage of time.

Substantially all accounts receivable as of September 30, 2024 are expected to be collected in 2024. The Company does not believe there is a significant exposure to credit risk as the majority of the Company’s accounts receivable are due from U.S. and foreign governments or large prime contractors of such government entities. As a result, the allowance for credit losses was not material as of September 30, 2024 and December 31, 2023, respectively.

Note F – Inventory

The inventory balance was as follows:

	September 30, 2024	December 31, 2023
Raw materials	\$ 1,715	\$ 1,452
Work in process	340	64
Inventory	<u>\$ 2,055</u>	<u>\$ 1,516</u>

Note G – Debt

The table below presents details of the Company’s debt as of the following periods and the effective interest rate as of September 30, 2024:

	Effective interest rate	September 30, 2024	December 31, 2023
Adams Street Term Loan	12.14 %	\$ 30,289	\$ 30,522
Adams Street Revolving Credit Facility	14.10	47,000	12,000
Adams Street Delayed Draw Term Loan	12.13	14,656	14,769
Adams Street Incremental Term Loan	11.90	31,348	31,588
D&O Financing Loans	2.21	971	598
Total debt		<u>124,264</u>	<u>89,477</u>
Less: unamortized discounts and issuance costs		960	1,257
Total debt, net		<u>123,304</u>	<u>88,220</u>
Less: Short-term debt, including current portion of long-term debt		1,751	1,378
Total long-term debt, net		<u>\$ 121,553</u>	<u>\$ 86,842</u>

Adams Street Credit Agreement

On October 28, 2020, the Company entered into a credit agreement with Adams Street Capital (the “Adams Street Credit Agreement”), the terms of which were subsequently modified by various amendments through September 30, 2024. As amended, the Adams Street Credit Agreement includes (i) a \$31.0 million term loan commitment, (ii) a \$15.0 million delayed draw term loan, (iii) a \$32.0 million incremental term loan, and (iv) a \$65.0 million revolving credit facility commitment, all of which mature on October 28, 2026. During the three and nine months ended September 30, 2024, the Company borrowed \$27.0 million and \$42.0 million, respectively. The Company made no repayments during the three months ended September 30, 2024 and repaid \$7.0 million during the nine months ended September 30, 2024, on the revolving credit facility. As of September 30, 2024, the Company had \$18.0 million of remaining capacity under the Company’s revolving credit facility.

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As of September 30, 2024, the outstanding principal on the Adams Street Credit Agreement incurs cash interest in accordance with the prime rate plus the applicable rates as set forth in the table below:

	Eurocurrency Rate	Base Rate
Term loans	6.00 %	5.00 %
Revolving credit facility:		
Aggregate principal of \$5.0 million or less	6.00	5.00
Aggregate principal in excess of \$5.0 million	7.50	6.50

As amended in March 2022, AE Industrial Partners Fund II, LP (“AEI”) and certain of its affiliates (the “AEI Guarantors”), provided a limited guarantee for the payment of outstanding revolving loans in excess of \$10.0 million, with a \$15.0 million cap in the aggregate. In the event that the AEI Guarantors are required to make payments to the lenders under the Adams Street Credit Agreement pursuant to the terms of the limited guarantee, each AEI Guarantor would be subrogated to the rights of the lenders. In connection with the limited guarantee, the Company agreed to pay to the AEI Guarantors a fee equal to 2% of any amount actually paid by such guarantors under the limited guarantee. The fee is waivable by the AEI Guarantors at their discretion.

As amended in August 2022, the outstanding principal on the term loans and revolving loans under the Adams Street Credit Agreement incurs additional interest to be paid-in-kind (“PIK”) of 2.00% per annum, which is accrued and added to the outstanding principal balance until the Company is in compliance with the consolidated total net leverage ratio. The requirement to comply with the consolidated total net leverage ratio was suspended through September 30, 2023, and such compliance resumed with the fiscal quarter ending December 31, 2023. In addition, the Company was required to maintain a minimum liquidity covenant of \$5.0 million measured on the last day of each fiscal month commencing with the month ending September 30, 2022 through September 30, 2023. During the second quarter of 2023, in accordance with the provisions of the Adams Street Credit Agreement, as amended, the Company met certain requirements to end the incremental 2.00% per annum PIK interest, effective May 1, 2023. The previously suspended requirement to comply with the consolidated total net leverage ratio, as discussed above, is no longer in effect and the Company is required to comply with the consolidated total net leverage ratio as of September 30, 2024.

There was no accrued PIK interest on the Adams Street Credit Agreement recorded during the three and nine months ended September 30, 2024. There was no accrued PIK interest on the Adams Street Credit Agreement during the three months ended September 30, 2023, and \$0.5 million during the nine months ended September 30, 2023, respectively.

In June 2023, the Company entered into the Sixth Amendment to the Adams Street Credit Agreement, in which the LIBOR-based interest rate applicable to borrowings under the Adams Street Credit Agreement was replaced with a SOFR-based interest rate in advance of the cessation of LIBOR, which occurred on June 30, 2023.

In December 2023, the Company entered into a Seventh Amendment to the Adams Street Credit Agreement, in which the commitments under the revolving credit facility increased from \$25.0 million to \$30.0 million.

In June 2024, the Company entered into an Eighth Amendment to the Adams Street Credit Agreement (“Eighth Amendment”), in which the commitments under the revolving credit facility increased from \$30.0 million to \$45.0 million. Pursuant to the Eighth Amendment, the Company is required to maintain an aggregate principal amount of outstanding revolving credit loans in an amount no less than \$10.0 million.

In August 2024, the Company entered into a Ninth Amendment to the Adams Street Credit Agreement (“Ninth Amendment”), in which the commitments under the revolving credit facility increased from \$45.0 million to \$65.0 million. Pursuant to the Ninth Amendment, the aggregate principal amount of outstanding revolving credit loans the Company is required to maintain increased from no less than \$10.0 million to no less than \$30.0 million.

The Adams Street Credit Agreement, as amended, contains certain customary representations and warranties, affirmative and other covenants and events of default, including among other things, payment defaults, breach of representations and warranties, and covenant defaults.

As of September 30, 2024 and December 31, 2023, the Company was in compliance with its covenant requirements, as amended.

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D&O Financing Loan

On September 3, 2022, the Company entered into a \$2.7 million loan with AFCO Credit Corporation (the “2022 D&O Financing Loan”) to finance the Company’s directors and officers insurance premium. The 2022 D&O Financing Loan had an interest rate of 4.59% per annum and a maturity date of June 3, 2023. In June 2023, the Company repaid the full outstanding principal and interest on the 2022 D&O Financing Loan.

On September 3, 2023, the Company entered into a \$1.2 million loan with AFCO Credit Corporation (the “2023 D&O Financing Loan”) to finance the Company’s directors and officers insurance premium. The 2023 D&O Financing Loan has an interest rate of 7.39% per annum and a maturity date of March 3, 2024. In March 2024, the Company repaid the full outstanding principal and interest on the 2023 D&O Financing Loan.

On August 28, 2024, the Company entered into a \$1.0 million loan with AFCO Credit Corporation (the “2024 D&O Financing Loan”) to finance the Company’s directors and officers insurance premium. The 2024 D&O Financing Loan has an interest rate of 7.53% per annum and a maturity date of March 3, 2025.

Note H – Leases

The Company has entered into and acquired long-term leasing arrangements for the right to use various classes of underlying assets including facilities, vehicles and office equipment.

Total Lease Costs

The table below summarizes total lease costs for the following periods:

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Finance lease cost:				
Amortization of ROU assets	\$ 131	\$ 119	\$ 389	\$ 311
Interest on lease liabilities	31	27	93	71
Operating lease costs	1,074	1,153	3,194	3,146
Variable lease costs	12	6	34	17
Short-term lease costs	216	—	385	90
Total lease costs	<u>\$ 1,464</u>	<u>\$ 1,305</u>	<u>\$ 4,095</u>	<u>\$ 3,635</u>

Total lease costs are included in selling, general and administrative expenses and cost of sales on the condensed consolidated statements of operations and comprehensive income (loss).

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Other Supplemental Information

The table below presents other supplemental information related to the Company's leases for the following periods:

	Three Months Ended			
	September 30, 2024		September 30, 2023	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Cash paid for lease liabilities	\$ 1,153	\$ 152	\$ 1,070	\$ 133
Right-of-use assets obtained in exchange for new lease liabilities	—	130	84	275

	Nine Months Ended			
	September 30, 2024		September 30, 2023	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Cash paid for lease liabilities	\$ 3,434	\$ 449	\$ 3,130	\$ 351
Right-of-use assets obtained in exchange for new lease liabilities	35	357	3,418	726

	September 30, 2024		September 30, 2023	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
	Weighted average remaining lease term (in years)	3.9	3.4	4.6
Weighted average discount rate	6.7 %	8.1 %	6.4 %	8.6 %

As of September 30, 2024, the Company had two facility leases that had not yet commenced but created significant future lease obligations in the amount of \$7.3 million. The contracts were determined to be operating leases, whereby the Company is not required to make rent payments prior to the lease commencement date while construction is completed on the underlying asset. Due to the nature of the work and the amount of the Company's contribution to the construction period costs for each lease, the Company was determined not to be the owner of the assets under construction as the landlords have substantially all of the construction period risks.

Note I – Income Taxes

The table below presents the Company's effective income tax rate on pre-tax income from continuing operations for the following periods:

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Effective tax rate	2.2 %	3.8 %	0.7 %	1.9 %

The effective tax rate was 2.2% and 3.8% for the three months ended September 30, 2024 and 2023, respectively. The difference in effective tax rate between periods was primarily related to the Company's mix in earnings between U.S. and foreign jurisdictions.

The effective tax rate was 0.7% and 1.9% for the nine months ended September 30, 2024 and 2023, respectively. The effective tax rate for the nine months ended September 30, 2024 and 2023, differs from the U.S. federal income tax rate of 21.0% primarily due to the valuation allowance on the realization of deferred tax assets.

The Company assesses the deferred tax assets for recoverability on a quarterly basis. In assessing the realizability of deferred tax assets, the Company considers whether it is more-likely-than-not that some or all of the deferred tax assets will not be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which the net operating loss ("NOL") carryforwards are available. For the nine months ended September 30, 2024 and 2023, the Company concluded that it is more-likely-than-not that substantially all of its deferred tax assets will not be realized and established a full valuation allowance.

