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York Space Systems

Q2 2026 Earnings Call

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Q4 Inc.

Fourth Quarter 2022 Earnings

Christopher Evenden
York Space Systems, Inc.; Vice President of Investor Relations
Dirk Wallinger
York Space Systems, Inc.; Founder, President, and Chief Executive Officer
Brian Frantz
York Space Systems, Inc.; Chief Accounting Officer and Interim Chief Financial Officer

PARTICIPANTS:

Bradley Eyster
Citi; Analyst
Unidentified Participant
JP Morgan; Analyst
Josh Korn
Wells Fargo; Analyst
Adam Samuelson
Jefferies; Analyst
Austin Moeller
Canaccord Genuity; Analyst
Ryan Koontz
Needham & Company; Senior Research Analyst
Unidentified Participant
Goldman Sachs; Unknown

PRESENTATION:

Operator^ Hello, everyone. Thank you for joining us. Welcome to the York Space Systems' second quarter 2026 earnings call. After today's prepared remarks, we will host a question and answer session. (Operator Instructions) I will now hand the conference over to Christopher Evenden, Vice President of Investor Relations. Chris, please go ahead.

Christopher Evenden^ Hello, everyone. Welcome to York Space Systems' second quarter 2026 Earnings Call. With me on the line are Dirk Wallinger, our CEO, and Brian Frantz, our Chief Accounting Officer and Interim CFO.

Please note that our earnings 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 this 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 August 13th, 2026, and have not been updated subsequent to this call.

Q4 Inc.

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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 and growth prospects, anticipated award times, pipeline, award opportunities, backlog, M&A strategy, inventory building, and the benefits of our acquisitions.

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 reports on Form 10-K, the 2026 Form 10-Qs, 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^ Thanks, Chris. Hello. Welcome to York's second quarter 2026 earnings call. I appreciate you taking the time to join us.

Before we get into the highlights from the quarter, I want to take a moment to introduce Brian Frantz, who'll be stepping into the role of Interim Chief Financial Officer at York. Brian joined us as a Chief Accounting Officer and played a central role in our transition to a public company, with direct responsibilities for financial reporting, internal controls, and SEC compliance.

Brian brings more than three decades of financial leadership experience across public and private companies, including prior service as CFO of RE/MAX International and Principal Financial Officer of Intrepid Potash. You'll hear from Brian on the quarter's financials a bit later on the call.

Q2 was another strong quarter of execution for York. We launched 21 more satellites, added new customers, and expanded our portfolio and mission capabilities. Revenue for the quarter was $92.5 million, up 10% year-over-year.

Our backlogs stood at $592 million, and potential on awarded contracts reached $1.85 billion. Our identified pipeline now exceeds $11.5 billion. York's earnings deck describes these metrics, including potential on awarded contracts, in more detail.

In the first half of 2026, we secured eight contract wins at an 88% win rate on our proposals. We added four more contracts in this quarter, with two Task Order wins and another IDIQ add in the last 45 days alone, a reflection of both the breadth of our capabilities and the confidence customers place in our performance on-orbit.

We have expanded our national security customer base, including three new IDIQ vehicles, expanding our contracts to cover 10 different missionaries. Those IDIQs have generated two delivery orders, an early signal of how quickly today's onboarding contracts are now converting into real mission work.

A few of these wins are worth calling out in more detail. In July, York was awarded the Task Order contract on one of our highly selective IDIQs, to deliver military system capabilities built on commercial technologies.

That award reinforces our position as one of the only providers with an on-orbit performance record for operational systems and the commercial manufacturing scale required to support the resilient multi-vendor supply base the government is asking for.

In early August, we were awarded another IDIQ Task Order for an on-orbit demonstration. The rapid conversion from IDIQ selection to multiple funded delivery order contracts in a matter of weeks reflects real, near-term demand for York's proven in-production spacecraft as the government scales their space-based architecture.

We are encouraged that the government remains committed to a resilient supply base for their architectures, which strengthens the industrial base and delivers better outcomes for the warfighter.

Our proven performance in orbit and ability to deliver at scale for operational systems is transitioning well into contract orders for next-generation systems that are aligned with current budget allocations.

Resilient, assured, or jam-resistant, communications are increasingly becoming an in-theater need, and that need is only expected to grow as unmanned systems play a more decisive role in modern conflict. Their effectiveness and survivability depend directly on assured, resilient communications across every phase of the mission.

