

05 - 15 - 2026

York Space

York Space Systems (Q1 2026)

CORPORATE SPEAKERS:

Christopher Evenden

York Space Systems; Vice President of Investor Relations

Dirk Wallinger

York Space Systems; Chief Executive Officer

Kevin Messerle

York Space Systems; Chief Financial Officer

PARTICIPANTS:

Peter Arment

Baird; Analyst

Austin Moeller

CitiGroup; Analyst

Unidentified Participant

Unknown; Unknown

Seth Seifman

JPMorgan; Analyst

Unidentified Participant

Unknown; Unknown

Rayan Koontz

Needham & Company; Analyst

Ben Tomik

Wells Fargo; Analyst

Mitch Ingles

Raymond James; Analyst

Alexandra Mandery

Truist Securities; Analyst

PRESENTATION:

Operator^ Hello, everyone. Thank you for joining us, and welcome to York Space Systems' First Quarter 2026 Earnings Call. After today's prepared remarks, we will host a question and answer session. (Operator Instructions) I will now hand the call over to Christopher Evenden, Vice President of Investor Relations. Please go ahead.

Christopher Evenden^ Hello, everyone, and welcome to York Space Systems' First Quarter 2026 Earnings Call. With me on the line are Dirk Wallinger, our CEO, and Kevin Messerle, our CFO. Please note that our earnings press release is available at ir.yorkspacesystems.com. In addition, we have posted

an earnings presentation to accompany our prepared remarks on the same website. Lastly, after the call, we will post a transcript of our prepared remarks and an audio replay of this call.

For those listening to the rebroadcast of this call, we remind you that the remarks made herein are as of today, Thursday, 14th May 2026, have not been updated subsequent to this call. During this call, we will refer to certain non-GAAP measures. A reconciliation of these measures to the most directly comparable GAAP measures can be found in our earnings press release.

We will also make statements that are considered forward-looking, including those related to our 2026 outlook, future revenue, growth prospects, backlog, growth of market share and addressable market, M&A strategy, inventory building, and the benefits of the acquisitions of Orbion and ALL.SPACE.

Listeners are cautioned that our forward-looking statements involve certain assumptions and are inherently subject to risks and uncertainties that can cause our actual results to differ materially from our current expectations. We advise listeners to review the risk factors and other discussions included in our 2025 annual report on Form 10-K, the Q1 Form 10-Q, and our other filings with the SEC. After the completion of our prepared remarks, we will open the call for questions. Now, I'll turn the call over to Dirk.

Dirk Wallinger^ Hello, and welcome to York's first quarter 2026 earnings call. I appreciate you taking the time to join us. Q1 marked a strong and focused start to the year, reflecting disciplined execution against our strategic priorities and the momentum established through our successful January IPO. We delivered revenue of \$116 million, up 9% year-on-year, while also adding meaningful commercial and government awards in the quarter, strengthening our backlog and positioning us for continued growth.

We also advanced key strategic initiatives, including the acquisition of Orbion to enhance vertical integration and production delivery times and early steps to build out our inventory in support of future demand. In February, we finalized a \$187 million commercial contract for a 20-plus satellite constellation built on the M-CLASS platform with a clear pathway for additional orders as the customer continues to build out its constellation.

We have since completed our kickoff with the customer and begun early design work. We expect significant revenue contribution from this program in 2027. In March, we shared that York won multiple IDIQ awards supporting next-generation national security space architectures. These awards reinforce the continued confidence government customers place in York's mature production line.

The IDIQs will support the development and deployment of critical national defense and war-fighting space capabilities, including systems relevant to emerging highly integrated systems that contribute to missions like Golden Dome. We expect task order issuances on the awarded contracts in the near term and are well-positioned to compete, win, and execute on such orders. We also saw continued growth with our civil government customers, including NASA, where we secured an extension to the PEX contract through 2027.

We are seeing strong new business activity across government, classified, and commercial markets, and our business development team is fully engaged and at full capacity across this pipeline. Turning to capital allocation, the IPO has expanded our ability to invest in advancing our first-mover advantage. We have scaled our business development organization, adding capabilities across key markets, including Washington, D.C., Colorado, California, and Florida.

In parallel, we are investing in inventory, initiating the build-out of the first 20 satellite platforms, allowing us to potentially reduce time to orbit by up to 75% to meet the rapid delivery demand signals

from the market. The IPO also enabled us to accelerate our M&A strategy, which we are executing with the acquisition of Orbion in Q1 and the signing of ALL.SPACE in April.

As I highlighted in our last earnings call, Orbion strengthens our supply chain control and further integrates critical systems with flight-proven technology. We are seeing strong alignment and execution across the York and Orbion teams and are enthusiastic about the ability to contribute to accelerating our delivery timelines while operating successfully as a wholly-owned subsidiary.

ALL.SPACE develops and manufactures next-generation, robust, jam-resistant, multi-band mobile tactical terminals for satellite communications. Their Hydra Terminal systems provide resilient network-agnostic communications on the move, enabling reliable connectivity across space, air, land, and maritime domains designed specifically to ensure connectivity is maintained in dynamic and contested environments.

With this acquisition, York expects to advance its strategy to build and complete communication ecosystems operating in contested environments across the commercial and government networks. It will also further position us to expand into adjacent high-growth addressable markets, particularly the rapidly growing unmanned systems market, by leveraging our space-based network.

