

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): **May 1, 2025**

AEROVIRONMENT, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation)

001-33261

(Commission
File Number)

95-2705790

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

**241 18th Street South, Suite 650
Arlington, Virginia 22202**
(Address of Principal Executive Offices)

(703) 418-2828

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.0001 par value	AVAV	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

EXPLANATORY NOTE

On May 1, 2025 (the “Closing Date”), AeroVironment, Inc. (the “Company”) announced that it closed its acquisition (the “Acquisition”) of BlueHalo Financing Topco, LLC, a Delaware limited liability company (“BlueHalo”) pursuant to the terms of an Agreement and Plan of Merger (the “Merger Agreement”) entered into on November 18, 2024, by and among the Company, Archangel Merger Sub, LLC, a Delaware limited liability company and the Company’s direct wholly owned subsidiary (“Merger Sub”), BlueHalo and BlueHalo Holdings Parent, LLC, a Delaware limited liability company and sole member of BlueHalo (“Seller”). Pursuant to the terms of the Merger Agreement, Merger Sub merged with and into BlueHalo, with BlueHalo continuing as a wholly-owned subsidiary of the Company.

On the Closing Date, the Company drew on a term loan with an initial principal amount of \$700.0 million (the “Term Loan”) and drew \$225.0 million from its revolving credit facility (the “Revolving Facility”) to settle the existing indebtedness of BlueHalo and to settle transaction expenses at the closing of the Acquisition (collectively with the Term Loan, the “Financing Transactions”).

The Company filed a Current Report on Form 8-K on May 1, 2025 (the “Initial Report”) in which the Company disclosed, among other information, its intention to file the financial statements required by Item 9.01(a) and the pro forma financial information required by Item 9.01(b) as part of an amendment to the Initial Report no later than 71 calendar days after the required filing date of the Initial Report. This Current Report on Form 8-K/A amends the Initial Report to include certain financial statements of BlueHalo and certain pro forma financial information as required by Item 9.01, which are filed as exhibits hereto and are incorporated herein by reference. No disclosure of the text of Item 1.01, Item 2.01, Item 2.03, Item 5.02, Item 7.01 or Item 9.01(d) of the Initial Report was changed as a result of this Current Report on Form 8-K/A except for the addition of the exhibits listed in Item 9.01(d) of this Current Report on Form 8-K/A.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

BlueHalo’s consolidated financial statements for the years ended December 31, 2024 and 2023 and related notes are filed as Exhibit 99.1 to this Current Report on Form 8-K/A and are incorporated herein by reference.

BlueHalo’s condensed consolidated financial statements for the three months ended March 31, 2025 and March 31, 2024 and related notes are filed as Exhibit 99.2 to this Current Report on Form 8-K/A and are incorporated herein by reference.

(b) Pro Forma Financial Information.

The unaudited pro forma condensed combined financial information of the Company, giving effect to the Acquisition and the Financing Transactions, which includes an unaudited pro forma condensed combined balance sheet as of April 30, 2025 and an unaudited pro forma condensed combined statement of income (loss) for the year ended April 30, 2025 is filed as Exhibit 99.3 to this Current Report on Form 8-K/A and is incorporated herein by reference.

The unaudited pro forma condensed combined financial information and the accompanying notes included in this Current Report on Form 8-K/A has been presented for informational purposes only, as required by the disclosure requirements of Form 8-K, and is not necessarily indicative of the actual financial position or results of operations that the Company would have realized had the companies been combined as of the dates or during the periods presented, nor is it intended to be indicative of any anticipated combined financial position or future results of operations that the Company may achieve after the Acquisition and the Financing Transactions.

(d) Exhibits.

The following exhibits are included as part of this Current Report on Form 8-K/A:

Exhibit No.	Description
23.1	Consent of PricewaterhouseCoopers LLP, independent auditors of BlueHalo Financing TopCo, LLC (f/k/a BlueHalo Financing Holdings, LLC).
99.1	BlueHalo's consolidated financial statements for the years ended December 31, 2024 and 2023 and related notes.
99.2	BlueHalo's condensed consolidated financial statements for the three months ended March 31, 2025 and March 31, 2024 and related notes.
99.3	Unaudited pro forma condensed combined financial information and related notes.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURES

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

AEROVIRONMENT, INC.

Date: June 27, 2025

By: /s/ Melissa Brown
Name: Melissa Brown
Title: Executive Vice President, Chief Legal & Compliance Officer and Corporate Secretary

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-140237, 333-178349, 333-260227 and 333-280526) and Form S-3 (No. 333-267326) of AeroVironment, Inc. of our report dated March 31, 2025 relating to the financial statements of BlueHalo Financing TopCo, LLC (f/k/a BlueHalo Financing Holdings, LLC), which appears in this Current Report on Form 8-K.