In an environment where air superiority is denied, space will be the enabling network for those communications, and by extension, the foundation of the defense architectures that will define the next era of warfighting.

The character of conflict has changed and the architectures underneath it have to change with it. Whoever controls the assured communication systems controls the fight. That is why jam-resistant communications and alternative PNT matter, and it's why York is investing where we are. We're building for a warfighter who will operate across manned and unmanned formations, and we intend to be the prime that delivers the space-based infrastructure they will count on to win.

The changing character of conflict leads directly into our acquisition of ALL.SPACE, completed in July. ALL.SPACE, a leader in assured communications terminals, extends our reach into adjacent markets and positions us to capture the accelerating demand for unmanned systems across every domain.

ALL.SPACE also brings established contracts with the Army and Navy, with momentum already carrying into a new DIU contract and $6 million follow-on order for 23 additional terminals from the Navy. ALL.SPACE and our other subsidiaries are expected to contribute roughly 10% to 15% of 2026 revenue.

In July, we were selected by the U.S. Space Force for the NITE-STAR IDIQ, further extending our mission portfolio capabilities. NITE-STAR positions us to compete for Task Orders, integrating our satellite platforms with the global ground network operated by ATLAS Space Operations, a wholly-owned subsidiary of York.

Our expanding portfolio of mission types and capabilities positions York to compete for a broader set of opportunities.

Roughly 23% of our contracts sit in network communications, and the remaining 77% address noncommunication mission capabilities like AMTI, advanced fire control, Remote Proximity Operations, missile warning, missile track, and more.

That breath alone aligns directly with where defense budgets are planned and enables York to compete across the full range of programs shaping the next-generation of defense.

Shifting to the commercial side, we continue to see commercial opportunities increasing following our constellation win earlier this year, and anticipate commercial systems becoming a larger portion of our revenue potential and growth trajectory. Our demonstrated ability to deliver at scale at price points unmatched by competitors, continue to make us an attractive partner in the commercial sector.

Shifting to execution. This quarter York became the first performer to complete its Tranche 1 Transport Layer deliveries, launching a second dedicated Falcon 9 that put 21 York-built satellites on-orbit, and bringing York's program record to 42 for 42 ahead of every other awardee. That's a track record customer see and it's showing up directly in awards we're winning today.

To date, York has put 55 satellites on-orbit across eight launches, and today we are actively operating five unique mission sets and three constellations. That combination of scale and mission breadth positions York as the new space industry leader by number of active missions, range of capabilities on-orbit, and military systems operating in space today.

Additional highlights from the quarter include our Nemesis mission, which cleared its Delta Critical Design Review and currently remains on track for delivery in Q4. Nemesis extends York's prime integration model into GEO in support of space domain awareness missions and reinforces our ability to prime, integrate, and deliver across orbital regimes.

On the Dragoon program, we completed our initial mission objectives in a matter of months, demonstrating York's ability to deliver operationally relevant tactical communications at speed and scale, and we completed our acquisition of Solestial, a leading provider of next-generation space solar technology.

Solestial secures domestic control of a critical element of our supply chain currently controlled by China, reduces geopolitical exposure across our manufacturing base, and positions us to leverage advanced solar capabilities as a differentiator in future spacecraft designs.

Before I turn it over to Brian to review the financials in-depth, I want to speak briefly to what we're seeing across the broader U.S. government acquisition landscape and what it means for York's growth trajectory.

Through 2026 and increasingly in Q2, we've observed a meaningful shift in how the U.S. government is acquiring spacecraft systems, moving away from a rapid succession of larger RFPs to an IDIQ approach that is slow to start, but often faster to accelerate Task Orders later.

This approach has a longer cycle to award the IDIQs initially. But once IDIQs are awarded, Task Orders can be awarded in more rapid succession without the need for follow-on competitive award cycles. They generally pursue smaller on-ramp Task Order contracts to start, but can lead to multi-billion dollar opportunities later for true operational systems.

Highly selective IDIQs are more desirable as the budget size and smaller vendor pool represent significant revenue potential for awardees on discriminating IDIQs. York has been awarded six contracts under this new approach in 2026 alone, and we view them as significant drivers of growth into 2027 as the follow-on programs advance.