Together, York and ALL.SPACE bring complementary proven capabilities to enable real-time access to critical information and improve awareness, coordination, and mission execution across distributed operations. ALL.SPACE brings an established and highly credible platform with a track record of execution across critical defense programs and a strong base of existing customers.

Upon closing, the business will continue to operate as a wholly-owned subsidiary, maintaining its focus and agility while contributing to York's broader strategic objectives. ALL.SPACE has demonstrated success supporting the U.S. Army and U.S. Navy, including through the Next Generation Tactical Terminal and satellite terminal non-geostationary programs, reinforcing its position as a trusted provider of resilient communication solutions.

These relationships not only validate the strength of the platform, but also expand York's opportunity to deepen engagement across key defense customers. We see significant opportunity to scale into the mobile manned and rapidly growing unmanned systems market through our combined space-based network and mobile ground terminals, where demand for resilient on-the-move connectivity is accelerating.

As we have seen in current conflicts, assured connectivity in contested environments continues to present significant challenges. ALL.SPACE is a leader in providing multi-band assured communication in contested environments. And this acquisition positions us well to capitalize on that opportunity, particularly as evolving geopolitical dynamics continue to drive increased reliance on unmanned and distributed systems in contested environments. The acquisition is expected to close in the third quarter, subject to regulatory approvals.

Looking ahead, we will continue to pursue strategic acquisitions across two primary lanes -- assuring supply chain and vertical integration, and leveraging our space domain expertise to continue to expand into rapidly growing adjacent markets, further growing our TAM.

Let me close by reinforcing that York is well-positioned as we move into the second half of 2026. We are deliberately investing to build inventory and reduce delivery timelines by up to 75%, expanding portfolio capabilities like the ATLAS ground network, and continuing to expand our broad customer base. At the same time, we are leveraging our capital to execute a disciplined M&A strategy to strengthen our ability to deliver at speed, cost, and scale, while also expanding our total addressable market by leveraging our

space expertise to expand in adjacent high-growth segments. Together, these efforts position York to capture significant opportunities emerging across an increasingly dynamic and contested global landscape. With that, I'll hand the call over to Kevin.

Kevin Messerle^ Thanks, Dirk. As Dirk discussed, 2026 is set to be a transformational year for us, with our January IPO opening several new avenues of growth. Revenue for the quarter was ahead of our expectations at \$116.3 million, up \$10.1 million or 9% on the prior year. The increase was primarily driven by growth in our major government programs, offset by a strong performance in Q1 last year as we accelerated production of our first 21 Tranche 1 Transport Layer communication satellites ahead of their launch last September.

Gross margin, which includes allocated labor, overheads, and D&A, was 19%, down 4 percentage points year on year, driven by the net impact of certain EAC adjustments, which were a tailwind last year and a headwind this year, and a non-recurring depreciation expense this year. Gross margin dollars were \$22.2 million in the quarter, down slightly from \$24.6 million in the year-ago quarter, driven by the items I just mentioned, offset by higher revenues. Contribution margin grew 1 percentage point to 34% in the Q1, driven by a richer mix of our newer vintage programs, which tend to have higher margins than our older vintage programs.

Contribution margin dollars grew to \$40.1 million from \$35.3 million last year, driven by the aforementioned mix and higher overall revenues. Turning to operating expenses, SG&A plus R&D expenses increased 35% year-over-year. This was primarily driven by an increase in overall headcount at York, increases in overhead related to public company uplift, and incremental salaries and costs related to the acquisitions of ATLAS in August 2025 and Orbion in March 2026.

As a result, adjusted EBITDA for the quarter was negative \$3.6 million compared to \$5.5 million last year. With regards to liquidity, as of 31st March 2026, our cash and cash equivalents were \$655.7 million, and availability under our revolving facility was \$150 million for total liquidity of \$805.7 million. Loss per share was \$1.51 per quarter. Approximately \$1.07 of this is due to two substantial non-recurring non-cash charges associated with the IPO. Capital expenditures for Q1 2026 were \$2.1 million as compared to \$1.2 million in the year ago quarter.

Backlog has increased 18% to \$642.3 million at quarter end from \$542.6 million at December 31st, 2025, driven by the commercial win we announced in March, partially offset by revenue recognized in the quarter. Looking ahead, we expect revenue for the year to be in the range of \$545 million to \$595 million, up 48% year-over-year at the midpoint. This is unchanged from our previous guidance.

The recent changes at SDA have not reduced our nation's need for communications in contested environments. We continue to compete for that business based on the strengths we've shown in the past. With regards to Q2 in particular, I would note that we are experiencing delays in supply of certain components that will push a portion of revenue associated with those costs into the second half of the year. We believe these near-term headwinds are balanced by the unprecedented bid activity in other areas, netting out to an unchanged forecast for the full year. And now I'll hand it back over to the operator for questions. Operator?

Operator^ Thank you. We will now begin the question and answer session. Please limit yourself to one question and one follow-up. (Operator Instructions). Your first question comes from the line of Peter Arment from Baird. Your line is open. Please go ahead.