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Note J – Commitments and Contingencies*Contingencies in the Normal Course of Business*

Under certain contracts with the U.S. government and certain governmental entities, contract costs, including indirect costs, are subject to audit by and adjustment through negotiation with governmental representatives. Revenue is recorded in amounts expected to be realized on final settlement of any such audits.

Legal Proceedings

The Company is subject to litigation, claims, investigations and audits arising from time to time in the ordinary course of business. Although legal proceedings are inherently unpredictable, the Company believes that it has valid defenses with respect to any matters currently pending against it and intends to defend itself vigorously. Excluding pending matters disclosed below, the outcome of these matters, individually and in the aggregate, is not expected to have a material impact on the Company's condensed consolidated financial statements. The Company has established reserves for matters where the Company believes that losses are probable and can be reasonably estimated. For matters, including certain of those described herein, where the Company has not established a reserve, the ultimate outcome or resolution cannot be predicted at this time, or the amount of ultimate loss, if any, cannot be reasonably estimated. These matters are subject to many uncertainties and the outcome of the individual litigated matters is not predictable with certainty. It is possible that certain of the actions, claims, inquiries or proceedings, including those discussed herein, could be decided unfavorably to the Company or any of its subsidiaries involved. Accordingly, it is possible that an adverse outcome from such a proceeding could exceed the amount accrued in an amount that could be material to the accompanying consolidated financial position, results of operations or cash flows in any particular reporting period. The Company recognizes legal expenses when incurred as selling, general and administrative expense in the condensed consolidated statements of operations and comprehensive income (loss).

On December 17, 2021, the Company, our Chairman and Chief Executive Officer, Peter Cannito, and then current, but now former Chief Financial Officer, William Read, were named as defendants in a putative class action complaint filed in the United States District Court for the Middle District of Florida. That litigation is captioned *Lemen v. Redwire Corp. et al.*, Case No. 3:21-cv-01254-TJC-PDB (M.D. Fla.). On March 7, 2022, the Court appointed a lead plaintiff. On June 17, 2022, the lead plaintiff filed an amended complaint. In the amended complaint, the lead plaintiff alleges that the Company and certain of its directors and officers made misleading statements and/or failed to disclose material facts about the Company's business, operations, and prospects, allegedly in violation of Section 10(b) (and Rule 10b-5 promulgated thereunder) and Section 20(a) of the Exchange Act. As relief, the plaintiffs are seeking, among other things, compensatory damages. The defendants believe the allegations are without merit and intend to defend the suit vigorously. On August 16, 2022, the defendants moved to dismiss the complaint in its entirety, and such motion was denied by the Court on March 22, 2023. The Company has recognized a loss contingency of \$8.0 million as of September 30, 2024, which is its best estimate of probable loss and recovery based on the current circumstances. The loss contingency is included as other current liabilities in the condensed consolidated balance sheets.

On May 25, 2022, a plaintiff commenced derivative litigation in the United States District Court for the District of Delaware on behalf of the Company against Peter Cannito, Les Daniels, Reggie Brothers, Joanne Isham, Kirk Konert, Jonathan Baliff, and John S. Bolton. That litigation is captioned *Yingling v. Cannito, et al.*, Case No. 1:22-cv-00684-MN (D. Del.). The complaint's allegations are similar to those of the class action lawsuit filed in December 2021, namely, that statements about Redwire's business and operations were misleading due to alleged material weaknesses in the Company's financial reporting internal controls. The plaintiff alleges the defendants violated Section 10(b) (and Rule 10b-5 promulgated thereunder) and Section 20(a) of the Exchange Act, breached their fiduciary duty by allowing misleading disclosures to be made, and caused the Company to overpay compensation and bonuses tied to the Company's financial performance. As relief, the plaintiffs are seeking, among other things, compensatory and punitive damages. This litigation has been stayed until the earlier of: (i) fifteen (15) days following the issuance of a decision resolving a motion for summary judgment in or public disclosure of a potential settlement of the class action lawsuit filed on December 17, 2021, or (ii) twenty (20) days following notice by either party of another pending derivative action and where the continuance of such stay may or will prejudice the noticing party's rights. The defendants believe the allegations are without merit and intend to defend the lawsuit vigorously. The Company is currently unable to predict the likely outcome of the proceedings or estimate the range of reasonably possible losses, which may be material. However, the amount of any reasonable possible loss or range of loss is expected to be recoverable through the Company's D&O insurance policy.

Business Combinations

The Company has acquired and plans to continue to acquire businesses with prior operating histories. These acquisitions may have unknown or contingent liabilities, which the Company may become responsible for and could have a material impact on the Company's future operating results and cash flows. In addition, the Company may incur acquisition costs, regardless of whether or not the acquisition is ultimately completed, which may be material to future periods.

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Commitments

During the year-ended December 31, 2023, the Company entered into an economic development agreement to serve as the anchor tenant at the new Novaparke Innovation & Technology Campus in Floyd County, Indiana, the construction of which is anticipated to be completed during fiscal year 2025. In accordance with the agreement, the Company has committed to enter into a lease for a 30,000 square foot property. As of September 30, 2024, the Company had entered into the associated lease. Refer to Note H – Leases for additional information.

Letters of Credit

The Company has entered into letters of credit issued on our behalf by financial institutions secured by restricted cash. Letters of credit generally are available for draw down in the event we do not fulfill our contractual obligations. The Company had outstanding letters of credit of \$15.3 million as of September 30, 2024. The Company had no outstanding letters of credit as of December 31, 2023.

Note K – Convertible Preferred Stock

The table below presents activity of the Company’s Series A Convertible Preferred Stock:

	Shares	Amount
Balance as of December 31, 2023	93,890.20	\$ 96,106
Dividends paid-in-kind	7,022.45	12,590
Balance as of September 30, 2024	100,912.65	\$ 108,696

On October 28, 2022, the Company filed a Certificate of Designation describing the terms and conditions of newly issued Series A Convertible Preferred Stock of the Company, par value 0.0001 (the “Convertible Preferred Stock”), with 88,000.00 total shares constituting the series. On or around the same date, the Company entered into investment agreements with (i) AE Industrial Partners Fund II, LP (“AEI Fund II”) and AE Industrial Partners Structured Solutions I, LP (“AEI Structured Solutions”, and together with AEI Fund II, (“AEI”)), (ii) BCC Redwire Aggregator, LP (“Bain Capital”) and (iii) various investors (collectively, the “Additional Investors,” and together with AEI and Bain Capital, the “Investors”). Pursuant to the investment agreements, the Company sold an aggregate of 81,250.00 shares (“Purchased Shares”) of Convertible Preferred Stock for an aggregate purchase price of \$81.25 million, or \$76.4 million net of issuance costs.

On October 31, 2023, the Company filed a Certificate of Amendment of Certificate of Designation of the Company (the “Amendment to the Certificate of Designation”), which was filed solely to increase the amount of shares designated as Convertible Preferred Stock, par value \$0.0001 per share, to 125,292.00.

On May 1, 2024, in accordance with the Convertible Preferred Stock Certificate of Designation, the Company issued 7,022.45 shares of Series A Convertible Preferred Stock to holders of record as of April 15, 2024, as a dividend paid-in-kind (“PIK”) on the Convertible Preferred Stock. As the Company has the option of paying dividends on the Convertible Preferred Stock in either cash or in kind, the PIK dividend is recorded at fair value as of the respective declaration date. The fair value of the PIK dividend as of April 15, 2024 was \$12.6 million, which was recorded against additional paid-in-capital since the Company has an accumulated loss. The fair value of the May 2024 PIK dividend was calculated using the accrued value per share after a remaining term of 2.5 years on an as-converted basis, or \$1,793 per share.

The investment agreements contain customary representations, warranties and covenants of the Company and Investors.

Bain Capital Director and Nominees

For so long as Bain Capital has record and beneficial ownership of at least 50% of the Purchased Shares issued to it as of November 3, 2022, Bain Capital will have the right to designate one member to the Company’s Board of Directors (the “Board”).

Convertible Preferred Stock Features

No holder of Convertible Preferred Stock may transfer any of their shares to any unaffiliated person for twelve (12) months following the closing date of the applicable investment agreement, except for certain exceptions, including that Bain Capital and AEI may transfer shares to each other. Bain Capital and AEI have been provided customary preemptive rights with respect to the Convertible Preferred Stock and, after the seventh anniversary of their respective closing dates, for so long as each holder has record and beneficial ownership of at least 50% of the Purchased Shares initially issued to them, may cause the Company to retain an investment banker to identify and conduct a potential sale of the Company.

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The Convertible Preferred Stock is convertible into shares of common stock at an initial conversion price of \$.05 per share, subject to customary anti-dilution and price protective adjustments.

The Company previously obtained the requisite shareholder approval for the conversion of the Convertible Preferred Stock into common stock above the 9.99% Limitation (as defined below). On June 20, 2023, the Company filed with the SEC a Schedule 14C information statement pursuant to Section 14(c) of the Exchange Act, which provided notice of the approval of, (i) the conversion of the Convertible Preferred Stock into shares of common stock in excess of 19.99% of the 63,852,690 shares outstanding as of October 28, 2022 immediately after giving effect to such conversion (the “Conversion Cap”) and (ii) voting rights of the aggregate number of votes to which all holders of outstanding shares of Convertible Preferred Stock are entitled to vote in excess of 19.99% of the aggregate number of votes to which all shareholders of the Company were entitled to vote as of October 28, 2022 (including the holders of shares of Preferred Stock) (the “Voting Cap” and, together with the Conversion Cap, the “19.99% Limitation”).

As of September 30, 2024, the 100,912.65 outstanding shares of Convertible Preferred Stock were convertible into approximately 34,914,131 shares of the Company’s common stock. The holders of Convertible Preferred Stock are entitled to vote with the holders of common stock, on an as-converted basis. In addition, holders of Convertible Preferred Stock have the right, at their option and at any time, to convert their shares into shares of common stock. Each share of Convertible Preferred Stock will mandatorily convert upon achieving thresholds related to the Company’s market capitalization and profitability metrics and the Company is required to make an offer to repurchase the outstanding Convertible Preferred Stock upon a fundamental change.