York's contract wins range across very large swaths of capabilities that align well with the current budget allocations we are seeing. This shift is changing our expectations of award timing, and as a result, we're revising our full year 2026 revenue guidance. Brian will walk through the specifics in a moment.

With our backlog potential on awarded contracts totaling $1.85 billion and an identified pipeline exceeding $11.5 billion, the opportunity in front of us is substantial.

To wrap up, York is leading the new space industry, actively operating five unique missions and three constellations simultaneously. We are executing consistently for our customers, improving our hardware on-orbit and operational missions.

We have secured eight new contracts in 2026 alone at an 88% win rate, and we continue to expand our capabilities in line with where defense budgets are being planned. The opportunity in front of us is substantial, and York is positioned to capture it and deliver meaningful long-term value. With that I'll turn it over to Brian.

Brian Frantz^ Thank you, Dirk. As Dirk discussed, we executed well during the second quarter, closed two acquisitions since our last call and added more new customers that have the potential to be very large in 2027 and 2028.

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Our revenue for the quarter was $92.5 million, up $8.7 million or 10% compared to the same quarter in the prior year. The increase was primarily driven by our revenues from acquisitions completed in the second half of 2025 and the first half of 2026, as well as, our new commercial contract which we announced earlier this year. Revenue from our major government programs remained relatively flat year-on-year.

Gross margin was 24% in the current year quarter, up 13percentage points from the year ago quarter, which was negatively impacted by an EAC adjustment. Our second quarter '26 gross margin also reflects higher gross margin contribution from our post-launch operations and support work. We expect our gross margin for the balance of the year to remain in the mid 20% range.

Similarly, gross margin dollars were $22.2 million in the quarter, up $9.5 million in the year ago quarter, driven by improved margin percent on a larger revenue figure.

Contribution margin expanded 18percentage points to 42% in the second quarter, driven by a richer mix of newer vintage programs, which tend to have higher margins than our older vintage programs.

Our direct materials expenses decreased in Q2 2026 over the second quarter of 2025 as we approached the end of our production for our Tranche 1 Transport Layer satellites, which, in its post-launch phase, is incurring mostly labor costs.

As we now have all 42 of these satellites successfully in orbit and healthy, our operation and sustainment revenues will increase and they have a higher contribution margin than the company average.

Contribution margin dollars almost doubled, growing to $39.3 million from $20.3 million last year, driven by the aforementioned mix in the EAC adjustment in the second quarter of 2025.

Turning to operating expenses, our SG&A plus R&D expenses increased 52% compared to the prior year quarter. This was primarily driven by an increase in overall headcount, increases in overhead related to the public company uplift, and incremental salaries and costs related to the acquisitions of ATLAS, or beyond and to a lesser degree Solestial which was in June of 2026.

Naturally, we will see an increase in SG&A expenses in the second half related to our acquisition of ALL.SPACE which occurred in July. Most of the increase in our public company SG&A infrastructure is complete, and we expect those costs to only increase slightly through the rest of 2026.

Adjusted EBITDA for the quarter was a loss of $9.5 million, slightly elevated from the $8.9 million loss from the prior year quarter, due to an increased operating expenses offsetting profitability growth in our gross margins.

Our liquidity remains strong. As of June 30th, we had cash and cash equivalents of $534 million, and our $150 million revolving credit facility remains fully available to us for total liquidity of $684 million. I would note that we used $155 million of our cash subsequent to quarter end as we closed the ALL.SPACE acquisition.

Our backlog stood at $592 million as of June 30th, down 8% from $642 million at the end of the first quarter, but up 9% from the start of the year, primarily due to our new commercial contract, as well as, a contract modification that occurred in the second quarter of 2026.

Subsequent to quarter end, we also received Task Orders related to one of our IDIQs and we believe those Task Orders will lead to larger awards in 2027. As Dirk mentioned earlier, we are bringing down our full year 2026 revenue guidance to a range of $375 million to $405 million.

This new midpoint of $390 million is $180 million below our prior midpoint of $570 million. As we said on our previous call, about 30% of the prior midpoint of $570 million was new business.

Given the contract environment that Dirk referenced, we had removed the new business from our guidance for the rest of the year. The remainder relates to supply chain issues where revenue is moving to the right into 2027, which is partially offset by revenue from our new acquisitions.