/s/ PricewaterhouseCoopers LLP
Miami, Florida
June 27, 2025

BlueHalo Financing TopCo, LLC (f/k/a BlueHalo Financing Holdings, LLC)
Consolidated Financial Statements For the Years Ended December 31, 2024 and 2023

Report of Independent Auditors

To the Board of Managers of BlueHalo Financing TopCo, LLC

Opinion

We have audited the accompanying consolidated financial statements of BlueHalo Financing TopCo, LLC (f/k/a BlueHalo Financing Holdings, LLC) and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations, of changes in redeemable preferred units and member's equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has a significant outstanding debt obligation that matures within one year of the issuance date of the accompanying consolidated financial statements and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 8. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

/s/ PricewaterhouseCoopers LLC

Miami, Florida

March 31, 2025

BlueHalo Financing TopCo, LLC (f/k/a BlueHalo Financing Holdings, LLC)
Consolidated Balance Sheets
(In thousands)

	As of December 31,	
	2024	2023
Assets		
Current assets		
Cash and cash equivalents	\$ 20,745	\$ 11,872
Restricted cash	—	212
Billed receivables net of credit losses of \$387 and \$311 at December 31, 2024 and December 31, 2023, respectively	116,748	70,279
Contract assets	100,736	71,220
Inventory	79,233	36,749
Income taxes receivable	4,210	3,014
Prepaid and other current assets	23,943	10,008
Total current assets	345,615	203,354
Property and equipment, net	111,336	70,154
Operating lease right-of-use assets	76,983	48,222
Goodwill	872,263	400,701
Intangible assets, net	528,816	160,737
Other noncurrent assets	3,200	2,321
Total assets	\$ 1,938,213	\$ 885,489
Liabilities and Member's Equity		
Current liabilities		
Line of credit	45,000	29,840
Current portion of notes payable	729,384	4,899
Accounts payable	66,379	60,944
Accrued payroll and related liabilities	51,660	27,718
Contract liabilities	44,121	26,889
Current operating lease liabilities	11,450	9,352
Other current liabilities	19,021	5,325
Total current liabilities	967,015	164,967
Non-current portion of notes payable	—	465,722
Related party notes payable	11,000	10,606
Non-current operating lease liabilities	77,675	45,446
Other noncurrent liabilities	1,068	—
Deferred income taxes, net	24,677	276
Total liabilities	1,081,435	687,017
Commitments and contingencies (Note 17)		
Mezzanine equity		
Preferred units, subject to redemption, 8.1% cumulative dividends; 80,000 units issued and outstanding as of December 31, 2024	91,926	—
Members' equity	764,852	198,472
Total liabilities and members' equity	\$ 1,938,213	\$ 885,489

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

BlueHalo Financing TopCo, LLC (f/k/a BlueHalo Financing Holdings, LLC)
Consolidated Statements of Operations
(In thousands)

	Year Ended December 31,	
	2024	2023
Revenue		
Product sales	\$ 370,827	\$ 325,316
Contract services	423,937	232,206
	<u>794,764</u>	<u>557,522</u>
Cost of revenue (exclusive of depreciation and amortization shown separately below)		
Product sales	194,006	166,585
Contract services	255,128	143,764
	<u>449,134</u>	<u>310,349</u>
Selling, general, and administrative	318,427	187,481
Research and development	8,286	11,261
Depreciation and amortization	70,332	44,208
Income (loss) from operations	<u>(51,415)</u>	<u>4,223</u>
Other expense (income)		
Other income	(6,946)	(943)
Interest expense	65,329	62,449
Total other expense	<u>58,383</u>	<u>61,506</u>
Loss before income taxes	<u>(109,798)</u>	<u>(57,283)</u>
Income tax expense (benefit)	(32,352)	1,795
Net loss	<u>\$ (77,446)</u>	<u>\$ (59,078)</u>

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

BlueHalo Financing TopCo, LLC (f/k/a BlueHalo Financing Holdings, LLC)
Consolidated Statements of Changes in Redeemable Preferred Units and Member's Equity
(In thousands)

	Redeemable Preferred Units (Note 11)	Member's Capital	Accumulated Deficit	Total Member's Equity
Balance at December 31, 2022	\$ —	\$ 271,731	\$ (69,292)	\$ 202,439
Member's contributions	—	52,767	—	52,767
Unit-based compensation	—	2,344	—	2,344
Net loss	—	—	(59,078)	(59,078)
Balance at December 31, 2023	\$ —	\$ 326,842	\$ (128,370)	\$ 198,472
Member's contributions	—	88	—	88
Impact of Eqlipse transactions	91,926	637,968	—	729,894
Unit-based compensation	—	5,770	—	5,770
Net loss	—	—	(77,446)	(77,446)
Balance at December 31, 2024	<u>\$ 91,926</u>	<u>\$ 970,668</u>	<u>\$ (205,816)</u>	<u>\$ 856,778</u>