Dividends on the Convertible Preferred Stock can be paid in either cash or in kind in the form of additional shares of Convertible Preferred Stock (such payment in kind, “PIK”), at the option of the Company, subject to certain exceptions. If paid in cash, such dividends will be paid at a rate of 13% per annum, subject to certain adjustments and exceptions or, if the Company issues PIK dividends, at a rate of 15% per annum, subject to certain adjustments and exceptions. Each holder of Convertible Preferred Stock has been given certain registration rights pursuant to the Registration Rights Agreement, dated October 28, 2022. As of September 30, 2024, the accumulated but not declared or paid dividends on the Convertible Preferred Stock were \$5.6 million.

Based on an evaluation of the investment agreements, the Company determined that the Convertible Preferred Stock is contingently or optionally redeemable and, therefore, does not require liability classification. However, due to the Convertible Preferred Stock being redeemable at the option of the holder or upon a fundamental change, which includes events that are not fully within the Company’s control, it was determined that the Convertible Preferred Stock should be classified as one line item in temporary (mezzanine) equity on the Company’s condensed consolidated balance sheets.

Liquidation Preference

The Convertible Preferred Stock ranks senior to the Company’s common stock. In the event of any liquidation or winding up of the Company, the holders of the Convertible Preferred Stock shall be entitled to receive in preference to the holders of the Company’s common stock the greater of (a) the greater of (i) two times the Initial Value, defined as \$1,000 per share and (ii) the Initial Value plus accrued and unpaid dividends, whether or not declared, and (b) the amount that would have been received based on the if-converted Accrued Value, defined as Initial Value plus accrued and unpaid dividends, whether or not declared. As of September 30, 2024, and December 31, 2023, the liquidation preference of the Convertible Preferred Stock was \$239.9 million and \$187.8 million, respectively.

Note L – Revenues

The table below presents revenues by customer grouping for the following periods:

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Civil space	\$ 21,359	\$ 29,336	\$ 69,337	\$ 82,831
National security	26,097	13,393	56,266	38,153
Commercial and other	21,182	19,883	108,938	59,331
Total revenues	<u>\$ 68,638</u>	<u>\$ 62,612</u>	<u>\$ 234,541</u>	<u>\$ 180,315</u>

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The table below presents revenues based on the geographic location of the Company's customers for the following periods:

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
U.S.	\$ 41,290	\$ 47,138	\$ 105,131	\$ 135,574
Europe	27,334	15,468	129,325	44,658
Other	14	6	85	83
Total revenues	<u>\$ 68,638</u>	<u>\$ 62,612</u>	<u>\$ 234,541</u>	<u>\$ 180,315</u>

Customers comprising 10% or more of revenues are presented below for the following periods:

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Customer A ⁽¹⁾	\$ —	\$ 12,862	\$ —	\$ 31,703
Customer B ⁽¹⁾	7,305	8,385	24,804	25,334
Customer C ⁽¹⁾	—	6,886	—	18,208
Customer D ⁽¹⁾	16,298	—	93,527	—

⁽¹⁾ While revenue may have been generated during each of the periods presented, amounts are only disclosed for the periods in which revenues represented 10% or more of total revenue.

Contract Balances

The table below presents the contract assets and contract liabilities included on the condensed consolidated balance sheets for the following periods:

	September 30, 2024	December 31, 2023
Contract assets	<u>\$ 46,069</u>	<u>\$ 36,961</u>
Contract liabilities	<u>\$ 56,684</u>	<u>\$ 52,645</u>

The increase in contract assets was primarily driven by revenue growth and the timing of billable milestones occurring during the nine months ended September 30, 2024.

The increase in contract liabilities during 2024 was primarily driven by the timing of large billable milestones occurring during the nine months ended September 30, 2024. Revenue recognized in the nine months ended September 30, 2024 that was included in the contract liability balance as of December 31, 2023 was \$48.8 million. Revenue recognized in the nine months ended September 30, 2023 that was included in the contract liability balance as of December 31, 2022 was \$27.8 million.

The Company evaluates the contract value and cost estimates at completion ("EAC") for performance obligations at least quarterly and more frequently when circumstances significantly change. Due to the nature of the work required to be performed on many of the Company's performance obligations, the estimate of total revenue and cost at completion is complex, subject to many variables and requires significant judgment by management on a contract-by-contract basis. As part of this process, management reviews information including, but not limited to, labor productivity, the nature and technical complexity of the work to be performed, availability and cost volatility of materials, subcontractor and vendor performance, volume assumptions, inflationary trends, and schedule and performance delays.

When the Company's estimate of total costs to be incurred to satisfy a performance obligation exceeds the expected revenue, the Company recognizes the loss immediately. When the Company determines that a change in estimate has an impact on the associated profit of a performance obligation, the Company records the cumulative positive or negative adjustment to the statement of operations and comprehensive income (loss). Changes in estimates and assumptions related to the status of certain long-term contracts may have a material effect on the Company's operating results.

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The below table summarizes the favorable (unfavorable) impact of the net EAC adjustments for the following periods:

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Net EAC adjustments, before income taxes	\$ (1,552)	\$ 2,453	\$ (8,579)	\$ 769
Net EAC adjustments, net of income taxes	(1,518)	2,360	(8,519)	754
Net EAC adjustments, net of income taxes, per diluted share	(0.02)	0.04	(0.13)	0.01

The net unfavorable EAC adjustments in 2024 were primarily due to additional unplanned labor, design and test cycles required to meet customer requirements in the Company's structures and mechanisms, avionics and sensors, and power generation space infrastructure offerings. The net favorable EAC adjustments in 2023 were primarily due to the release of contract reserves and favorable contract adjustments resulting from contract modifications.

Remaining Performance Obligations

As of September 30, 2024, the aggregate amount of the transaction price allocated to remaining performance obligations was \$13.1 million. The Company expects to recognize approximately 76% of its remaining performance obligations as revenue within the next 12 months and the balance thereafter.

Note M – Employee Benefit Plans

Post-Retirement Benefit Plans

The Company sponsors various post-retirement benefit plans through its wholly-owned subsidiary, Redwire Space NV ("Space NV"), including three cash balance plans: one defined benefit pension plan with risk-based coverage for death and disability benefits (collectively, the "Base Plan") and two supplementary pension bonus plans that provides variable remuneration linked to employees' performance (the "Performance Plans"). The Company has taken actions to mitigate the risk related to its post-retirement benefit plans through pension risk transfer transactions whereby the Company subscribes to group insurance policies, which are funded by employee and employer premiums (contributions) determined at the beginning of each plan year. The Company has determined that the unit of account is the insurance contract and therefore, on a plan-by-plan basis, recognizes the net funded status as either an asset recorded within other non-current assets or a liability recorded within other non-current liabilities within the condensed consolidated balance sheets. A net liability is recorded to the extent that the benefit obligation exceeds the fair value of plan assets or a net asset is recorded to the extent that the fair value of plan assets exceeds the benefit obligation.

Income Statement Information

The table below provides the components of net periodic benefit cost and other amounts for the Base Plan recognized in the condensed consolidated statements of operations and comprehensive income (loss) for the following periods:

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Net periodic benefit cost:				
Service cost	\$ 81	\$ 82	\$ 238	\$ 247
Interest cost	64	58	187	175
Expected return on plan assets	(65)	(57)	(192)	(173)
Net periodic benefit cost	\$ 80	\$ 83	\$ 233	\$ 249

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The table below provides the components of net periodic benefit cost and other amounts for the Performance Plans recognized in the condensed consolidated statements of operations and comprehensive income (loss) for the following periods:

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Net periodic benefit cost:				
Service cost	\$ 315	\$ 12	\$ 372	\$ 408
Interest cost	27	25	79	74
Expected return on plan assets	(26)	(27)	(75)	(71)
Net periodic benefit cost	\$ 316	\$ 10	\$ 376	\$ 411

Contributions

The required funding of our qualified defined benefit pension plans is determined in accordance with Belgium Regulation. The table below presents contributions made by the employee and employer for the Base Plan and the Performance Plans for the following periods:

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Base Plan Contributions by:				
Employee	\$ 65	\$ 58	\$ 191	\$ 159
Employer	125	99	367	267
	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Performance Plans Contributions by:				
Employee	\$ —	\$ —	\$ —	\$ —
Employer	305	—	362	403

Note N – Equity-Based Compensation

Incentive Units

The Company's former parent, AE Red Holdings, LLC (formerly known as Redwire Holdings, LLC) ("Holdings") adopted a written compensatory benefit plan (the "Class P Unit Incentive Plan") to provide incentives to existing or new employees, officers, managers, directors, or other service providers of the Company or its subsidiaries in the form of Holdings' Class P Units ("Incentive Units"). As amended, the Tranche I and the Tranche III Incentive Units became fully vested in 2021. Holdings also amended the Class P Unit Incentive Plan so that the Tranche II Incentive Units would vest on any liquidation event, as defined in the Class P Unit Incentive Plan, rather than only upon consummation of the sale of Holdings, subject to the market-based condition stipulated in the Class P Unit Incentive Plan prior to its amendment. All compensation expense was recognized during 2021 and 2022 and as of September 30, 2024, Tranches I and III were fully vested and Tranche II is still subject to the market-based vesting condition.

2021 Omnibus Incentive Plan

Stock Options

The Company's 2021 Omnibus Incentive Plan (the "Plan") authorizes the grant of stock options (incentive and non-qualified) to purchase shares of the Company's common stock with a contractual term of 10 years. The options vest over a three-year term as follows: 33.3% on the first anniversary of the grant date, 33.3% on the second anniversary of the grant date, and 33.4% on the third anniversary of the grant date. Vesting is contingent upon continued employment or service to the Company; both the vested and unvested portion of an option will be immediately forfeited and canceled if employment or service ceases to the Company. The Company recognizes equity-based compensation expense for the options equal to the fair value of the awards on a straight-line basis over the requisite service period and recognizes forfeitures as they occur. The fair value of options granted under the Plan is estimated on the grant date under the Black-Scholes OPM.

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The table below presents the activity of stock options under the Plan:

	Number of Options	Weighted-Average Grant Date Fair Value per Share	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term (Years)
Outstanding as of December 31, 2023	2,102,591	\$ 2.69	\$ 7.20	7.42
Granted	—	—	—	
Exercised	(48,452)	1.10	3.13	
Expired	(105,568)	1.77	9.99	
Forfeited	(63,997)	2.44	6.04	
Outstanding as of September 30, 2024	1,884,574	\$ 2.60	\$ 7.18	6.90

As of September 30, 2024, the total unrecognized compensation cost related to unvested stock options granted under the Plan was \$0.3 million and is expected to be recognized over a weighted-average period of 0.7 years. As of September 30, 2024, there were 1,618,439 stock options that were vested and exercisable.