Peter Arment^ Hey, thanks. Good afternoon, Dirk, Kevin, Chris. Thanks for your time. Hey, Dirk, you're in a position to kind of clear things up and help, I guess, investors try to understand a lot of the moving

parts that have really been going on in the Space Development Agency. Since justification books have come out and a lot of -- there's been a lot kind of thrown out there, how do you view kind of the positioning, if anything's changed for you? Or just maybe if you could just. I know some of this, obviously a lot of this is restricted and classified, but what you can give us kind of at a high level on how you're viewing it. Thanks.

Dirk Wallinger^ Sure thing. Sure thing. So, food to hear from you, Peter. Appreciate the question. So, yes, I mean, it presents a real opportunity for us to clarify a lot, because since, quite frankly, I mean, there's a little bit of confusion out there, right? So last earnings call, I think you'll recall that there were some questions about Transport and how that might relate to Space Data Network. And in that call, we suggested that, or I suggested that more than likely what we expected to see is that the Transport capabilities, right, the ability to support the warfighter in theater and in domain was an enduring need.

And independent of what the agency, what agency or where that kind of need fell under that, it would endure and would continue. So we're happy to see that that's pretty much exactly what happened. So the Transport kind of capability where you have this assured communications, and you're going to be able to provide that directly to the warfighter, right, is a capability that continues to exist, and we're seeing that rolled into the Space Data Network.

So there's a lot of confusion. And I've talked to the government about this and they acknowledge this, and they're doing a lot of work to clarify. But there's a lot of confusion because last year or the year before, you're hearing a lot of things about MILNET, things like that, right? And so, what they're doing though is exactly what I said. They're bringing all the different kinds of capabilities that you need from military commercial solution, and they're going to put it under one architecture, and that architecture is called the Space Data Network.

I think because before there was an assumption that SpaceX was sole source MILNET, people believed that that was going to perpetuate and that all of Space Data Network would become, quote unquote, "MILNET," and that's just not accurate. And you see that reflected in the budget.

So, if you look at the 2027 Department of War mandatory budget, you see some line items, and you definitely see a Space Data Network backbone at roughly \$3 billion. But what you also see is Space Data Network backbone, quote, "multiple vendor procurement." And that's a separate line item from Space Data Network, which means this is for other vendors to compete for that backbone.

And so obviously, that's very encouraging to see a specific line item specifically for competition at \$800 million. And Congress has also been really supportive of more competition and understanding that that's critical to having a strong industrial base in the U.S. And so if that continues, we believe, York believes there's opportunity for material expansion into the \$685 million for Space Data Network mesh and ground architectures.

So with those two alone, you're looking at about, York's opportunity at about \$1.5 billion. To put that into context, when we were looking at budgets before earlier kind of end part of last year, you'd see \$200 million, \$400 million, as high as \$500 million for transport. But what we're seeing now is that in the new architecture under Space Data Network, we're seeing that opportunity more than tripled. So obviously that's all very promising for us. We're very encouraged to see that. We like to see budgets for things where we are a key contributor triple, so that's great.

But another thing to add is there also seems to be a little bit of confusion on kind of where York fits in the ecosystem and what our capabilities are. And obviously, for obvious reasons, there's a lot of focus on

Transport because it was an unclassified program for the most part, as far as what it was asked to do. But we're seeing now that, look, there's very large budgets elsewhere.

And so that's why I'm pointing to our other capabilities because right now we are under contract for seven different mission sets that are not Space Data Network. Right now, we are executing advanced fire control, Moving Target Indicator, remote proximity operations, tracking data relay, advanced waveforms, weather, and IDS, right? Those are all capabilities across the entire ecosystem, from classified programs over to Golden Dome programs, right?

And so when you look at the capabilities York has, obviously we have tremendous capabilities in SDN. Seeing that budget triple is phenomenal. But if you look at the classified side, we estimate the classified budget to be about \$20.9 billion. And it does have some overlap with the \$17.5 billion for Golden Dome. But right now, we're tracking dozens of specific opportunities across five different classified mission areas. We also estimate our total opportunity is roughly about \$16.3 billion. And we obviously feel we're well positioned for the unclassified \$8 billion allocated to Moving Target Indication.

So when you're looking at the \$20 billion for classified, \$17 billion for Golden Dome, York looks like we have a targeted area of about \$16 billion for work that we can do. And so that's why those other mission sets matter so much, is because we're the incumbent on a lot of those mission capabilities. We're doing it now, and we're one of probably only four companies probably in the U.S. that is actually positioned to deliver hundreds of satellites immediately. So I kind of took it a little broad there, Peter, but hopefully, that gives you a little more insight into what this budget actually says and what it actually looks like.

Peter Arment^ That is really helpful and I think it'll be very much appreciated. Maybe just a quick follow-up. Kevin, you mentioned kind of there's no change in this year's annual guidance, but you did said things are shifting around. Could you just give it a little color what the supply chain issue is for Q2 or is it just a timing thing?

Kevin Messerle^ Yes. Hey, Peter. Good question. And yes. So just to reiterate, we are reaffirming our prior guidance of \$545 million to \$595 million. And so what I mentioned in the prepared remarks is that we think a little bit of our 2Q revenue that we were planning to hit in 2Q will just be delayed into 3 -- likely 3Q, potentially some of that into 4Q. So it's all a timing thing. It doesn't change the overall trajectory for the year. And it is related to I would say a handful of suppliers. I don't want to publicly announce or who that might be. We're obviously -- we value our supply chain.