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

BlueHalo Financing TopCo, LLC (f/k/a BlueHalo Financing Holdings, LLC)
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,	
	2024	2023
Cash flows from operating activities		
Net loss	\$ (77,446)	\$ (59,078)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	60,602	38,156
Software amortization	9,730	6,052
Amortization of debt issuance costs	5,372	3,525
Unit-based compensation expense	5,770	2,344
Accrued interest on related party notes payable	394	378
Deferred income taxes	(32,266)	457
Non-cash lease expense	(6,152)	8,855
Changes in operating assets and liabilities, net of acquisitions		
Contract receivables	(17,600)	(20,716)
Inventory	(1,007)	(21,559)
Income taxes receivable	(1,196)	(1,508)
Prepaid expenses and other assets	1,077	866
Accounts payable and accrued expenses	(5,330)	31,679
Accrued payroll and related liabilities	10,494	4,406
Contract liabilities	1,891	10,463
Operating lease liabilities	6,426	(7,448)
Other liabilities	(10,712)	(7,445)
Net cash used in operating activities	(49,953)	(10,573)
Cash flows from investing activities		
Purchase of property and equipment	(50,926)	(34,502)
Cash acquired in Eqlipse acquisition	50,668	—
VideoRay acquisition (net of cash acquired)	(213,092)	—
Verus acquisition (net of cash acquired)	—	(49,542)
Ipsolon acquisition (net of cash acquired)	—	(4,676)
Net cash used in investing activities	(213,350)	(88,720)
Cash flows from financing activities		
Borrowings under line of credit	60,000	53,000
Payments under line of credit	(44,840)	(70,161)
Proceeds from term loan	262,500	88,200
Repayments of term loan	(5,784)	(4,799)
Proceeds from member's contributions	88	39,767
Net cash provided by financing activities	271,964	106,007
Net increase (decrease) in cash	8,661	6,714
Cash, cash equivalents and restricted cash, beginning of the year	12,084	5,370
Cash, cash equivalents and restricted cash, end of the year	<u>\$ 20,745</u>	<u>\$ 12,084</u>
Supplemental disclosures of cash flow information		
Cash received (paid), net during the year for:		
Income taxes	\$ 41	\$ (4,280)
Interest	\$ (58,862)	\$ (56,510)
Supplemental disclosures of non-cash flow information		
Noncash purchases of property and equipment	\$ 2,794	\$ —
Management rollover equity	\$ —	13,000

The accompanying notes are an integral part of these consolidated financial statements

BlueHalo Financing TopCo, LLC (f/k/a BlueHalo Financing Holdings, LLC)
Notes to the Consolidated Financial Statements

1. Organization and Summary of Significant Accounting Policies

Organization

References in this section to “BlueHalo,” “we,” “us,” “our,” and the “Company” are to BlueHalo Financing Holdings, LLC and its consolidated subsidiaries before giving effect to the Eqlipse Transactions (defined below), and to BlueHalo Financing TopCo, LLC and its consolidated subsidiaries after giving effect to the Eqlipse Transactions (defined below) but before giving effect to the potential merger with AeroVironment, Inc. and related transactions, unless the context otherwise requires or as otherwise indicated.

References in this section to “Eqlipse Technologies” or “Eqlipse” are to Eqlipse Technologies Financing Holdings, LLC and its consolidated subsidiaries before giving effect to the Eqlipse Transactions (defined below), unless the context otherwise requires or as otherwise indicated.

BlueHalo is a leading provider of advanced defense and intelligence solutions, specializing in multidomain technologies that address some of the most complex challenges faced by the national security community. With a steadfast commitment to innovation, agility, and customer intimacy, BlueHalo delivers cutting-edge products and solutions across the following key mission areas: Counter-Uncrewed Aerial Systems (C-UAS) & Autonomous Systems, Uncrewed Maritime Systems, Space, Electronic Warfare (EW) & Cyber, and Artificial Intelligence / Machine Learning (AI/ML). BlueHalo’s customers are primarily the U.S. Government and corresponding federal agencies, the Department of Defense (DoD), allied and coalition partners, and commercial clients.

In March 2024, as part of the Eqlipse Transactions (defined below), the Company completed a legal entity reorganization of entities under common control. The reorganization resulted in a change of reporting entity and a recapitalization of the reporting entity’s equity structure. Refer to Eqlipse Transactions and Basis of Presentation within this footnote.