Performance-based Restricted Stock Units

The Plan authorizes the grant of performance-based restricted stock units (“PSUs”). The PSUs generally vest upon completion of a three-year period (“Performance Period”). The number of shares, if any, that are ultimately awarded is contingent upon the Company’s closing price per share at the end of the Performance Period and continued employment or service to the Company. The performance share payout is based on a market condition, and as such, the awards are valued using a Monte Carlo simulation model on the grant date. The model generates the fair value of the award at the grant date, which is then recognized as expense on a straight-line basis over the vesting period. The Company recognizes forfeitures as they occur.

On July 11, 2024, the Company granted 821,365 shares of PSUs to certain officers, managers and other eligible employees pursuant to the Plan. The PSU award allows the grantee to earn between 0% and 200% of the award based on the Company’s closing price per share at December 31, 2025. The grant date fair value of these awards was \$12.66 per share.

The fair value of PSUs granted under the Plan was estimated on the grant date using the Monte Carlo simulation model with the following assumptions:

	2024 Grants	2023 Grants
Valuation date stock price	\$ 7.45	\$ 2.63
Remaining term of performance period	2.47 years	2.49 years
Expected volatility	71.50 %	81.00 %
Risk-free rate of return	4.34 %	4.70 %
Expected annual dividend yield	— %	— %

The table below presents the activity of performance-based restricted stock units under the Plan:

	Number of PSUs	Weighted-Average Grant Date Fair Value per Share	Weighted-Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2023	706,097	\$ 3.15	2.0	\$ 2,012
Granted	821,365	12.66		
Vested	—	—		
Forfeited	(62,500)	3.15		
Outstanding as of September 30, 2024	1,464,962	\$ 8.48	1.8	\$ 10,064

As of September 30, 2024, total unrecognized compensation cost related to unvested PSUs granted under the Plan was \$0.5 million and is expected to be recognized over a weighted-average period of 1.8 years.

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Restricted Stock Units

Restricted stock units awarded under the Plan follow the same vesting conditions as the options described above and are generally subject to forfeiture in the event of termination of employment prior to vesting dates. The Company recognizes equity-based compensation expense for the restricted stock units equal to the fair value of the awards on a straight-line basis over the requisite service period and recognizes forfeitures as they occur.

On May 23, 2024, the Company granted 125,526 restricted stock units of the Company's common stock to non-employee directors. The restricted stock units vest on the one year anniversary of the grant date, subject to the director's continued service on the Board. The weighted average grant date fair value of these awards was \$4.78 per share.

On July 11, 2024 and August 30, 2024, the Company granted 958,035 and 148,148 restricted stock units, respectively, to certain officers, managers and other eligible employees with a grant date fair value of \$7.45 and \$6.75 per share, respectively. The restricted stock units follow the same vesting conditions as the options described above.

The table below presents the activity of restricted stock units under the Plan:

	Number of RSUs	Weighted-Average Grant Date Fair Value per Share	Weighted-Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value
Unvested as of December 31, 2023	2,851,215	\$ 3.89	1.2	\$ 8,126
Granted	1,296,910	6.89		
Vested	(1,054,339)	2.75		
Forfeited	(307,849)	4.38		
Unvested as of September 30, 2024	<u>2,785,937</u>	<u>\$ 5.66</u>	<u>1.2</u>	<u>\$ 19,139</u>

As of September 30, 2024, total unrecognized compensation cost related to unvested restricted stock units granted under the Plan was \$1.1 million and is expected to be recognized over a weighted-average period of 1.7 years.

Employee Stock Purchase Plan

On September 2, 2021, the Company's Board adopted the Redwire Corporation 2021 Employee Stock Purchase Plan (the "ESPP") which authorizes the grant of rights to purchase common stock of the Company to employees, officers and directors (if they are otherwise employees) of the Company. Under the ESPP, there is an enrollment period for each offering, when each eligible employee for that offering period has the option to enroll for that offering period, which allows the eligible employee to purchase shares of the Company's common stock at the end of the offering period. Each offering period under the ESPP is generally for five months, which can be modified from time to time. Subject to limitations, each participant will be permitted to purchase a number of shares determined by dividing the employee's accumulated payroll deductions for the offering period by the applicable purchase price, which is equal to 85% of the fair market value of the Company's common stock at the beginning or end of each offering period, whichever is less. A participant must designate in the enrollment package the percentage (if any) up to 15% of compensation to be deducted during that offering period for the purchase of stock under the ESPP, subject to certain limitations. As of September 30, 2024, the Company had one completed and one active offering period.

The ESPP is considered a compensatory plan with the related compensation cost expensed over the five month offering period. The Company utilizes the Black-Scholes OPM to compute the fair market value of shares under the ESPP for each offering period. As of September 30, 2024, 153,090 shares had been purchased and 2,527,909 shares were available for future sales under the ESPP.

REDWIRE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Tabular amounts in thousands of U.S. dollars, except percentages, unit, share, and warrant amounts)

The table below presents the equity-based compensation expense recorded for the following periods:

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Cost of sales				
ESPP	\$ 60	\$ —	\$ 130	\$ —
Stock options	1	13	16	105
Restricted stock units	459	681	1,576	1,952
Performance-based restricted stock units	19	6	28	6
Total cost of sales	<u>\$ 539</u>	<u>\$ 700</u>	<u>\$ 1,750</u>	<u>\$ 2,063</u>
Selling, general and administrative expenses				
ESPP	\$ 42	\$ —	\$ 88	\$ —
Stock options	311	417	1,040	1,161
Restricted stock units	1,588	1,124	3,692	2,883
Performance-based restricted stock units	1,113	210	1,476	210
Total selling, general and administrative expenses	<u>\$ 3,054</u>	<u>\$ 1,751</u>	<u>\$ 6,296</u>	<u>\$ 4,254</u>
Total equity-based compensation expense	<u>\$ 3,593</u>	<u>\$ 2,451</u>	<u>\$ 8,046</u>	<u>\$ 6,317</u>

Note O – Net Income (Loss) per Common Share

The table below presents a reconciliation of the basic and diluted net income (loss) per share that were computed for the following periods:

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Numerator:				
Net income (loss) attributable to Redwire Corporation	\$ (20,959)	\$ (6,253)	\$ (47,146)	\$ (18,975)
Less: dividends on Convertible Preferred Stock	3,383	2,874	16,125	12,040
Net income (loss) available to common shareholders	<u>\$ (24,342)</u>	<u>\$ (9,127)</u>	<u>\$ (63,271)</u>	<u>\$ (31,015)</u>
Denominator:				
Weighted-average common shares outstanding:				
Basic and diluted	66,529,288	64,795,985	65,936,597	64,475,390
Net income (loss) per common share:				
Basic and diluted	<u>\$ (0.37)</u>	<u>\$ (0.14)</u>	<u>\$ (0.96)</u>	<u>\$ (0.48)</u>

Basic and diluted net income (loss) per common share are calculated by dividing net income (loss) available to common shareholders (the numerator) by the weighted-average number of common shares outstanding (the denominator) during the period. Net income (loss) available to common shareholders (the numerator) is calculated by deducting both dividends declared and accumulated, regardless of the form of payment, during the period from Net income (loss) attributable to Redwire Corporation as presented on the condensed consolidated statements of operations and comprehensive income (loss).

Basic net income (loss) per common share is computed by dividing net income (loss) available to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted net income (loss) per common share is computed by dividing net income (loss) available to common shareholders by the weighted-average number of common shares and common equivalent shares outstanding for the periods presented using the treasury-stock method or, for participating securities, the if-converted method or two-class method, whichever is more dilutive. Common equivalent shares outstanding includes the dilutive effects from the assumed issuance, exercise or conversion of warrants, equity-based awards, and the Convertible Preferred Stock, except when antidilutive.

REDWIRE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Tabular amounts in thousands of U.S. dollars, except percentages, unit, share, and warrant amounts)

Because the Company had a net loss for all periods presented, the Company did not have any dilutive securities and/or other contracts that could, potentially, be exercised or converted into shares of common stock and then share in the earnings of the Company. As a result, diluted net income (loss) per common share is the same as basic net income (loss) per common share for the periods presented. Please refer to Note D – Fair Value of Financial Instruments, Note K – Convertible Preferred Stock, and Note N – Equity-Based Compensation for additional information on the Company’s warrants, Convertible Preferred Stock, and equity-based compensation awards, respectively.

Note P – Joint Venture

The Company, through its wholly-owned subsidiary, Space NV, participated in a joint venture operation with SES Techcom S.A. (“Techcom”) for the purpose of performing maintenance and operations services (“M&O Services”) for the European Space Agency (“ESA”), among others. Pursuant to a shareholders agreement dated June 28, 2007, this joint venture was created under the form of two companies: Redu Space Service SA/NV (“RSS”) and Redu Operation Services SA/NV (“ROS”), both of which are organized under Belgian law. Total authorized share capital for RSS and ROS was €250 thousand. The Company had an ownership interest in RSS and ROS of 48% and 52%, respectively, while Techcom had ownership interests in RSS and ROS of 52% and 48%, respectively. Voting rights, board representation and distribution of residual returns are proportionate to these equity interests.

M&O Services provided under the joint venture include development, operation and maintenance of satellite communication systems and ground facilities as well as in-orbit testing and educational support services on delivered infrastructure. These services are jointly performed with ROS serving as a subcontractor to RSS. Pursuant to an agreement dated April 1, 2022 (the “Transfer Agreement”), all M&O activities were transferred from ROS to RSS, including personnel, and the subcontractor relationship between ROS and RSS was terminated on the same date.

The joint venture automatically terminated on the earlier of: (i) the expiration of the M&O Service agreement with ESA, unless other business is conducted by either company at the time of expiration, (ii) complete withdrawal of ownership interests held by Space NV or Techcom, or (iii) unanimous consent by the shareholders that both RSS and ROS are dissolved.