And look, they're working on some challenging things for us in some instances. So that's what's causing that, right, because we recognize revenue on a percentage of completion. Some of the development and the production status on certain of our purchase orders gets a little bit delayed. All that means is that revenue just kind of moves a little bit to the right in the year. I would say directionally, Peter, one way to look at it although we don't guide quarterly revenue, we anticipate 2Q 2026 could be roughly flat year-over-year from 2Q '25. So again, just a little bit of softness there, but it's all just kind of moving to the right.

Peter Arment^ Thanks, gentlemen. Very helpful color. I'll jump back in queue.

Operator^ Your next question comes from the line of Austin Moeller from Canaccord Genuity. Your line is open. Please go ahead.

Austin Moeller^ Hi, good afternoon, Dirk and Kevin. So, first, could you just provide a little bit more color on the national security IDIQs? I think you hinted that it's somewhat related to Golden Dome or potentially, the Space Data Network solicitations in the J book, but would love any more detail on that.

Dirk Wallinger^ Yes, no, I appreciate that. Yes, there's -- IDIQs are to a lot of other folks and so it's good for us to clarify that a little bit. So there was some confusion that we kind of understood a little bit in the sense of there are a couple IDIQs that are for Golden Dome. They're on the unclassified side of things and there's a lot of people on them, right? It's 20, 40 people, I think 100 or something like that, in one case. And so people were confusing that with the IDIQs I was talking about. So, now to be clear, we are on those other IDIQs, but we're awardees there too, but we made no announcement about that.

The two that I was referencing are basically they're both for national security needs, so I'm not allowed to talk about the actual kind of mission set, but they were very selective. So that's why we were excited about it, and that's why you heard me mention it last earnings call, and there was a press release as well, is because they were extraordinarily selective about who they awarded to.

It was a very small handful on both of those IDIQs. All the awardees on there were basically had a long storied history of successful execution in orbit and have the ability to produce at scale. Both of those IDIQs, while I can't name what the mission sets are, I can say that they are both operational mission sets, meaning that they are for capabilities the government fields right now, in very large quantities.

So being onboarded to both those IDIQs is obviously very exciting because it goes along the lines of we can see now the overall theme of what the government has been doing is there's been a lot of frustration with what's going on with Golden Dome, what's going on with Space Data Network, et cetera.

And we can see now that what the government is doing has been putting contract vehicles in place with the vendors they think that can actually perform on these contracts and actually execute. And so that takes a lot of work for the government. That's still an area where we're not as fast as we probably need to be. But they've been working the last couple quarters to get these contract awards in place.

And I anticipate a large series of task orders coming out on both those IDIQs over the next couple months. I can say that our business development team has been very busy responding to task order requests. We've actually just signed off on doubling our classified space, facility space as well. So very exciting because they're operational missions. They were for a handful of people, not the hundreds that were on the unclassified IDIQ. So I wish I could tell you more about the mission, but hopefully that gives you a little bit more insight that these are kind of real deal IDIQs. They're very exciting for us.

Austin Moeller^ Okay. And you already discussed this at length but I guess just to reiterate, if you can, you would think that on future contracts or program solicitations for Space Data Network, MILNET, et cetera, Transport Layer, that it would be quite unusual for the Space Force, given their model for all the other contract vehicles they have, to sole source to a single vendor for anything, just given its reduction of competitiveness and you don't have a redundant second supplier.

Dirk Wallinger^ So this is my perspective and opinion, so take it for that. I'm in no way speaking on behalf of the government. But I think there's kind of two gears going on. One is, look, we have an immediate need for capability in this country. I think that given events over the past couple of months, it's only really highlighted that. So I do think that, look, if they've been working with suppliers and they've been producing successfully, they're going to continue to do that. You don't want to give up on a great supplier and just suddenly shift gears.

But I do think there's a lot of congressional support and frankly support on the military side of things too that we need to have a strong industrial base, which means that we need to have multiple suppliers. So I wouldn't take it so far to say that they'll never sole source anything.

I think it probably looks more like, "Hey, let's continue to do the things that we're doing that are working. But, look, we have a lot of dollars here. Congress has been very supportive of multiple suppliers, so let's try and on-ramp other companies to produce at scale and see what they can do as well." So I think it's more like that. I don't think it's quite as discrete. It's more of '26 and '27 and '28 look like, "Let's get these companies from producing hundreds to producing thousands, and let's invest in multiple suppliers."

Austin Moeller^ That's really helpful. Thanks for the details.

Dirk Wallinger^ Yes. Well, And I'll add one more comment. So, stuff like there was some Starlink terminals that were referenced in the budget. But -- so like, yes, do you need Starlink terminals to work with Starlink? Yes. So that's probably a sole source for that one. But that was \$25 million of over, I think \$3.8 billion when you include launch. I think that's a good example of, look, we'll continue to use things that work. We will only want to expand.

Austin Moeller^ And you have ALL.SPACe terminals now, right?

Dirk Wallinger^ What was that?

Austin Moeller^ You've flat panel antennas from ALL.SPACe now.

Dirk Wallinger^ We do. That's exactly right. So we're very excited about the addition of ALL.SPACe, and obviously we've signed a definitive agreement, and we still have regulatory approvals. But, yes, that's the real capability that ALL.SPACe is bringing, is that it's a multi-beam antenna.