Eqlipse Transactions

Prior to March 1, 2024, the business of BlueHalo was conducted through BlueHalo Financing Holdings, LLC (“BlueHalo Holdings”) and its consolidated subsidiaries. BlueHalo Holdings was wholly owned by BlueHalo Holdings Parent, LLC (“BlueHalo Parent”).

On March 1, 2024, BlueHalo Parent entered into and executed an agreement and plan of merger with Eqlipse Technologies Holdings Parent, LLC (“Eqlipse Parent”), pursuant to which BlueHalo Parent issued equity to acquire Eqlipse Parent and its wholly owned subsidiaries (“Eqlipse Acquisition”) through a series of mergers and entity contributions (collectively with the “Equity Acquisition” or the “Eqlipse Transactions”). As a result of the Eqlipse Transactions, Eqlipse Technologies, previously a wholly owned subsidiary of Eqlipse Parent (i) became a direct wholly owned subsidiary of BlueHalo Parent (ii) became the sole member of BlueHalo Holdings through the issuance of 1,092,493 common units of Eqlipse Technologies in exchange for the 100 membership units of BlueHalo Holdings owned by BlueHalo Parent and (iii) was renamed to BlueHalo Financing TopCo, LLC (“BlueHalo TopCo”).

BlueHalo Financing TopCo, LLC (f/k/a BlueHalo Financing Holdings, LLC)
Notes to the Consolidated Financial Statements

AeroVironment, Inc. Acquisition of BlueHalo

On November 18, 2024, the Company and AeroVironment, Inc. (“AeroVironment” or “AV”) entered into a definitive merger agreement, under which AV will acquire the Company in an all-stock transaction with an enterprise value of approximately \$4.1 billion.

The transaction is expected to close in the first half of calendar 2025, subject to regulatory and AV shareholder approvals, as well as other customary closing conditions. Per the terms of the merger agreement, AV will issue approximately 18.5 million shares of AV common stock to BlueHalo Parent. Following the close of the transaction and based on AV’s shares outstanding as of November 18, 2024, AV’s shareholders will own approximately 60.5% of the combined company and BlueHalo’s equity holders will own approximately 39.5%, subject to closing adjustments.

Going Concern

In accordance with the accounting guidance related to the presentation of financial statements, when preparing financial statements for each annual reporting period, management evaluates whether there are conditions or events that, when considered in the aggregate, raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date that the financial statements are issued. In making its assessment, management considered the Company’s current financial condition and liquidity sources including current funds available, forecasted future cash flows and conditional and unconditional obligations due over the next twelve months.

As described further in Note 8. Notes Payable, the Company has a significant outstanding debt obligation that matures within one year of the issuance date of these Consolidated Financial Statements. The Company currently does not have committed financing or available liquidity to meet such debt obligations if they were to become due in accordance with their current terms. While the Company has a history of refinancing its debt and amending its debt agreements, and there are no indicators it would not be able to refinance again, management cannot provide any assurance that new financing will be available to us on commercially acceptable terms. Because of the uncertainty in refinancing the outstanding debt, management concluded that substantial doubt exists with respect to the Company’s ability to continue as a going concern within one year after the date that these Consolidated Financial Statements are issued.

Management expects the outstanding debt to be restructured, repaid or refinanced as part of the transaction with AeroVironment, which is expected to close in the first half of 2025, prior to the Company’s debt maturity date for the Company’s outstanding debt. AeroVironment has secured committed debt financing which, together with cash available under its revolving credit facility, our management expects will be sufficient to repay our outstanding debt at closing, however management cannot provide any assurance that the transaction with AeroVironment will close prior to the maturity date for our outstanding debt. Irrespective of the transaction with AeroVironment, the Company continues to work with its current lenders in order to refinance the outstanding debt prior to the maturity date in 2025.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Any reference in these notes to applicable guidance is meant to refer to authoritative U.S. GAAP as found in Accounting Standards Codification (“ASC”) and Accounting Standards Updates (“ASUs”) of the Financial Accounting Standards Board (“FASB”).

BlueHalo Financing TopCo, LLC (f/k/a BlueHalo Financing Holdings, LLC)
Notes to the Consolidated Financial Statements

Business Combination

BlueHalo accounted for the Eqlipse Acquisition as a business combination in accordance with ASC 805, Business Combinations. Refer to Note 2. Acquisitions for further information on the business combination accounting for the Eqlipse Acquisition.