In May 2024, Space NV (“seller”) and Techcom (“purchaser”) entered into a share purchase agreement (the “SPA Agreement”), whereby the seller sold to the purchaser all the shares owned by the seller in both ROS and RSS for total cash consideration of \$4.9 million (€4.5 million), effectuating a complete withdrawal of ownership interests held by Space NV, and terminating the joint ventures, resulting in an aggregate gain on the sale of joint ventures of \$1.3 million. As of June 30, 2024, the Company had no remaining ownership interest in ROS and RSS. As a result of the sale, the Company reclassified \$0.2 million out of accumulated other comprehensive income (loss) related to the accumulated translation adjustments of ROS and RSS. The reclassified accumulated translation adjustments are included in other (income) expense, net on the condensed consolidated statements of operations and comprehensive income (loss).

Prior to the SPA Agreement, the Company had significant influence over the joint venture operations and received a management fee in exchange for administrative services. Both RSS and ROS were accounted for under the VIE model due to insufficient equity investment at risk to finance operations without subordinated financial support. Additional information with regard to these entities is provided below.

Consolidated Variable Interest Entity

ROS was formed with an initial issued share capital of €0.1 million representing 1,000 shares of €100 par value each. The shares were fully paid upon incorporation with Space NV and Techcom owning 52% and 48%, respectively. ROS’s board of directors is composed of five members elected for renewable terms of 2 years.

Prior to the SPA Agreement, the Company evaluated its interests in the joint venture and determined that Space NV had a variable interest in ROS as of December 31, 2023. Due to their power to direct activities of the VIE that most significantly impact its economic performance, Space NV was determined to be the primary beneficiary and, therefore, consolidated ROS as of December 31, 2023. Total assets and total liabilities for ROS were \$0.5 million and \$0.1 million, respectively, as of December 31, 2023.

As a result of the SPA Agreement, the Company evaluated its interests in the joint venture and determined that Space NV no longer had a variable interest in ROS. Therefore, the Company deconsolidated ROS as of June 30, 2024, resulting in a \$0.1 million gain, which is included in other (income) expense, net on the condensed consolidated statements of operations and comprehensive income (loss). Net income from ROS for the three and nine months ended September 30, 2024 and 2023 was de minimis for disclosure.

Note R – Subsequent Events

On November 1, 2024, in accordance with the Convertible Preferred Stock Certificate of Designation, as amended, the Company issued 7,736.65 shares of Series A Convertible Preferred Stock to holders of record as of October 15, 2024. As such, the 108,649.30 outstanding shares of Convertible Preferred Stock were convertible into approximately 35,622,728 shares of the Company's common stock as of November 1, 2024.

The Company has evaluated subsequent events after the consolidated balance sheet as of September 30, 2024 through the condensed consolidated financial statements issuance date and has concluded there were no additional subsequent events that require disclosure.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the condensed consolidated financial statements and accompanying notes included in this Quarterly Report on Form 10-Q. Certain information contained in this discussion and analysis includes forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors. For information identifying important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, please refer to Item 1A. “Risk Factors” and the “Cautionary Note Regarding Forward-Looking Statements” sections of this Quarterly Report on Form 10-Q. Unless the context otherwise requires, all references in this section to the “Company,” “Redwire,” “we,” “us” or “our” refer to Redwire Corporation and its consolidated subsidiaries.

Business Overview

Redwire is a global space infrastructure and innovation company enabling civil, commercial, and national security programs. Redwire’s proven and reliable capabilities include our core space infrastructure offerings of avionics, sensors, power solutions, critical structures, mechanisms, radio frequency (“RF”) systems, platforms, missions, and microgravity payloads. Redwire combines decades of flight heritage and proven experience with an agile and innovative culture.

Redwire’s primary business model is providing mission critical solutions based on core space infrastructure offerings for government and commercial customers through long-duration projects. Our core offerings have been enabling space missions since the 1960s and have been flight-proven on over 200 spaceflight missions, including the National Aeronautics and Space Administration’s (“NASA”) Artemis program, New Horizons and Perseverance, the Space Forces’ GPS, and the European Space Agency’s (“ESA”) Project for On-Board Autonomy (“PROBA”) programs. We are also a provider of innovative technologies with the potential to help transform the economics of space and create new markets for its exploration and commercialization.

The following discussion should be read along with the financial statements included in this Form 10-Q, as well as “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Liquidity and Capital Resources,” and “Risk Factors” included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on March 20, 2024, which provides additional information on our business, the environment in which we operate and our operating results.

Recent Developments

During the third quarter of 2024, the Company delivered strong revenue performance year-over-year and completed the acquisition of Hera Systems, Inc. (“Hera”), a spacecraft development company supporting the evolving requirements for national security missions operating in contested space.

- Revenues increased 10% for the three months ended September 30, 2024 compared to the same period in 2023.
- Selling, general and administrative expenses as a percentage of revenues decreased to 26% for the three months ended September 30, 2024 from 29% during the same period in 2023.
- Net loss increased \$14.6 million for the three months ended September 30, 2024 compared to the same period in 2023.
- Book-to-bill ratio decreased to 0.65 for the three months ended September 30, 2024, from 0.74 for the same period in 2023.

Results of Operations

Substantially all of our contracts are accounted for under the percentage-of-completion cost-to-cost method. As a result, revenues on contracts are recorded over time based on progress towards completion for a particular contract, including the estimate of the profit to be earned at completion. The following discussion of material changes in consolidated revenues should be read in tandem with the subsequent discussion of changes in consolidated cost of sales because changes in revenues are typically accompanied by a corresponding change in cost of sales due to the nature of the percentage-of-completion cost-to-cost method.

Net EAC Adjustments

We record changes in costs estimated at completion (net EAC adjustments) using the cumulative catch-up method of accounting. Net EAC adjustments can have a significant effect on reported revenues and gross profit and the table below presents the aggregate amounts for the following periods:

(dollars in thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Gross favorable	\$ 6,087	\$ 7,127	\$ 11,259	\$ 11,805
Gross unfavorable	(7,639)	(4,674)	(19,838)	(11,036)
Total net EAC adjustments	\$ (1,552)	\$ 2,453	\$ (8,579)	\$ 769

The Company evaluates the contract value and cost estimates at completion for performance obligations no less frequently than quarterly, and more frequently when circumstances significantly change. Changes in contract estimates occur for a variety of reasons including, but not limited to, changes in contract scope, labor productivity, the nature and technical complexity of the work to be performed, availability and cost volatility of materials, subcontractor and vendor performance, volume assumptions, inflationary trends, and schedule and performance delays. We utilize information available to us at the time when revising our estimates and apply consistent judgement across the full portfolio of programs. Refer to Note L – Revenues of the accompanying notes to the condensed consolidated financial statements for additional information.

Results of operations for the three months ended September 30, 2024 compared to the three months ended September 30, 2023:

(in thousands, except percentages)	Three Months Ended				\$ Change from prior year period	% Change from prior year period
	September 30, 2024	% of revenues	September 30, 2023	% of revenues		
Revenues	\$ 68,638	100 %	\$ 62,612	100 %	\$ 6,026	10 %
Cost of sales	56,615	82	45,495	73	11,120	24
Gross profit	12,023	18	17,117	27	(5,094)	(30)
Operating expenses:						
Selling, general and administrative expenses	17,521	26	18,302	29	(781)	(4)
Transaction expenses	5,121	7	—	—	5,121	100
Research and development	1,893	3	1,532	2	361	24
Operating income (loss)	(12,512)	(18)	(2,717)	(4)	(9,795)	361
Interest expense, net	3,610	5	2,629	4	981	37
Other (income) expense, net	5,309	8	1,232	2	4,077	331
Income (loss) before income taxes	(21,431)	(31)	(6,578)	(11)	(14,853)	226
Income tax expense (benefit)	(472)	(1)	(253)	—	(219)	87
Net income (loss)	(20,959)	(31)	(6,325)	(10)	(14,634)	231
Net income (loss) attributable to noncontrolling interests	—	—	(72)	—	72	(100)
Net income (loss) attributable to Redwire Corporation	\$ (20,959)	(31) %	\$ (6,253)	(10) %	\$ (14,706)	235 %

Revenues

Revenues increased 10% to \$68.6 million for the three months ended September 30, 2024, as compared to \$62.6 million for the three months ended September 30, 2023. The year-over-year increase in revenues is primarily due to increases in average contract size and increased volume of production in power generation offerings. These increases were partially offset by \$1.6 million of net unfavorable EAC adjustments for the three months ended September 30, 2024 as compared to \$2.5 million net favorable EAC adjustments for the same period in 2023. Please refer to Note L – Revenues of the accompanying notes to the condensed consolidated financial statements

for additional information related to the Company's net EAC adjustments.

Cost of Sales

Cost of sales increased \$11.1 million, or 24%, for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023. The year-over-year increase in cost of sales was driven by increased labor, materials and subcontractor costs primarily associated with larger contracts in power generation offerings for which there were no related costs during the same period in 2023.

Gross Profit and Margin

Gross profit decreased \$5.1 million, or 30%, for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023. As a percentage of revenues, gross margin was 18% and 27% for the three months ended September 30, 2024 and 2023, respectively. The year-over-year decrease in gross margin was driven by changes in contract mix, including larger contracts with lower margins and completion of certain higher margin contracts, impacting the overall contract portfolio gross margin. The decrease is also partially due to the \$1.6 million net unfavorable EAC adjustments for the three months ended September 30, 2024. Please refer to Note L – Revenues of the accompanying notes to the condensed consolidated financial statements for additional information related to the Company's net EAC adjustments.

Selling, General and Administrative ("SG&A") Expenses

SG&A expenses decreased \$0.8 million, or 4%, for the three months ended September 30, 2024, as compared with the same period in 2023. The year-over-year decrease in SG&A expenses was primarily driven by a decrease of \$1.5 million in professional fees, partially offset by an increase of \$0.8 million in legal fees. This contributed to a year-over-year decrease of SG&A as a percentage of revenue to 26% for the three months ended September 30, 2024 from 29% for the same period in 2023. This decrease reflects the Company's continued focus on cost discipline and streamlining corporate overhead costs to enhance operating leverage.

Transaction Expense

Transaction expenses increased \$5.1 million, or 100.0%, for the three months ended September 30, 2024, as compared with the same period in 2023. The increase is primarily due to \$1.1 million of costs incurred related to the Hera acquisition as well as pre-acquisition costs incurred consisting of due diligence and additional expenses related to prospective acquisitions.