I think it has four different beams. It can talk to GEO, HEO, LEO, MEO, all of them. And what the difference there is that it really provides this assured comm. So you notice that York tends to be really focused on tactical capabilities, like in the theater, and that's precisely what the ALL.SPACe capability does, is because it's multi-beam, because it's an electronically steered antenna, it's very hard to jam. And it's very hard to basically take it out of communication.

And we've seen that, right? We've seen in the places that we're in nowadays, we're having a -- people are having a really hard time with communications, and so that's what the ALL.SPACe antenna does. In addition, right, you'll notice just generally in the market, there's a lot of focus on unmanned systems, right? Rightfully so.

There's a lot of excitement about all the unmanned boats and ships and subs and things like that we want -- that we need capability for in the sea, and same thing on the land, right? We're very focused on production right now, but what we loved about the ALL.SPACe being added in was that when you have the production and it works, if you can't talk to it, then really it doesn't matter, right?

If they're able to jam your communications, if they're able to jam your GPS, then that's going to be a major problem. And so the fundamental design of the ALL.SPACe system is much more robust towards that. And so that's why it's going to enable the unmanned systems to work in communication denied environments as well. So that's a little bit of a nuance that I think most people didn't get about really the brilliance of what Paul and ALL.SPACe were doing. And coupling that with an assured communication and capabilities backbone in space really gives you that global connectivity that frankly as a country we're going to need.

Austin Moeller^ Excellent. Thank you.

Operator^ Your next question comes from the line of John Godyn from Citigroup. Please go ahead.

Unidentified Participant^ Hey, guys. This is Max on for John. Thanks for taking my question. I was just wondering if you could double-click on the capital allocation strategy a bit. You mentioned an M&A strategy of investing in growing adjacent markets. I was curious if this is part of the strategy of diversifying away from like the SDN dependency, or it's just like part of like your inorganic growth strategy as a whole. And if you can provide some high level color into these rapidly growing adjacent markets. Thanks.

Dirk Wallinger^ Yes. So, on our earnings and today, we've always talked about there's two really areas that we're going to look at as the major focus. One of them is supply chain because as Kevin alluded to, there's just a lot of areas where we are highly dependent on China and other countries, and that has to end.

Solar cells are one prime example of pretty much everything on solar cells. For space, triple junction type of cells comes from China or places that are unfriendly, and so we need to change that. We had the Orbion acquisition as well. Like, they're a premier supplier of propulsion systems. They're operating phenomenally for us in orbit on numerous missions.

And so bringing that kind of high technology capability in, and then securing our supply chain from sources who we know will be unfriendly in the future, right, that's important to us. But the other piece is, it isn't about diversifying away from SDN. As I kind of alluded to earlier in the call, we have eight different mission sets.

SDN is one of them. But we have seven other ones. So as far as diversity of capabilities, and ability for us to grow in numerous mission markets that are all ripe for proliferation, we feel very good about where we're at from a satellite manufacturing capabilities perspective. The strategy though is more of, look, we provide global connectivity and global solutions. That's what we do.

We build autonomous robots in space, right? They operate for weeks, months, could be years on end, right? And so they have these autonomy and controls and capabilities there. And what we want to do is leverage that knowledge and experience and help adjacent markets. And so that's where we saw that by coupling with ALL.SPACE, we could take advantage of the massively growing and expanding unmanned markets. They are already doing phenomenally well in mobile markets. But unmanned markets, we can support that.

And by that terminal, being connected to our global system, what it means now is all these manufacturers for boats, subs, ships, land vehicles, et cetera, we can offer them a turnkey, assured connectivity and autonomy solution. And so, yes, we have a lot of interest that we see that robots, and everything like that is going to be important to what the United States is doing in the future. So we're making offensive moves right now to try and help that market grow and be successful and execute. Because right now the focus is a lot on manufacturing.

But the next step is, how do you get these things to work? How do you connect them? How do you make sure that they understand where they're at? How are you coordinating them? And so that's where we think that there's lots of opportunity for York to grow because, frankly, that's exactly what we do for satellite constellations right now.

Unidentified Participant^ Great. That was helpful.

Kevin Messerle^ Hey, Dirk, I'm just going to add a quick little plug here. In the earnings deck that's posted to the website, there's some really helpful slides we think that will help kind of illustrate what Dirk

just talked about as it relates to this whole ALL.SPACE ecosystem. So slides eight, nine, and 10, whenever folks get a chance, I would encourage you to have a look at those slides.

Dirk Wallinger^ Kevin's piping up because he told me before the call.

Kevin Messerle^ Yes.

Dirk Wallinger^ You might want to reference those. Fair. Good add, Kevin. Thank you.

Unidentified Participant^ Great. That was helpful. That is all for me. Thank you.

Operator^ Your next question comes from the line of Seth Seifman from JPMorgan. Please go ahead.

Seth Seifman^ Okay. Thanks very much, and good afternoon. I wanted to ask about the EACs in the quarter and what drove the cost growth that led to those, and whether that's associated at all with the schedule delays you're expecting and whether those delays bring any profitability risk with them.

Kevin Messerle^ Yes, I'll take that one, Dirk. Hey, Seth. Good to hear from you. Yes, what I would say with the first quarter EAC change, it's -- it was negative. But there's a kind of a good story behind it, and let me -- I'll share what I can with it. We have a particular very important government customer that has a very important mission. And there's been over the past year or two, a little bit of uncertainty on particular technical capabilities.