Common Control Transaction

The reorganization transactions subsequent to the Eqlipse Acquisition were accounted for as transactions between entities under common control which resulted in a change in reporting entity and required retrospective combination of the entities from the inception of common control. As common control of the entities was established on March 1, 2024, the Company assessed and determined that Bluehalo Holdings was the receiving entity for accounting purposes in contemplation of the common control transactions because it was under common control of BlueHalo Parent first. These common control reorganization events are accounted for akin to a reverse recapitalization with the combined entity representing a continuation of the consolidated financial results of BlueHalo adjusted for the Eqlipse Transactions on March 1, 2024, the date common control was established.

Significant Accounting Policies

The significant accounting policies followed by the Company are described below.

Principles of Consolidation

All intercompany balances and transactions have been eliminated in consolidation. The accompanying Consolidated Financial Statements have been prepared in accordance with U.S. GAAP.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results may differ from estimates under different assumptions or conditions. Significant items subject to such estimates and assumptions include, but are not limited to, the allowance for credit losses, determination of revenue recognition under Accounting Standard Codification ("ASC") Topic 606, *Revenue from Contract with Customers*, and the related amendments, fair value of incentive units, and valuation of common and preferred units, unit-based compensation, intangible assets, and goodwill.

The Company evaluates estimates based on historical and anticipated results, trends, and various other assumptions. The Company assesses these estimates on a regular basis; however, actual results could differ from these estimates.

Operating Cycle

The Company's operating cycle for long-term contracts may be greater than one year and is measured by the average time intervening between the inception and the completion of those contracts. Contract-related assets and liabilities are classified as current assets and current liabilities.

Revenue Recognition

The Company's revenues from contracts with customers are derived from offerings that include services and related products primarily to the U.S. Government and its agencies, and subcontractors. The Company also serves domestic commercial customers.

The Company utilized ASC 606, which requires revenue to be recognized in a manner that depicts the transfer of goods or services to customers in amounts that reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. To determine revenue recognition for contracts with customers, the Company performs the following five steps: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur, (iv) allocate the transaction price to the respective performance obligations in the contract, and (v) recognize revenue when (or as) the Company satisfies the performance obligation.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in ASC 606. The majority of the Company's contracts have a single performance obligation as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts and is, therefore, not distinct. For contracts with multiple performance obligations, the Company allocates the contract's transaction price to each performance obligation using management's best estimate of the standalone selling price of each distinct good or service in the contract. The primary method used to estimate standalone selling price is the expected cost plus a margin approach, under which the Company forecasts expected costs of satisfying a performance obligation and then adding an appropriate margin for that distinct good or service.

The Company generates revenue under the following basic types of contracts:

- **Cost-Reimbursable Contracts:** Under cost-reimbursable contracts, the contracts provide for the payment of allowable costs incurred during performance of the contract, up to a ceiling based on the amount that has been funded by the U.S. Government, plus a fixed fee, incentive fee or award fee.
- **Time-and-Materials Contracts:** Under contracts in this category, the Company charges a fixed hourly rate for each direct labor hour expended and is reimbursed for billable material costs and billable out-of-pocket expenses inclusive of allocable indirect costs. The Company assumes the financial risk on time-and-materials contracts because costs of performance may exceed negotiated hourly rates.
- **Fixed-Price Contracts:** Under a fixed-price contract, the Company performs the specified work for a predetermined price. To the extent actual direct and allocated indirect costs differ from the estimates upon which the price was negotiated, the Company will generate more or less profit, respectively, or could incur a loss.

The Company recognizes revenue over time when there is a continuous transfer of control to the customer. When control is transferred over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. Based on the nature of the products and services provided in the contract, the Company uses judgment to determine if an input measure or output measure best depicts the transfer of control over time.

BlueHalo Financing TopCo, LLC (f/k/a BlueHalo Financing Holdings, LLC)
Notes to the Consolidated Financial Statements

For service contracts, the Company typically satisfies performance obligations as services are rendered. The Company typically uses a cost-based input method to measure progress. Revenue is recognized proportionally as contract costs are incurred plus estimated fees. For time-and-material contracts, the Company applies the right-to-invoice practical expedient, in which the Company bills the customer per labor hour and per material, and revenue is recognized in the amount invoiced since the amount corresponds directly to the value of performance to date. For some service contracts, a time-elapsed output method is used to measure progress, and revenue is recognized straight-line over the term of the contract.

If a contract does not meet the criteria for recognizing revenue over time, revenue is recognized at a point in time. Revenue that is recognized at a point in time is for the sale of products and software licenses. Revenue on these contracts is recognized at the point in time when the customer obtains control of the asset, which is generally upon delivery and acceptance by the customer. The Company considers control to be transferred when it has a present right to payment and the customer has legal title.