Research and Development

Research and development expenses increased \$0.4 million, or 24%, for the three months ended September 30, 2024, as compared with the three months ended September 30, 2023. The increase was primarily due to strategic decisions to invest in future developments related to avionics and sensors, radio frequency, power generation technologies and microgravity payloads.

Interest Expense, net

Interest expense, net increased \$1.0 million, or 37%, for the three months ended September 30, 2024, as compared with the three months ended September 30, 2023. The increase was primarily related to an increase in our cost of capital due to unfavorable changes in variable interest rates on the Company's debt obligations and increased borrowings on the revolving credit facility compared to the same period in 2023. Refer to Note G – Debt of the accompanying notes to the condensed consolidated financial statements for additional information related to the Company's debt obligations.

Other (Income) Expense, net

Other (income) expense, net increased by \$4.1 million for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023. The year-over-year increase was primarily due to an \$8.0 million loss contingency recognized for a litigation matter, for which there was no comparable cost in the same period of 2023. The increase was partially offset by a gain of \$1.9 million recognized as a result of changes in the fair value of the private warrant liability during the three months ended September 30, 2024 as compared to a loss of \$0.5 million recognized during the same period of 2023. The increase was also partially offset by a more favorable impact from foreign currency transactions for the three months ended September 30, 2024 as compared to the same period in 2023. Refer to Note J – Commitments and Contingencies and Note D – Fair Value of Financial Instruments of the accompanying notes to the condensed consolidated financial statements for additional information related to litigation matters and private warrants, respectively.

Income Tax Expense (Benefit)

The table below provides information regarding our income tax expense (benefit) for the following periods:

(in thousands, except percentages)	Three Months Ended	
	September 30, 2024	September 30, 2023
Income tax expense (benefit)	\$ (472)	\$ (253)
Effective tax rate	2.2 %	3.8 %

The effective tax rate decreased to 2.2% for the three months ended September 30, 2024, as compared to 3.8% for three months ended September 30, 2023, primarily related to the Company's mix in earnings between U.S. and foreign jurisdictions. Refer to Note I – Income Taxes of the accompanying notes to the condensed consolidated financial statements for further discussion.

Net Income (Loss) Attributable to Noncontrolling Interests

The net income (loss) attributable to noncontrolling interests for the three months ended September 30, 2024 and 2023 was de minimis. Please refer to Note P – Joint Venture of the accompanying notes to the condensed consolidated financial statements for additional information.

Results of operations for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023:

(in thousands, except percentages)	Nine Months Ended				\$ Change from prior year period	% Change from prior year period
	September 30, 2024	% of revenues	September 30, 2023	% of revenues		
Revenues	\$ 234,541	100 %	\$ 180,315	100 %	\$ 54,226	30 %
Cost of sales	194,709	83	133,077	74	61,632	46
Gross profit	39,832	17	47,238	26	(7,406)	(16)
Operating expenses:						
Selling, general and administrative expenses	52,971	23	52,026	29	945	2
Transaction expenses	5,399	2	13	—	5,386	41431
Research and development	4,681	2	3,990	2	691	17
Operating income (loss)	(23,219)	(10)	(8,791)	(5)	(14,428)	164
Interest expense, net	9,537	4	7,937	4	1,600	20
Other (income) expense, net	14,734	6	2,689	1	12,045	448
Income (loss) before income taxes	(47,490)	(20)	(19,417)	(11)	(28,073)	145
Income tax expense (benefit)	(348)	—	(369)	—	21	(6)
Net income (loss)	(47,142)	(20)	(19,048)	(11)	(28,094)	147
Net income (loss) attributable to noncontrolling interests	4	—	(73)	—	77	(105)
Net income (loss) attributable to Redwire Corporation	\$ (47,146)	(20) %	\$ (18,975)	(11) %	\$ (28,171)	148 %

Revenues

Revenues increased by \$54.2 million, or 30%, for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. The year-over-year increase in revenues was primarily related to increases in average contract size and increased volume of production in the power generation, radio frequency and structures and mechanisms space infrastructure offerings. These increases were partially offset by \$8.6 million of net unfavorable EAC adjustments for the nine months ended September 30, 2024 as compared to \$0.8 million of net favorable EAC adjustments for the same period in 2023. Please refer to Note L – Revenues of the accompanying notes to the condensed consolidated financial statements for additional information related to the Company's net EAC adjustments.

Cost of Sales

Cost of sales increased \$61.6 million, or 46%, for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. The year-over-year increase in cost of sales was primarily driven by increased labor and subcontractor costs associated with larger contracts in power generation offerings for which there were no related costs during the same period in 2023.

Gross Profit and Margin

Gross profit decreased \$7.4 million, or 16%, for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. As a percentage of revenues, gross margin was 17% and 26% for the nine months ended September 30, 2024 and 2023, respectively. The year-over-year decrease in gross margin as a percentage of revenues was driven by changes in contract mix, including larger contracts with lower margins and completion of certain higher margin contracts, impacting the overall contract portfolio gross margin. The decrease is also partially due to a \$8.6 million negative impact of net EAC adjustments for the nine months ended September 30, 2024 as compared to \$0.8 million of net favorable EAC adjustments for the same period in 2023. Please refer to Note L – Revenues of the accompanying notes to the condensed consolidated financial statements for additional information related to the Company’s net EAC adjustments.

Selling, General and Administrative (“SG&A”) Expenses

SG&A expenses increased \$0.9 million, or 2%, for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. The year-over-year increase in SG&A expenses was primarily driven by an increase in legal expenses and share-based compensation of \$3.0 million and \$1.7 million, respectively. This increase was partially offset by a decrease in professional fees and insurance expense of \$4.2 million. SG&A expenses as a percentage of revenues decreased to 23% for the nine months ended September 30, 2024 from 29% during the same period in 2023. This decrease reflects the Company’s continued focus on cost discipline and streamlining corporate overhead costs to enhance operating leverage.

Transaction Expenses

Transaction expenses increased \$5.4 million for the nine months ended September 30, 2024, as compared with the same period in 2023. The increase is primarily due to \$1.1 million of costs incurred related to the Hera acquisition as well as pre-acquisition costs incurred consisting of due diligence and additional expenses related to prospective acquisitions.

Research and Development

Research and development expenses increased \$0.7 million, or 17%, for the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023. The increase was primarily due to strategic decisions to invest in future developments related to avionics and sensors, radio frequency, power generation technologies and microgravity payloads.

Interest Expense, net

Interest expense, net increased \$1.6 million, or 20%, for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. This increase was primarily related to an increase in our cost of capital due to unfavorable changes in variable interest rates on the Company’s debt obligations and increased borrowings on the revolving credit facility compared to the same period in 2023. Please refer to Note G – Debt of the accompanying notes to the condensed consolidated financial statements for additional information related to the Company’s debt obligations.

Other (Income) Expense, net

Other (income) expense, net increased by \$12.0 million for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023. This year-over-year increase was primarily due to a \$8.1 million loss as a result of an increase in the fair value of the Company’s private warrant liability for the nine months ended September 30, 2024 as compared to a \$2.5 million loss during the same period in 2023. The change year-over-year is primarily due to a larger increase in the Company’s common stock price during the nine months ended September 30, 2024 as compared to the increase during the same period of 2023. The increase was also due to an \$8.0 million loss contingency recognized for a litigation matter, for which there was no comparable cost in the same period of 2023. The increase was partially offset by a gain of \$1.3 million recognized as a result of the sale of the Company’s joint ventures. Please refer to Note J – Commitments and Contingencies, Note D – Fair Value of Financial Instruments and Note P – Joint Venture of the accompanying notes to the condensed consolidated financial statements for additional information related to litigation matters, private warrants and equity joint ventures, respectively.

Income Tax Expense (Benefit)

The table below provides information regarding our income tax expense (benefit) for the following periods:

	Nine Months Ended	
	September 30, 2024	September 30, 2023
(in thousands, except percentages)		
Income tax expense (benefit)	\$ (348)	\$ (369)
Effective tax rate	0.7 %	1.9 %

The change in our effective tax rate for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023 is primarily related to the Company's mix in earnings between U.S. and foreign jurisdictions. Please refer to Note I – Income Taxes of the accompanying notes to the condensed consolidated financial statements for additional information.

Net Income (Loss) Attributable to Noncontrolling Interests

The net income (loss) attributable to noncontrolling interests for the nine months ended September 30, 2024 and 2023 was de minimis. Please refer to Note P – Joint Venture of the accompanying notes to the condensed consolidated financial statements for additional information.

Supplemental Non-GAAP Information

During the third quarter of 2024, we changed the Supplemental Non-GAAP Information to present only Adjusted EBITDA, whereas prior period disclosures also presented Pro Forma Adjusted EBITDA. Management believes the presentation of Pro Forma Adjusted EBITDA no longer provides the same meaningful insights into the Company's performance as it did during the initial years of the Company's formation. Prior period disclosures were recast to conform to current presentation. There was no change in the calculation of Adjusted EBITDA.

We use Adjusted EBITDA to evaluate our operating performance, generate future operating plans, and make strategic decisions, including those relating to operating expenses and the allocation of internal resources which are not calculated in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP") and are considered to be Non-GAAP financial performance measures. These Non-GAAP financial performance measures are used to supplement the financial information presented on a U.S. GAAP basis and should not be considered in isolation or as a substitute for the relevant U.S. GAAP measures and should be read in conjunction with information presented on a U.S. GAAP basis. Because not all companies use identical calculations, our presentation of Non-GAAP measures may not be comparable to other similarly titled measures of other companies.

Adjusted EBITDA is defined as net income (loss) adjusted for interest expense, net, income tax expense (benefit), depreciation and amortization, impairment expense, acquisition deal costs, acquisition integration costs, acquisition earnout costs, purchase accounting fair value adjustment related to deferred revenue, severance costs, capital market and advisory fees, litigation-related expenses, write-off of long-lived assets, gains on sale of joint ventures, equity-based compensation, committed equity facility transaction costs, debt financing costs, and warrant liability change in fair value adjustments.