We believe the rightward shift of 2026 revenue, plus the eight contracts we've already won so far this year, position us to take significant strides in 2027 as the government looks to accelerate capabilities with proven providers.

Our reduction in revenue guidance will also negatively impact adjusted EBITDA in the second half. Further, the acquisition of Solestial which will bolster our supply chain certainty of solar cells, and the acquisition of ALL.SPACE to expand our total addressable market, will further impact adjusted EBITDA in the second half. And now, I'll hand it back to Dirk for a quick summary.

Dirk Wallinger^ Thanks Brian. So to conclude, the U.S. government has shifted their acquisition approach from a rapid succession of larger RFPs to an IDIQ approach that is slow to start, but faster to accelerate Task Orders later. This acquisition approach has shifted significant contributions to revenue on our $11.5 million identified pipeline into the '27 timeframe.

We are winning opportunities with an 88% win rate and eight new contracts in 2026. We have added four more contracts this quarter, with two Task Order wins and another IDIQ add in the past month and a half alone. With our new wins, we have increased York's potential on awarded contracts which now exceeds $1.85 billion.

York's very broad range of proven capabilities position us well and are aligned with anticipated budgets. We remain bullish on our ability to win across acquisition approaches, budgets, and mission capabilities with our proven production and ability to deliver missions successfully. And now, I'll hand it back to the operator for questions. Operator?

Operator^ (Operator Instructions) Your first question comes from the line of John Godyn with Citi. John, your line is now open.

Bradley Eyster^ Hi, this is Bradley Eyster for John Godyn. Thanks for taking my question. So I want to dial in on the government contracts you secured this year under the new acquisition approach.

Could you just talk a little bit more about what your expectations are on the shape and potential size of these over the fullness of time as you convert them to, like, the larger operational programs? Thanks.

Dirk Wallinger^ Sure. So I think the best indicator of what you can expect from size is probably the ‘27 Department of War -- or, sorry, the President’s budget, in the sense of, like, it’s not going to provide the exact numbers, but it’s going to give you an idea, right, of, kind of, generally, how much are they looking to spend on space data network, how much are they looking to spend on missile track, missile warning, et cetera.

So I think that’s the best way to kind of look at what these OTAs could eventually lead to. Right now, the contract awards are going to -- are basically being -- coming off of ‘25 and ‘26 budgets. But like I said, the ‘27 gives you some idea of trajectory.

Some of those wins were for the space data network. And so that’s a pretty easy map to see kind of what the government is looking to spend on the space data network in the coming years. And that became public recently, like, 10 minutes before this call. And we’ll expand on that a little bit more with our --with our own PR in the coming days as that becomes approved from the customer as well. But I think that’s the best way to look at it.

Bradley Eyster^ Yes, appreciate that color. And I just want to circle up on the $11.5 billion pipeline opportunities from the government contracts you’re looking at today. Is it something that York can organically participate in today or would more potential M&A movements unlock even a bigger chunk of that pipeline for you guys?

Dirk Wallinger^ Yes. So right now, the -- that pipeline is identified pipeline. So those are specific opportunities that we are pursuing with our capabilities today with no need for further acquisition or any time -- M&A activity.

So those are specifically identified opportunities. I think -- the earnings deck I think will be good, in the sense of it can kind of formulate how much of those are commercial, how much of those are classified, and how much of those are government non-classified as well.

So I think that might be a good reference to get an idea of where we sit. But there’s no further acquisition required to pursue those opportunities.

Bradley Eyster^ Perfect. Appreciate the color. Thank you.

Dirk Wallinger^ Thank you.

Operator^ Your next question comes from the line of Seth Seifman with J.P. Morgan. Seth, your line is now open.

Unidentified Participant^ Yes. Hi, guys. This is actually Alex [ph] on for Seth. Thanks for the question.

So I wanted to ask, I mean I think you guys kind of alluded to it a little bit in the prepared remarks. But last quarter, I think you talked about how 70% of your revenue you expected to be covered by your backlog for the rest of the year.

But maybe just to put a finer point on kind of what's changed. I mean if I take the Q2 sales result and the new implied second half sales guidance, it just seems to imply that the dollar value of the backlog that you guys expected to convert to sales this year is now lower.