For contracts with customers involving the sale of software and related services, revenue is recognized when, or as, performance obligations under a contract are satisfied. Generally, this occurs with the transfer of control of the Company's software or professional services. Control of a promised good or service may be transferred to a customer either at a point in time or over time, which affects the timing of revenue recognition. The Company generates revenue from arrangements that may include one or more of the following elements: (i) hardware appliances, (ii) perpetual software licenses, (iii) term software licenses, (iv) post-contract support and maintenance ("PCS") for hardware and perpetual license software, (v) implementation and configuration, and (vi) professional services.

The nature of the Company's contracts gives rise to several types of variable consideration, including award fees, incentive fees, requests for equitable adjustments, and unpriced change orders. The Company provides its best estimate of variable consideration when determining the transaction price. The estimate of variable consideration should be based on the most likely outcome in a specific contract. Variable consideration should not be included if the criterion for achievement is subjective or not defined, the business has experienced poor performance or write downs on similar contracts with variable consideration, or the amount is subject to market volatility.

Contract modifications are routine in the performance of contracts. Contracts are often modified to account for changes in contract specifications or requirements. In most instances, contract modifications are for goods or services that are not distinct and, therefore, are accounted for as part of the existing contract. The effect of a contract modification on the transaction price and the measure of progress for the performance obligation to which it relates is recognized as an adjustment to revenue and profit cumulatively. Furthermore, since a significant change in one or more estimates could affect the profitability of contracts, the Company regularly reviews and updates its contract-related estimates. Changes in cumulative revenue estimates, due to changes in the estimated transaction price or cost estimates including defining contracts, are recorded using a cumulative catch-up adjustment in the period identified. The Company recognizes adjustments in estimated profit on contracts in the period in which the change is identified. The impact of adjustments in contract estimates can be reflected in either revenue or operating expenses in the Consolidated Statements of Operations.

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Accounting for long-term contracts involves the use of various techniques to estimate total contract revenue and costs. Contract estimates are based on various assumptions to project the outcome of future events that often span several years. These assumptions include labor productivity and availability; the complexity of the work to be performed; the cost and availability of materials; the performance of subcontractors; and the availability and timing of funding from the customer. When estimates of total costs to be incurred on a contract exceed total estimates of the transaction price, a provision for the entire loss is determined at the contract level and is recorded in the period in which the loss is determined.

For arrangements with the U.S. Government, work on contracts generally does not begin until funding is appropriated by the customer. Billing timetables and payment terms on contracts vary based on a number of factors, including the contract type. Typical payment terms under fixed-price contracts with the U.S. Government provide that the customer pays either based on the achievement of contract milestones or progress payments based on a percentage of costs that are incurred. For certain contracts, the Company may receive advance payments prior to commencement of work, as well as milestone payments that are paid in accordance with the terms of the contract as work is performed. The Company recognizes a liability for payments in excess of revenue recognized, which is presented as a contract liability on the Consolidated Balance Sheets. The portion of payments retained by the customer until final contract settlement is not considered a significant financing component because the intent is to protect the customer from the Company's failure to adequately complete some or all of the obligations under the contract. Payments received from customers in advance of revenue recognition are not considered to be significant financing components because they are used to meet working capital demands that can be higher in the early stages of a contract.

Multiple agencies of the U.S. Government directly or indirectly provided the majority of the Company's contract revenue during the years ended December 31, 2024 and 2023.

Costs to Fulfill a Contract with a Customer

The Company recognizes assets for the costs to fulfill a contract with a customer if the costs are specifically identifiable, generate or enhance resources used to satisfy performance obligations, and are expected to be recovered in accordance with ASC 340-40, *Other Assets and Deferred Costs: Contracts with Customers*. The assets related to costs to fulfill contracts with customers are capitalized and amortized over the period the related performance obligations are satisfied.

Cost of Revenue

Costs of revenue include all direct contract costs, as well as indirect overhead costs (excluding depreciation and amortization) that are allowable and allocable to contracts under federal procurement standards. Contract costs generally include direct costs such as materials, labor, subcontract costs and indirect costs identifiable with or allocable to a specific contract. Costs are expensed as incurred except for costs incurred to fulfill a contract (excluding bid and proposal costs), which are capitalized and amortized on a straight-line basis over the expected period of performance. The Company does not incur significant incremental costs to acquire contracts. Contract costs incurred for U.S. Government contracts, including indirect costs, are subject to audit and adjustment by the Defense Contract Audit Agency or other cognizant audit agency. The cost audits result in the negotiation and determination of the final indirect cost rates that the Company may use for the period(s) audited. The final rates, if different from the provisional rates, may create an additional receivable or liability for the Company. Contract revenue has been recorded in amounts that are expected to be realized upon final settlement.