And the good news is, in the first quarter, our tech teams and the government's tech teams came to an agreement on what that technical capability should look like. And, frankly, it's going to increase a little bit of material cost and a little bit of labor cost on our side.

And we felt the right thing to do for this customer and for this mission, which is an extremely important one for our nation, was to absorb that and not get into any sort of back and forth on getting a contract mod put in place for this. So that's really the punchline on that EAC change. And that's about one point of the four points of margin decline year-over-year is associated to that one-time event.

There could be some upside if we end up accomplishing that below those costs we estimated. But we wanted to put forth a reasonably conservative estimate of what it would take to get this very important mission to the finish line, and we're going to get it done, and it's going to be a very important mission.

The other thing worth mentioning in the gross margin decline year over year, about two points were caused by accelerated depreciation -- a non-recurring depreciation charge of a satellite that we had in orbit. It's a hosted payload mission. We don't really do those anymore. A few years ago, those were some of the missions we were doing where we would own the satellite, take a customer's payload, and then we would operate the satellite and the payload for the customer. We don't do that anymore, but it was a one-time non-recurring depreciation charge related to that particular asset.

So what I would say, Seth, is that absent those two non-recurring events, we actually would've been up slightly year-over-year on a gross margin basis and up sequentially from Q4 on a gross margin basis. So, again we -- things that aren't going to recur again and actually, like I said, that the EAC is actually sort of a good story when you look at what we're doing here for that customer.

Seth Seifman^ Okay. Okay. Excellent. And maybe just one clarification question to follow up. The revenue guide for the year, the unchanged revenue outlook, that's an organic outlook, correct, with no contribution from ALL.SPACE or any other acquisitions?

Kevin Messerle^ That's correct, Seth. We're not -- until we close that deal, we're not going to be adjusting guidance vis-a-vis ALLSPACE. So we'll take a look at that later in the year.

Seth Seifman^ Okay. Excellent. Thanks very much.

Operator^ Your next question comes from the line of Sheila Kahyaoglu from Jefferies. Please go ahead.

Unidentified Participant^ Hi, guys. This is Kyle on for Sheila. Thanks for taking my question. As it relates to sort of the full year revenue guide, yes, I'd appreciate a little bit of color in terms of sort of what is already in backlog today to get there. You called out some of the timing issues that seemed more near term, but what is sort of still the go-get or need to win to kind of hit the full year guide?

Dirk Wallinger^ Kevin, I'll let you go, and then I can add insight onto some of the changing dynamics as far as revenue recognition and stuff, from the 10,000-foot level.

Kevin Messerle^ Sure. Yes, so if you look at our range of \$545 million to \$595 million, midpoint of \$570 million as we mentioned on our last call in March, 70% of that is backlog, and that has not changed. And so that kind of implies obviously, right, that 30% of that \$570 million number is new business. We have chipped away frankly a little bit on that go-get for the new business that's related to that commercial contract -- the \$187 million commercial contract that we signed in the first quarter. To be clear, it's not a super material number. Most of that's going to be 2027 revenue, but it does contribute a little bit to that.

So that's kind of the high level roadmap. As we talked about on our March call as well, this is consistent with our plan. We were not anticipating any large scale contract -- government contract awards in the first quarter, or frankly, even in the second quarter. We think that is going to be a second half event, and based on the what I would say, robust activity going on with our BD and proposal folks, that's -- we still feel very good about that new business go-get. So, Dirk, I don't know if you have anything you want to add.

Dirk Wallinger^ Yes, I mean, that's one of the dynamics we're seeing, and I alluded to it on kind of one of the questions, was just that the government -- although some folks are a little frustrated with the transparency, but I understand where it's coming from because they've been working very diligently on basically putting all the contract vehicles in.

And most of these are IDIQs and OTAs, so other transaction authorities. So they competitively compete them an award so that after that, they can just put out task orders and get the dollars to flow. And so that's what's pretty different about what's happening kind of today versus this industry for the past, I don't know, decade and a half that I've been working on it, is they're putting all the construction kind of capabilities so that they can let the dollars flow and flow quickly.

And so what we're seeing is a few things. One is the time cycles for award are going to be a lot shorter because they spent all their time getting people onto contracts, either through OTAs, of which we, I think we have five or six plus numerous IDIQs, of which I think we also have five or six. And then what they're doing is issuing task orders so that they can immediately go to execute and issue the dollars. They're also doing a lot of RFIs that are awardable, which is rare. The process used to be RFI, draft RFP award, then dollars, right?

And so now because they have these contract vehicles in place, they're doing RFIs and they're saying, "By the way, we might just award it." So there's just going to be a significant acceleration of task orders and dollars issued, and I think in the next quarter or two. The programs themselves are much shorter. So historically for us, we're one of the faster builders and deployers, but that schedule was typically like 3

years plus. Now they're talking about 2-year schedules. The reason this matters is because, as Kevin alluded to we typically basically recognize our revenue as a function of cost.

Well, if the program is shorter, you're recognizing that -- they're recognizing that contract value over a much shorter period. So, contract vehicles are in place. Task orders are coming out. They've significantly shortened the procurement life cycle by awarding contracts ahead. The schedules themselves are significantly shorter as well.