Now, I'm curious -- I know you guys mentioned the supply chain, but curious if you could kind of help level set us there in terms of how much maybe the supply chain is contributing, or if there's any, kind of, changed outlook in terms of how to think about how much backlog you can convert to sales this year, and obviously there's also some added revenue from the acquisitions as well. So maybe if we could kind of just walk through those items a little bit more.

Dirk Wallinger^ Sure. Thanks, Alex [ph]. So I'll kind of give the 10,000 foot perspective and commentary, and then I'll hand it over to Brian for the more specifics.

But look, generally, what's occurred is that there was more of a rapid succession of RFPs, and 30% of that, we thought that we would be able to contribute to revenue in '26. But because of the way that revenues recognize, right, essentially, is a function of cost, it's more linear.

So when you win a satellite program, you'll -- or a big satellite constellation we'll say you'll recognize that revenue over the course of three years. So what it means is that you would need to have some wins in '26 and you would need to start recognizing that revenue, and like I said, about 30% -- Brian, correct me if I'm wrong, about 30% of that was go get.

And so we've done very well. The team was tasked with go get wins, which they did, right? Our win rate at 88% shows that we can win under any acquisition strategy.

The challenge is just that it all shifted to the right in the sense that they -- the government was very important to put IDIQs in place and it will be slower to start, which means, let's go get for '26 for us frankly.

But they're definitely showing at this point a rapid acceleration now that they have those IDIQs in place, which is all in line with what we thought we would see. It just happened a little bit later than we would have liked. So I'll hand it over to Brian for his remarks.

Brian Frantz^ Yes. Alex [ph], I think that was a pretty good summary that Dirk gave us. The one thing I would add into that is, we took the new business out as we described earlier, and we continued to see some of the supply chain issues, and that -- those amounts kind of pushed into 2027.

You know, that was part of the equation here, and then, certainly, that's offset by what we're seeing from new revenues coming in from the acquisitions. But that's the kind of the color and the pieces between of all the different buckets there.

Unidentified Participant^ Got it. That's very helpful. Then, maybe just digging more into kind of what the supply chain issues are. Is there any maybe color you guys could kind of help us with there?

Dirk Wallinger^ I think that we -- Brian, I think quantitatively, we can maybe get some insight there. I don't think we want to talk specifically about vendors there.

Brian Frantz^ Yes, that's right.

Dirk Wallinger^ Yes.

Brian Frantz^ Yes, that's right, Dirk. We shouldn't do that. But we're continuing to monitor it. We continue to work with those vendors to try to understand and move some of that forward if we possibly can. But as we were looking at the guidance change that we needed to do, we knew that, at least, this much needed to come out and that's why we pushed it out into '27.

Unidentified Participant^ Okay got it. Thank you very much.

Operator^ Your next question comes from the line of David Strauss with Wells Fargo. David your line is now open.

Josh Korn^ Hi. Good afternoon. This is -- this is Josh Korn on for David. Thanks for taking my question.

I wanted to follow-up on the news that came out earlier today that you alluded to in the first question around the Space Data Network connectivity demo contract. I guess any color you could give on that, and, sort of, I guess in addition, any other changes to the opportunity set within Space Data Network and how that's kind of evolved since the last call? Thanks.

Dirk Wallinger^ Yes, sure. Josh, so I'll kind of give you what I can. So it came out, literally, just before the call. I looked at it very quickly. What I don't want to do is say something that can get us in trouble with our -- with our new customer, right? I definitely don't want to do that.

So I can confirm that they were OTAs under Space Data Network -- I'm kind of going from memory. So I don't want to go too far there. But they are for the Space Data Network, which is really great to see.

Obviously we had felt and been assured by the government that there was going to be competition in this network. And obviously this is a -- this is a great indication that there absolutely is going to be competition in this network. They're looking for proven providers. That's the kind of providers that we're under this selection in the -- under these Task Orders. So it's very exciting for us to see.

As you know, we were one of the builders of the transport layer. We've deployed a lot of those systems working today. And so we're in a very good position for this other kind of capability that they're looking for.

I can't say too much beyond that just because I want to be careful that I'm not saying anything that I didn't. But I do anticipate that there will be more information about those released in the -- in the coming weeks.

Josh Korn^ Okay. Thanks. I'll skip -- I'll stick to one question.

Operator^ Your next question comes from the line of Sheila Kahyaoglu with Jefferies. Sheila, your line is now open.