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Selling, general, and administrative

Selling, general, and administrative expenses (“SG&A”) include fringe benefits, other expenses related to selling, marketing and proposal activities, and other administrative costs.

Research and Development

Research and development costs are expensed in the year incurred. These costs totaled \$8.3 million and \$11.3 million, for the years ended December 31, 2024 and 2023 respectively.

Cash Equivalents

The Company considers all highly-liquid instruments with original maturities of three months or less to be cash equivalents. The Company’s cash equivalents are comprised of money market funds.

Restricted Cash

The Company’s restricted cash consists of cash that the Company is contractually obligated to maintain in accordance with a self-insured medical plan for one of its subsidiaries. Under the terms of the plan, the Company contributes to a bank account in its name based on amounts determined by a third-party administrator. The funds in this account are used to pay claims under the medical plan and are included in restricted cash on the Consolidated Balance Sheets.

Contract Receivables

Contract receivables consist of billed receivables and contract assets. Billed receivables represent the Company’s unconditional right to consideration under the contract and include the amounts billed and currently due from customers.

Billed receivables are considered past due if the invoice has been outstanding more than 30 days. The Company does not charge interest on billed receivables; however, federal governmental agencies generally pay interest on invoices outstanding more than 30 days.

Contract assets are primarily comprised of unbilled receivables which consists of revenue connected to the satisfaction or partial satisfaction of performance obligations which have not yet been billed or are due to timings of billings and revenues recognized on certain contracts, customer advances and progress payments, contract retentions, and indirect rate variances. Contract assets also include certain estimates of variable consideration. These contract assets are not considered a significant financing component of the Company’s contracts as the payment terms are intended to protect the customer in the event the Company does not perform on its obligations under the contract.

An estimated credit loss for uncollectible accounts is determined based on management’s consideration of trends in the actual and forecasted credit quality of customers, including delinquency and payment history; type of customer, such as a government agency or a commercial sector customer; and general economic and industry conditions that may affect customers’ ability to pay. In 2024, the total amount of credit losses tied to trade receivables was immaterial.

Inventory

Inventory is stated at the lower of cost or net realizable value with cost being determined using the first-in, first-out method. Inventory consists primarily of components and subassemblies and finished products held for sale. Rapid technological change and new product introductions and enhancements could result in excess or obsolete inventory. To minimize this risk, the Company evaluates inventory levels and expected usage on a periodic basis and records adjustments as required. Inventory write-offs and write-down provisions are provided to cover risks arising from slow-moving items or technological obsolescence and for market prices lower than cost. The Company periodically evaluates the quantities on hand relative to current and historical selling prices and historical and projected sales volume. Based on this evaluation, provisions are made to write inventory down to its net realizable value.

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Property and Equipment

Property and equipment is stated at cost. Depreciation of property and equipment, including amortization of leasehold improvements, are provided using the straight-line method over the following estimated useful lives:

Computer hardware	3 – 5 years
Computer software	3 – 5 years
Facilities & equipment	5 – 10 years
Laboratory equipment	5 – 10 years
Automobiles	7 – 10 years
Leasehold improvements	Shorter of lease term or useful life

Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment is retired, or otherwise disposed of, the cost and accumulated depreciation and amortization is removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period.

The Company reviews the carrying value of its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. No indicators of impairment were identified as of December 31, 2024 and 2023.

Internally Developed Software

The Company accounts for software development costs in accordance with ASC 985-20, *Costs of Software to Be Sold, Leased, or Marketed*, which requires product development costs to be charged to research and development expense accounts; expensed as incurred until technological feasibility is attained and all other research and development activities for the product have been completed. Technological feasibility is attained when the Company has completed the planning, design, and testing phase of development and has determined the product viable for its intended use, which typically occurs when beta testing commences.

Capitalized costs for those products that are cancelled or abandoned are charged to impairment expense in the period of cancellation. Commencing upon product release, capitalized software development costs are amortized based on the straight-line method over 4 years.

The Company evaluates the future recoverability of capitalized software development costs on an annual basis. For products that have been released in prior years, the primary evaluation criterion is ongoing relations with the customer. No indicators of impairment were identified as of December 31, 2024 and 2023. Capitalized software is included within property and equipment, net, in the accompanying Consolidated Balance Sheets.