And then in our case, as I alluded to, we're buying inventory, right? So we're buying 20 space vehicles of inventory right now. I have another 11 already. And so what that means is that when you have inventory, we can immediately move it from inventory. When we're awarded a contract, it gets moved immediately over to the program costs, and we can recognize that immediately.

So there's also the kind of financial metrics of standing up a large production company like we have, where you're able to shorten these cycles, build inventory, recognize revenue quickly, and shorten these schedules. So there's just a tremendous dynamic that's been going on, and it appears, I think, to a lot of folks who aren't familiar with what the government's doing, that there's not transparency and it just seems like it's dragging on.

It actually hasn't. They've been doing a lot of work, and we're starting to see the benefits of that work that they've done. Long way of saying we're going to be able to recognize the revenue in shorter cycles is how I see it.

Unidentified Participant^ Understood. Very helpful and very thorough. If I could ask just one on the commercial side with this large contract from February end. Does that sort of change the construct of what growth could be in that end market? I know you talked about the bus dev teams being very active across the different channels.

Dirk Wallinger^ Yes, we're very excited about that commercial opportunity because it's the first of many constellations that this customer needs. And they've been very successful in the work that they've done on their side of things. So, yes, I think that there's going to be tremendous growth on the commercial side of things.

We're also working some different avenues to kind of overcome the capital, the upfront capital that's typically required with satellites. And so Kevin's been doing a little work there too. Commercial side, I see tremendous growth and the ability to leverage our production line and our production capabilities and our fully developed mission operations software suites is going to be critical to help unlock and grow the commercial side of the business as well.

Unidentified Participant^ Thank you.

Operator^ Your next question comes from the line of Ryan Koontz from Needham & Co. Please go ahead.

Ryan Koontz^ Great. Thanks. I wanted to follow up on ALL.SPACE a bit more. I think Dirk, can you comment on the intellectual property and kind of track record of the products, number one. And number two, when do you think that product will be able to ship in material volumes, and is the supply chain ready or is there a lot of work to do there? Thank you.

Dirk Wallinger^ Yes, appreciate it. Yes, ALL.SPACE is a phenomenal company. Their headquarters and their technical excellence is based in the U.K., but their production capacity is actually in the U.S. So it's

not an immature product by any means. They're already out there deployed and doing exercises. And they have contracts with the Army and Navy.

We'd love to work with them and expand their capability for the U.S. Air Force on the space side of things too, and I think we'll have a lot of success doing it. That terminal obviously is a phenomenal fit for Golden Dome. Assured communications that are far more resistant to jamming is definitely required for Golden Dome specifically.

And so they have mass production in Alabama. I think that we are going to -- York is opening an office in Alabama, as I alluded to in the prepared remarks. And so we're probably going to expand our footprint in Alabama as well to support the kind of mass production that they're going to need.

And I think they're really just the beginning. I mean, right now, it's the military that is the main source of demand. But as I alluded to, as Kevin said, if you look at the slides as well, right, slides I think 9 and 10, what you see is that you need this capability to support unmanned systems at the scale that we are going to need.

And that part actually has me personally the most excited because that's really what you need, is you need these unmanned systems, but you need them out there in hundreds and thousands. And the connectivity that ALL.SPACE and York bring together, support that capability and make sure that it's going to work in the field when you need it.

Ryan Koontz^ That's great, Dirk. Thanks so much.

Operator^ Your next question comes from the line of David Strauss from Wells Fargo. Please go ahead.

Ben Tomik^ Hi, this is Ben Tomik on for David. I was just wondering if we could go back to the SDA and Transport Layer. For what you already have under contract for Tranche 1 and 2, is there any update to the launch schedule there? I know there were some delays. And then, from that funding, how much of that has been recognized already?

Dirk Wallinger^ Yes, Kevin will talk to the funding piece. The launch schedule's actually controlled, and we need SDA's permission to do that. I think it's probably safe for me to say that the vehicles are very mature and we feel they're ready to ship, but it's up to the SDA to announce exactly when that next launch is scheduled. Kevin, maybe you can answer the other part.

Kevin Messerle^ Yes. On the funding, we can't get into too many details on that, but broadly speaking, we've only received funding for the both Tranche 2 programs is less than 50%, right? So we're in a significant contract asset status, meaning, we've incurred more cost, we've recognized more revenue than cash received. That's just a timing thing. It all kind of comes out in the wash.

Ben Tomik^ Got it. And then, could you provide any update on current build rates and maybe like how progress has been on the Potomac facility?

Dirk Wallinger^ Yes. So Potomac's coming around really, really quickly. Right now, its main function is assembly, integration, and test. And they've improved that ability significantly. I mean at the beginning of T 1, it took like, I believe -- I'm kind of going off the top of my head, but I believe it took roughly a week for us to get through vibration testing through X, Y, and Z axes. And I think today, they do it in like a day routinely.

So we've seen significant improvements there. We continue to -- we're receiving -- we're standing up production capability in the sense of like we're starting to receive a lot of that and we're starting in the process of starting some building over at Potomac. And so that's kind of a weird way where a lot of supply chain talks about the satellite hardware and capabilities there, but supply chain definitely affects your ground test equipment, and your mission-specific test equipment as well. And so we're deploying that now. It'll take a little bit longer, but I think that we'll probably be full capacity by like 2026, as far as with the goal of trying to achieve 1,000 a year.

Ben Tomik^ Great. Thank you.