Adam Samuelson^ Hi. It's Adam Samuelson on for Sheila. I was hoping to -- given the (inaudible) to revenues, I know you don't give EBITDA guidance necessarily, but is there any way to help frame kind of how -- I mean what this incremental margin on the lower revenue base?

If I look at the second half guidance, the midpoint you're kind of around the second quarter revenue rate. Is the second quarter EBITDA performance in the range of how you're thinking about the second half, or is there incremental pressure because of the cost that come in with ALL.SPACE, and then the -- and the recent acquisitions? Thanks.

Dirk Wallinger^ Chris or Brian, I'm not sure where we are with, kind of, sharing guidance on the EBITDA.

Brian Frantz^ Yes. I can take that one. It's a couple of different pieces here. As I talked about in our -- in the -- prepared remarks, we do think the gross profit margin is going to hang in there around the mid 20% range.

And so, as you're thinking about that relative to EBITDA, certainly, taking a factor of around the times -- the reduction in revenue, I think that would get you directionally where you might want to be on the EBITDA side.

Adam Samuelson^ Okay. That's -- that -- that's helpful. I'll stick to one question and then pass on. Thanks.

Operator^ Your next question comes from the line of Austin Moeller with Canaccord. Austin, your line is now open.

Austin Moeller^ Hi. Good afternoon. So I was just wondering if we could quantify how much of the guidance change in revenue push out into 2027 was associated with the later timing on contract awards from the IDIQs versus the satellites that are waiting on components to be sourced in the supply chain, and if we could talk specifically about what those satellite programs are and when they might be ready for delivery?

Brian Frantz^ Yes. I can take that. I mean certainly, between the supply chain pushing out, as well as the new revenue, I mean those things are about equal in terms of how they are so. It's more or less a push between the supply chain and the new revenue coming in. But I -- we haven't provided any additional color on that at this point.

Austin Moeller^ Okay. And I understand that the gross margins are expected to remain pretty much in line in that mid-20s range for the back half of the year. As we get into early 2027 and some of these IDIQs start turning into production awards, should we be thinking about a similar or better ramp in the -- in the margins or how should we be thinking about that?

Brian Frantz^ You know, at this point with the contract award environment that Dirk was talking about and awards are coming out literally right before we get onto this call, I don't think we're prepared yet to start talking about where '27 margins would come in, nonetheless, on the revenue side either.

Austin Moeller^ Okay. I'll pass it back there. Thank you.

Operator^ Your next question comes from the line of Ryan Koontz with Needham & Co. Ryan, your line is now open.

Ryan Koontz^ Great. Thanks. I wanted to touch on a couple of the opportunities you mentioned that were not really new award-related. You talked about -- you talked about your real-time delivery opportunity.

I wanted to take a gauge on that, if you could comment. Then also with regards to the ALL.SPACE acquisition, can you refresh us on what those use cases are and how you think about sales channels and relationships there going forward for the ALL.SPACE parks [ph]? Thank you.

Dirk Wallinger^ Yes, sure. Thanks, Ryan. Can you offer more color on the first item? I got the second one is ALL.SPACE, but the --

Ryan Koontz^ Oh, you had talked about the opportunity to be a short-term response delivery to customers, to government customers, if they haven't had that luxury before and it was an opportunity you wanted to pursue. Maybe you can update us on those opportunities as you see them.

Dirk Wallinger^ Sure, absolutely. So I would view this more as, hey, how can an inventory potentially increase PWin and increase delivery? So yes, we're proceeding forward.

Part of the IPO was to raise some capital to support inventory. We're pretty far along in our production capacity and the technology maturity. And so, we're in the fortunate position that we can do inventory ahead. And so, we've begun that process.

The nice part is that as we are progressing through these IDIQs and task orders, we now can kind of bucket those into our inventory orders. And so, we might -- now, we're starting to have the ability where we're asked for a task order, our delivery time can be slightly shorter because we already ordered those materials.

So we're definitely seeing the benefits as far as our delivery timeline capability in contrast to some of our competitors who would need to start from scratch. So we're definitely seeing some upside there. We are definitely allocating from inventory already towards some of these programs that we've won.

Then we can, obviously choose to invest more on the back end of that inventory. So as far as recognizing scheduled delivery and also putting us in a good position to have good PWin, the inventory capability has been extraordinarily helpful. And so, that has been, so far, very successful.