The table below presents a reconciliation of Adjusted EBITDA to net income (loss), computed in accordance with U.S. GAAP for the following periods:

(in thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Net income (loss)	\$ (20,959)	\$ (6,325)	\$ (47,142)	\$ (19,048)
Interest expense, net	3,610	2,629	9,537	7,937
Income tax expense (benefit)	(472)	(253)	(348)	(369)
Depreciation and amortization	2,860	2,887	8,538	7,971
Acquisition deal costs (i)	5,121	—	5,399	13
Acquisition integration costs (i)	96	—	96	546
Purchase accounting fair value adjustment related to deferred revenue (ii)	—	—	—	15
Severance costs (iii)	365	62	532	382
Capital market and advisory fees (iv)	1,071	2,536	5,503	6,891
Litigation-related expenses (v)	9,096	249	11,329	317
Equity-based compensation (vi)	3,593	2,451	8,046	6,317
Committed equity facility transaction costs (vii)	—	245	—	179
Debt financing costs (viii)	—	—	—	17
Gain on sale of joint ventures, net of costs incurred (ix)	—	—	(1,255)	—
Warrant liability change in fair value adjustment (x)	(1,941)	464	8,111	2,475
Adjusted EBITDA	\$ 2,440	\$ 4,945	\$ 8,346	\$ 13,643

- i. Redwire incurred acquisition costs including due diligence, integration costs and additional expenses related to pre-acquisition activity.

- ii. Redwire recorded adjustments related to the impact of recognizing deferred revenue at fair value as part of the purchase accounting for previous acquisitions.
- iii. Redwire incurred severance costs related to separation agreements entered into with former employees.
- iv. Redwire incurred capital market and advisory fees related to advisors assisting with transitional activities associated with becoming a public company, such as implementation of internal controls over financial reporting, and the internalization of corporate services, including, but not limited to, implementing enhanced enterprise resource planning systems.
- v. Redwire incurred expenses related to securities litigation, including a loss contingency of \$8.0 million recognized in 2024. Refer to Note J of the accompanying notes to the condensed consolidated financial statements for additional information.
- vi. Redwire incurred expenses related to equity-based compensation under Redwire’s equity-based compensation plan.
- vii. Redwire incurred expenses related to the committed equity facility with B. Riley, which includes consideration paid to enter into the Purchase Agreement as well as changes in fair value recognized as a gain or loss during the respective periods.
- viii. Redwire incurred expenses related to debt financing agreements, including amendment related fees paid to third parties that are expensed in accordance with U.S. GAAP.
- ix. Redwire recognized a gain related to the sale of all its ownership in two joint ventures, presented net of transaction costs incurred, as further described in Note P of the accompanying notes to the condensed consolidated financial statements.
- x. Redwire adjusted the private warrant liability to reflect changes in fair value recognized as a gain or loss during the respective periods.

Key Performance Indicators

The following Key Performance Indicators (“KPIs”) are used by Management to assess the financial performance of the Company, monitor relevant trends and support financial, operational and strategic decision-making. Management frequently monitors and evaluates KPIs against internal targets, core business objectives as well as industry peers and may, on occasion, change the mix or calculation of KPIs to better align with the business, its operating environment, standard industry metrics, or other considerations. If the Company changes the method by which it calculates or presents a KPI, prior period disclosures are recast to conform to current presentation.

Book-to-Bill

Our book-to-bill ratio was as follows for the periods presented:

(in thousands, except ratio)	Three Months Ended		Last Twelve Months	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Contracts awarded	\$ 44,503	\$ 46,523	\$ 372,249	\$ 322,837
Revenues	68,638	62,612	298,026	234,020
Book-to-bill ratio	0.65	0.74	1.25	1.38

Book-to-bill is the ratio of total contracts awarded to revenues recorded in the same period. The contracts awarded balance includes firm contract orders, including time-and-material (“T&M”) contracts, awarded during the period and does not include unexercised contract options or potential orders under indefinite delivery/indefinite quantity contracts. Although the contracts awarded balance reflects firm contract orders, terminations, amendments, or contract cancellations may occur which could result in a reduction to the contracts awarded balance.

We view book-to-bill as an indicator of future revenue growth potential. To drive future revenue growth, our goal is for the level of contracts awarded in a given period to exceed the revenue recorded, thus yielding a book-to-bill ratio greater than 1.0.

Our book-to-bill ratio was 0.65 for the three months ended September 30, 2024, as compared to 0.74 for the three months ended September 30, 2023. For the three months ended September 30, 2024, contracts awarded includes \$21.9 million of acquired contract value from the Hera Systems acquisition. For the three months ended September 30, 2023, none of the contracts awarded balance relates to acquired contract value.

Our book-to-bill ratio was 1.25 for the LTM (“Last Twelve Months”) ended September 30, 2024, as compared to 1.38 for the LTM ended September 30, 2023. For the LTM ended September 30, 2024, contracts awarded includes \$21.9 million of acquired contract value from the Hera Systems acquisition, which was completed in the third quarter of 2024. For the LTM ended September 30, 2023, contracts awarded includes \$109.8 million of acquired contract value from the Space NV acquisition, which was completed in the fourth quarter of 2022.

Backlog

The following table presents our contracted backlog as of September 30, 2024 and December 31, 2023, and related activity for the nine months ended September 30, 2024 as compared to the year ended December 31, 2023.

(in thousands)	September 30, 2024	December 31, 2023
Organic backlog, beginning balance	\$ 372,790	\$ 313,057
Organic additions during the period	172,101	300,042
Organic revenue recognized during the period	(232,697)	(243,800)
Foreign currency translation	(2,229)	3,491
Organic backlog, ending balance	309,965	372,790
Acquisition-related contract value, beginning balance	—	—
Acquisition-related contract value acquired during the period	21,940	—
Acquisition-related additions during the period	—	—
Acquisition-related revenue recognized during the period	(1,844)	—
Acquisition-related backlog, ending balance	20,096	—
Contracted backlog, ending balance	\$ 330,061	\$ 372,790

We view growth in backlog as a key measure of our business growth. Contracted backlog represents the estimated dollar value of firm funded executed contracts for which work has not been performed (also known as the remaining performance obligations on a contract). Our contracted backlog includes \$16.9 million and \$19.3 million in remaining contract value from T&M contracts as of September 30, 2024 and as of December 31, 2023, respectively.

Organic backlog change excludes backlog activity from acquisitions for the first four full quarters since the entities' acquisition date. Contracted backlog activity for the first four full quarters since the entities' acquisition date is included in acquisition-related contracted backlog change. After the completion of four fiscal quarters, acquired entities are treated as organic for current and comparable historical periods.

Organic contract value includes the remaining contract value as of January 1 not yet recognized as revenue and additional orders awarded during the period for those entities treated as organic. Acquisition-related contract value includes remaining contract value as of the acquisition date not yet recognized as revenue and additional orders awarded during the period for entities not treated as organic. Organic revenue includes revenue earned during the period presented for those entities treated as organic, while acquisition-related revenue includes the same for all other entities, excluding any pre-acquisition revenue earned during the period. The acquisition-related backlog activity presented in the table above is related to the Hera Systems acquisition completed during third quarter of 2024.

Although contracted backlog reflects business associated with contracts that are considered to be firm, terminations, amendments or contract cancellations may occur, which could result in a reduction in our total backlog. In addition, some of our multi-year contracts are subject to annual funding. Management expects all amounts reflected in contracted backlog to ultimately be fully funded. Contracted backlog from foreign operations in Luxembourg and Belgium was \$93.2 million and \$106.0 million as of September 30, 2024 and December 31, 2023, respectively. These amounts are subject to foreign exchange rate translations from euros to U.S. dollars that could cause the remaining backlog balance to fluctuate with the foreign exchange rate at the time of measurement.

Liquidity and Capital Resources

Our operations are primarily funded with cash flows provided by operating activities and access to existing credit facilities. As of September 30, 2024, we had \$27.8 million in cash and cash equivalents and \$18.0 million in available borrowings from our existing credit facilities. Additionally, we had \$15.3 million in restricted cash which includes \$7.8 million of proceeds received from third-parties that is refundable except in certain limited circumstances. Restricted cash consists of a cash-collateralized standby letter of credit for a submitted proposal.

Our primary requirements for liquidity and capital are for the Company's material cash requirements, including working capital needs, satisfaction of our indebtedness and contractual commitments, investment in expanding our breadth and footprint through acquisitions as well as investment in facilities, equipment, technologies, and research and development for our growth initiatives and general corporate needs.

Our ability to fund our cash needs is dependent upon the successful execution of our business strategy and future operating results. Our future operating results are subject to, among others, general economic conditions, including as a result of heightened inflation, rising interest rates and supply chain pressures, competitive dynamics in our target markets as well as legislative and regulatory factors that may be outside of our control. As part of our business and debt management strategy, we continuously evaluate opportunities to further strengthen our financial and liquidity position, including issuing additional equity or debt securities, refinancing or otherwise restructuring our existing credit facilities, or entering into new financing arrangements. There can be no assurance that any of these actions will be sufficient to allow us to adequately service our debt obligations, meet our debt covenants, or that such actions will not result in an adverse impact on our business. In the event that we require additional financing, we may not be able to secure such financing on terms acceptable to us or at all.

We believe our existing sources of liquidity will be sufficient to meet our working capital needs and comply with our debt covenants for at least the next twelve months from the date on which our condensed consolidated financial statements were issued.

Indebtedness

Please refer to Note G – Debt of the accompanying notes to the condensed consolidated financial statements for additional information related to the Company’s debt obligations.

Contractual Obligations

During the nine months ended September 30, 2024, there were no material changes to the Company’s contractual obligations as presented in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on March 20, 2024, that were outside the ordinary course of our business, except for certain significant future lease obligations as described in Note H – Leases.

Off-Balance Sheet Arrangements

From time to time, we are a party to certain off-balance sheet arrangements, such as standby letter of credits. Liabilities related to these arrangements are generally not reflected in our consolidated balance sheets. We do not expect any material impact on our cashflows, results of operations or financial condition to result from these off-balance sheet arrangements.

As of September 30, 2024, we had \$15.3 million of standby letters of credit outstanding for a submitted proposal, which were secured by our restricted cash. Refer to Note B of the accompanying notes to the condensed consolidated financial statements for additional information related to the Company’s restricted cash.