Operator^ Your next question comes from the line of Mitch Ingles from Raymond James. Please go ahead.

Mitch Ingles^ Hey, everyone. I'm on for Brian Gesuale. Congrats on a solid quarter and thanks for all the color. It's been very helpful so far. I just had a quick question. You mentioned you started building the first 20 platforms to accelerate your time to delivery. So what is your target inventory level by the end of the year, and how should we think about any potential cash headwind from that and what you expect for revenue recognition as we speed up delivery cadence?

Dirk Wallinger^ I'm sorry, could you repeat the first part again?

Mitch Ingles^ On the -- you announced the 20 platform that you're building, do you have a target level for that for the end of the year? How much do you want to accelerate that?

Dirk Wallinger^ Yes. So we're building 20 to inventory now, and like I said, we have 11 actually that I think would be -- we could make available for inventory as well. And we basically sized that based on launch vehicles. So the M-CLASS is significantly larger, and so we wanted to basically have a full stack so you could launch an entire rocket. That's where the sizing came from.

We have numerous contract opportunities right now where I think there's significant potential to move those platforms over immediately and start integrating payloads. So hypothetically, if we did that on something like some of the LX-CLASS that we have, I mean, we could be recognizing revenue within two or three months after contract signing, maybe even earlier.

And then depending if the payload was ready or not. If the payload's ready, we've shown that we can complete an entire spacecraft build with a brand new payload integrated, launch it, and be operating in orbit in seven months. But, look, that's very aggressive assumption.

So I would assume that if we kicked off contracts in I think Q3, Q4, we'd probably start to recognize revenue in Q4. And then it would be early kind of Q7 2027 -- or, sorry, Q1 '27 as well. But we envision those because the inventory will be much shorter. So those programs might only be a yearlong or a year and a half for us to recognize the full value of the contract.

Mitch Ingles^ Awesome. That's helpful. And then I guess one last one from me on the commercial contract, expected on starting revenues in 2027. So how should we think about the cadence for that contract in terms of the timing of it and how long that could last?

Dirk Wallinger^ Yes, that's you, Kevin.

Kevin Messerle^ Yes. To be clear, there'll be a -- there will be a portion of revenue associated with that contract this year. It's not huge. Less than \$30 million or so. So think most of it will be in 2027 and 2028.

I would think of that program as probably closer to the longer end of some of our programs. Probably that when we talk two to three years, I'd say that one directionally is probably going to be on the longer end. There's some pretty innovative payloads that our customer and our -- and we -- our, not me, our CTO are developing.

So it's a little bit of a longer program than our traditional as we go forward with these SATCOM missions for the government. We've been there, done that. Those are going to be very accelerated cycle programs. This one a little bit longer.

Mitch Ingles^ That's it for me. Thank you.

Operator^ Your next question comes from the line of Alexandra Mandery from Truist Securities. Please go ahead.

Alexandra Mandery^ Hey, good afternoon, and thanks for taking my question. You mentioned labor earlier, and I just wanted to see if you could provide more color on the labor force and ability to add and retain labor if needed. Thanks.

Dirk Wallinger^ Yes, I can talk to that. So right now, we feel very good about where we're sitting as far as labor goes. The vast majority of expertise that are required for our new missions obviously comes from the engineering group and software groups as well. And those are staffed pretty well.

So most of our missions are starting to launch, which is the big bulk of their development cycle is typically early in their program. So like a PDR, CDR, which would be kind of the first year of the program. It doesn't completely drop off, but that's where you get most of the work. And then as you approach launch, it just becomes more software team and the engineering teams free up to work on new programs.

So I feel very good about where we're at on the engineering front. I mean, I anticipate it will grow a little bit. But it's definitely kind of leveling out. Now production's a different story. So production as we get more contracts and more capability, we're able to leverage highly skilled technicians that are in the area. We've had a lot of success bringing more technicians on to support higher and higher numbers of production, but we've also got significantly more efficient as well. So, we will have to bring on more technicians as we continue to meet and exceed our projections for '27, '28.

But even on that case, we've done so much work on automating the testing on the ground, and also standardizing on the bus platform itself and the software that's required to execute and check out that, that it's really reduced the number of hands required on the satellites as well.

So long way of saying engineering and management we think is leveling out. And I don't see that being a linear curve going forward as we earn more and more contracts. Technicians won't quite be linear, but there'll be some growth there, more than 10%. But I don't think it's -- we require any kind of doubling or anything of that drastic nature at all to support significantly more contracts and production capability.

Alexandra Mandery^ Great. That's all for me. Thanks.

Operator^ At this time, there are no further questions. I would like to hand the conference over to Dirk Wallinger for closing remarks.

Dirk Wallinger^ Yes. So really appreciate everyone taking the time to hear the story and allowing us also the opportunity to clarify and add some more understanding of kind of the budgets and where they fit and where we fit. So obviously we're very excited at where the budgets are sitting. We're excited about our ability to deliver.

And with the number of contract vehicles that we have and the budgets allocated for all the different kinds of capabilities the country needs, we're extremely excited about what's going to happen here in the next couple of quarters in '26 and '27. And obviously very excited about delivering on some of our commercial constellations as well. So really appreciate the time everyone took. Thank you so much, have a good day.

Operator^ This concludes today's call. Thank you all for attending. You may now disconnect.