And so, we're happy to see that. We'll continue to support that.

As far as the ALL.SPACE acquisition, look, we're on the other side of it now, which I'm very fortunate to say. It's a very amazing capability and very good demand.

So we alluded to in the earnings deck that they're getting new contract wins now for more terminals. Those systems are starting to proliferate across the manned systems. But what I'm really interested in, and I talked to this a little bit earlier as well, is the unmanned proliferation.

So I think there's, at this point, no doubt at all that unmanned systems are going to play a giant part in the future of warfare and basically the future of everything. And so, assured communications, i.e., communications that is not jammed, like we're seeing in Ukraine and Iran and everywhere else, is going to be extraordinarily important.

And that's really what that ALL.SPACE terminal enables is assured communication in denied environments and also GPS capability as well in denied environments.

That's really going to be the key to leveraging unmanned systems.

So long way of saying they've continued to win new programs and new contracts which, obviously we're very happy about. And we're working now to start to integrate those across unmanned systems, which I think has tremendous growth potential for us in the next two-to-three-year timeframe.

Ryan Koontz^ Got it. And is ALL.SPACE going to bring much backlog to the picture here?

Dirk Wallinger^ Brian, you can comment on that one.

Brian Frantz^ Yes. We've included, actually, we've not included the ALL.SPACE backlog in our number because our number was as of June 30th, but we'll be updating that into Q3. So there will be a small increase related to all space backlog when we report to Q3.

Ryan Koontz^ Okay. Thanks so much.

Operator^ Our next question comes from the line of Noah Poponak with Goldman Sachs. Noah, your line is now open.

Unidentified Participant^ Good afternoon. This is Tomas Rizan [ph] for Noah Poponak. In your slide deck you highlight a few billion of identified commercial pipeline. Can you provide any detail on the types of mission sets those commercial customers are serving?

Dirk Wallinger^ Sure. So I will speak to it generally because a lot of times those commercial companies in particular are very particular about what specific that they are doing. So I'll talk about it very generally.

There's a wide range of capability there. You know, one of the sample cases that could be worked or is in that pipeline is earth observation. Obviously that fills a giant, giant swath of capabilities, but there's visible imagery, there's synthetic aperture radar imagery, there's infrared.

And those are increasingly being demanded by the government to be bought commercially, but then also on the commercial side of things as well. And so that's obviously a tremendous growth area for us as we have capabilities in all those areas.

Other areas that we're seeing are things that used to be government provided capabilities that the government really at this point no longer really needs to do anymore and can shift that to commercial.

So as an example, right, so commercial services to the International Space Station used to be something that NASA and the government did. But as technology developed, it became apparent that we don't need to do this. We can buy this as a service from the commercial market.

And out of that, you had SpaceX and Boeing win contracts to serve the ISS. That's a similar model to what I think we will see for future growth in the commercial side of things where there's things like more precise GPS capability is something that's being demanded by the government, but also very strong demand on the government side of things. And that can be converted to a commercial service.

Other examples might be things like weather is another area where that might have been performed by government agencies. And so that can definitely be done by commercial companies now. So there's kind of two buckets.

One is your traditional old Earth observation, which that market has been continuing to grow for a long time. Government and commercial markets are good customers of those.

Then the other bucket is things that historically were government capabilities, precise GPS, things like that, that we can see the government shifting into commercial markets as well, and buying that as a service. So those are a few different examples. Apologies. I can't get more specific.

Unidentified Participant^ No. I understand. And thank you. That's helpful. How should we think about the margin profile for these commercial customers? Is it largely similar to what you outlined during the Analyst Day or what drives a difference there?

Dirk Wallinger^ I think it's largely similar, but Brian, I don't know if you wanted to add more context or otherwise I can. Yes [ph].

Brian Frantz^ Yes. I mean it's a little bit lower, but then, then what we see on some of the government ones, but I don't know that it'd be enough, particularly in the overall revenue mix to call it out that much.

Unidentified Participant^ Thank you for those details. I'll hand it back there.

Operator^ There are no further questions at this time. I will now turn the call back to Dirk Wallinger for closing remarks.

Dirk Wallinger^ Yes. So I just wanted to thank everyone for taking the time to hear the story. I look forward to speaking with you all next quarter.

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