Cash Flows

The table below summarizes certain information from the condensed consolidated statements of cash flows for the following periods:

(in thousands)	Nine Months Ended	
	September 30, 2024	September 30, 2023
Cash, cash equivalents and restricted cash at beginning of year	\$ 30,278	\$ 28,316
Operating activities:		
Net income (loss)	(47,142)	(19,048)
Reconciling adjustments to net income (loss)	23,878	17,308
Changes in working capital	(1,148)	(12,720)
Net cash provided by (used in) operating activities	(24,412)	(14,460)
Net cash provided by (used in) investing activities	(3,050)	(5,214)
Net cash provided by (used in) financing activities	40,280	2,294
Effect of foreign currency rate changes on cash, cash equivalents and restricted cash	(2)	(77)
Net increase (decrease) in cash, cash equivalents and restricted cash	12,816	(17,457)
Cash, cash equivalents and restricted cash at end of period	\$ 43,094	\$ 10,859

Operating activities

Net cash used in operating activities increased for the nine months ended September 30, 2024 by \$10.0 million as compared the same period in 2023. The change was primarily due to an increase of \$28.1 million in cash used related to the Company's net loss for the nine months ended September 30, 2024 in comparison to the same period in 2023, partially offset by a decrease in cash used by working capital of \$11.6 million and increase of \$6.6 million in the effects of non-cash adjustments. The decrease in cash used by working capital is primarily related to an increase in other liabilities of \$10.6 million and a decrease in accounts receivable of \$14.5 million partially offset by a decrease in accounts payable and accrued expenses of \$5.0 million and deferred revenue of \$7.4 million and an increase in contract assets of \$8.8 million. The changes in contract assets, accounts receivable and deferred revenue were primarily driven by the timing of billable milestones during the nine months ended September 30, 2024 compared to the same period in 2023. The decrease in accounts payable and accrued expenses is primarily a result of timing of payments and invoice receipt and the increase in other liabilities is primarily related to the loss contingency recognized related to a litigation matter. Please refer to Note J – Commitments and Contingencies of the accompanying notes to the condensed consolidated financial statements for additional information related to litigation matters.

Investing activities

Net cash used in investing activities decreased by \$2.2 million for the nine months ended September 30, 2024, as compared to the same period in 2023. The change was primarily due to net proceeds of \$4.6 million received from the sale of the Company's joint ventures, partially offset by an increase in capital expenditures related to licensed software for internal-use and property, plant and equipment and cash used, net of cash acquired related to the Hera Systems acquisition.

Financing activities

Net cash provided by financing activities increased by \$38.0 million during the nine months ended September 30, 2024, as compared to the same period in 2023. The change was primarily due to an increase in net proceeds received from debt of \$34.8 million during the nine months ended September 30, 2024, compared to \$3.8 million in the same period in 2023, advances from third-parties of \$7.8 million and proceeds of \$0.5 million received from issuance of common stock for the exercise of vested stock options and shares purchased through the ESPP, compared to \$0.1 million in the same period in 2023. The increase in proceeds received from debt was driven primarily by increased draws from the Adams Street Revolving Credit Facility during the nine months ended September 30, 2024, compared to the same period in 2023.

Foreign Currency Exposures

Our operations in Belgium and Luxembourg conduct transactions that are primarily denominated in euros, which limits our foreign currency exposure. However, changes in exchange rates will affect the Company's condensed consolidated financial statements as expressed in U.S. dollars.

Critical Accounting Estimates

There have been no material changes to our critical accounting policies and estimates as disclosed in our audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on March 20, 2024.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is a smaller reporting company and is not required to provide the information required under this Item 3.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures, which are designed to ensure that the information required to be disclosed in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including ensuring that such information is accumulated and communicated to management (including the principal executive officer and principal financial officer) as appropriate to allow timely decisions regarding required disclosure. Based on such evaluation, our principal executive officer and our principal financial officer have concluded that such disclosure controls and procedures were not effective as of September 30, 2024 due to the material weaknesses in internal control over financial reporting described below.

Material Weaknesses in Internal Control over Financial Reporting

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

In connection with the Company's evaluation of internal control over financial reporting, the following material weaknesses have been identified:

- We have not consistently established appropriate authorities and responsibilities in pursuit of financial reporting objectives, as demonstrated by, among other things, insufficient segregation of duties in our finance and accounting functions.
- We did not design and maintain formal accounting policies, procedures and controls to achieve complete, accurate and timely financial accounting, reporting and disclosures, including controls over the preparation and review of business performance reviews, account reconciliations, journal entries and contract estimates used in determining the recognition of revenue.

These material weaknesses could result in misstatements of substantially all accounts and disclosures that could result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

In addition, we did not design and maintain effective information technology ("IT") general controls for information systems that are relevant to the preparation of the consolidated financial statements. Specifically, we did not design and maintain:

- program change management controls to ensure that information technology program and data changes affecting financial IT applications and underlying accounting records are identified, tested, authorized, and implemented appropriately;
- user access controls to ensure appropriate segregation of duties and that adequately restrict user and privileged access to financial applications, programs, and data to appropriate Company personnel;
- computer operations controls to ensure that critical batch jobs are monitored and data backups are authorized and monitored; and
- testing and approval controls for program development to ensure that new software development is aligned with business and IT requirements.

The IT deficiencies, when aggregated, could impact maintaining effective segregation of duties, as well as the effectiveness of IT-dependent controls (such as automated controls that address the risk of material misstatement of one or more assertions, along with the IT controls and underlying data that support the effectiveness of system-generated data and reports) that could result in misstatements potentially impacting all financial statement accounts and disclosures that would not be prevented or detected.

The material weaknesses above did not result in a material misstatement to the condensed consolidated financial statements as of September 30, 2024, nor in any restatements of financial statements previously reported by us.

Remediation Plans

We are in the process of implementing measures designed to improve our internal control over financial reporting and remediate the deficiencies that led to the material weaknesses, including training, designing and implementing new control activities, and enhancing existing control activities.

- We engaged a third-party global consulting firm to accelerate the design of new controls or enhance existing controls to ensure timely and accurate financial reporting.
- We will continue to conduct training and document our processes and procedures, including accounting policies, and implement a comprehensive financial closing process checklist with additional layers of reviews. We are also in the process of standardizing controls, processes and policies across the Company to ensure consistent application including controls over the preparation and review of business performance reviews, account reconciliations, journal entries and contract estimates used in determining the recognition of revenue.
- We are in the process of performing an assessment of all IT systems that provide data for financial reporting purposes and consolidating systems where appropriate. As part of this assessment, we will be designing, implementing and documenting IT general controls.

We are working to remediate the material weaknesses as efficiently and effectively as possible and expect full remediation will likely go beyond December 31, 2024. At this time, we cannot provide an estimate of costs expected to be incurred in connection with implementing this remediation plan; however, these remediation measures will be time consuming, will result in the Company incurring additional costs, and will place additional demands on our financial and operational resources.

If we are unable to successfully remediate existing or any future material weaknesses in our internal control over financial reporting, the accuracy and timing of our financial reporting may be adversely affected, investors may lose confidence in our financial reporting, and/or we could become subject to litigation or investigations by the New York Stock Exchange (“NYSE”), the SEC or other regulatory authorities.

Changes in Internal Control over Financial Reporting

There have been no changes in internal control over financial reporting during the three months ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are subject to litigation, claims, investigations and audits arising from time to time in the ordinary course of business. Although legal proceedings are inherently unpredictable, we believe that we have valid defenses with respect to any matters currently pending against Redwire and we intend to defend ourselves vigorously. Excluding pending matters referenced below, the outcome of these matters, individually and in the aggregate, is not expected to have a material impact on our condensed consolidated financial statements.

For additional information on pending matters, please refer to Note J – Commitments and Contingencies of the accompanying notes to the condensed consolidated financial statements. For additional information on the risks associated with the existing and future investigations, lawsuits, arbitration, claims, enforcement actions and other legal proceedings, please refer to Item 1A. “Risk Factors”.

ITEM 1A. RISK FACTORS

As of September 30, 2024, there have been no material changes from the risk factors previously disclosed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the Securities and Exchange Commission on March 20, 2024.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following is a list of all exhibits filed or furnished as part of this report:

Exhibit Number	Description
10.1	Ninth Amendment to Credit Agreement, dated as of August 28, 2024, by and among Redwire Holdings, LLC, the other Borrowers party thereto, the Guarantors party thereto, Adams Street Credit Advisors, LP, as Administrative Agent and as Collateral Agent and each lender party thereto (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by the registrant on August 29, 2024).
31.1	Certification of Chief Executive Officer (Principal Executive Officer) Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer (Principal Financial Officer) Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer (Principal Executive Officer) Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit Number	Description
32.2*	Certification of Chief Financial Officer (Principal Financial Officer) Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

*The certifications furnished in Exhibit 32.1 and Exhibit 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates them by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Redwire Corporation

Date:	November 7, 2024	By:	<u>/s/ Peter Cannito</u>
		Name:	Peter Cannito
		Title:	Chief Executive Officer, President and Chairman <i>(Principal Executive Officer)</i>
Date:	November 7, 2024	By:	<u>/s/ Jonathan Baliff</u>
		Name:	Jonathan Baliff
		Title:	Chief Financial Officer and Director <i>(Principal Financial Officer)</i>
Date:	November 7, 2024	By:	<u>/s/ Chris Edmunds</u>
		Name:	Chris Edmunds
		Title:	Senior Vice President and Chief Accounting Officer <i>(Principal Accounting Officer)</i>

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Peter Cannito, Chief Executive Officer, President and Chairman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2024, of Redwire Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	November 7, 2024	By:	<u>/s/ Peter Cannito</u>
		Name:	Peter Cannito
		Title:	Chief Executive Officer, President and Chairman <i>(Principal Executive Officer)</i>

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jonathan Baliff, Chief Financial Officer and Director, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2024, of Redwire Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2024

By: /s/ Jonathan Baliff

Name: Jonathan Baliff

Title: Chief Financial Officer and Director

(Principal Financial Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

**Certification Pursuant to Section 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Redwire Corporation (the "Company") for the period ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Peter Cannito, Chief Executive Officer, President and Chairman of the Company, certifies, to the best of his knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	November 7, 2024	By:	<u>/s/ Peter Cannito</u>
		Name:	Peter Cannito
		Title:	Chief Executive Officer, President and Chairman <i>(Principal Executive Officer)</i>

CERTIFICATION OF CHIEF FINANCIAL OFFICER

**Certification Pursuant to Section 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Redwire Corporation (the "Company") for the period ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Jonathan Baliff, Chief Financial Officer and Director of the Company, certifies, to the best of his knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	November 7, 2024	By:	<u>/s/ Jonathan Baliff</u>
		Name:	Jonathan Baliff
		Title:	Chief Financial Officer and Director <i>(Principal Financial Officer)</i>