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Business Combinations

The Company accounts for acquisitions of entities that consist of inputs and processes that have the ability to contribute to the creation of outputs as business combinations. The Company allocates the purchase price of the acquisition to the tangible assets, liabilities, and identifiable intangible assets acquired based on their estimated fair values. The excess of the purchase price over those fair values is recorded as goodwill. Acquisition related expenses and integration costs are expensed as incurred.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price of a company acquired over the fair value of the net identifiable assets acquired and liabilities assumed. Goodwill is tested at the reporting unit level for impairment annually during the fourth quarter of the Company's fiscal year or when events or circumstances change in a manner that indicates goodwill might be impaired. Events or circumstances that could trigger an impairment review include, but are not limited to, a significant adverse change in legal factors or in the business or political climate, an adverse action or assessment by a regulator, unanticipated competition, a loss of key personnel, significant changes in the manner of the Company's use of the acquired assets or the strategy for the Company's overall business, significant negative industry or economic trends or significant underperformance relative to projected future results of operations. As of December 31, 2024 and 2023, there were no events that triggered an additional goodwill impairment analysis. The Company did not identify any goodwill impairment after completing the annual impairment test.

The Company performs valuations of assets acquired and liabilities assumed on each acquisition accounted for as a business combination and allocates the purchase price of the acquired business to the respective net tangible and intangible assets. Intangible assets are measured at fair value and are comprised of customer relationship intangibles, developed technology, and backlog. The fair value attributed to the intangible assets acquired was based on assumptions and other information compiled by management, including various objective valuation techniques. Amortization of these intangible assets is computed using the straight-line method over the estimated useful lives as follows:

Customer relationships	1 – 11 years
Developed technology	6 – 9 years
Backlog	1 – 2 years
Trademark	10 – 20 years

The Company reviews all intangibles assets for impairment whenever management concludes events or changes in circumstances indicate that the carrying amount may not be recoverable. Based on management's assessment, there was no impairment at December 31, 2024 and 2023.

Unit-Based Compensation

The Company recognizes unit-based compensation expense for employees and non-employees based on the grant-date fair value of Incentive Unit awards over the applicable service period. For awards that vest based on continued service, unit-based compensation cost is recognized on a straight-line basis over the requisite service period. For awards with performance vesting conditions, unit-based compensation cost is recognized on a graded vesting basis over the requisite service period when it is probable the performance condition will be achieved. Forfeitures are accounted for in the period in which they occur. The grant date fair value of Incentive Unit awards that contain service or performance conditions is estimated using the Black-Scholes pricing model, which requires inputs based on certain subjective assumptions, including the expected unit price volatility, the expected term of the unit, the risk-free interest rate for a period that approximates the expected term of the units and the Company's expected dividend yield. Unit-based compensation expense is included within selling, general, and administrative expenses in the Consolidated Statements of Operations.

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Debt Issuance Costs

Debt issuance costs are comprised of fees incurred by the Company in connection with obtaining the notes payable (Note 8. Notes Payable) and are amortized using the straight-line method, which approximates the effective interest method, over the terms of the related loans, with amortization included in interest expense in the accompanying Consolidated Statements of Operations. Debt issuance costs, which are presented as a reduction of notes payable in the accompanying Consolidated Balance Sheets totaled \$6.70 million and \$8.74 million, net of amortization, as of December 31, 2024 and 2023, respectively.

During the years ended December 31, 2024 and 2023 amortization expense of debt issuance costs totaled \$5.37 million and \$3.53 million respectively.

Contract Liabilities

Contract liabilities are equivalent to advance payments and billings in excess of revenues recognized in the Consolidated Balance Sheets. Certain customers make advance payments prior to the Company's satisfaction of its performance obligations on the contract. These amounts are recorded as contract liabilities until such obligations are satisfied, either over time as costs are incurred or at a point in time when deliveries are made. Contract liabilities are not a significant financing component because they are used to meet working capital demands that can be higher in the early stages of a contract. The Company anticipates that substantially all of such amounts will be earned as revenue within one year when the performance obligation is satisfied.

Leases

The Company enters into contractual lease arrangements primarily for the use of real estate facilities. The Company leases office space under the terms of non-cancelable operating leases that expire at various dates through December 2036. The Company determines if a contract contains a lease at inception based on whether it conveys the right to control the use of an identified asset and whether the lease should be classified as an operating or financing lease. As of December 31, 2024 and 2023, all of the Company's leases are classified as operating leases.

The Company records operating leases as right-of-use (ROU) assets, current operating lease liabilities and non-current operating lease liabilities in the Consolidated Balance Sheets. Lease expenses are recorded within selling, general, and administrative expenses in the accompanying Consolidated Statements of Operations. Operating lease payments are presented within operating cash flows in the Consolidated Statements of Cash Flows.

Operating lease right-of-use assets and operating lease liabilities are recognized based on the net present value of future minimum lease payments over the lease term starting on the commencement date. The initial lease liability is equal to the present value of the future minimum lease payments over the lease term. The initial measurement of the right-of-use asset is equal to the initial lease liability plus any initial direct costs and prepaid lease payments, less any lease incentives. The Company generally is not able to determine the rate implicit in its leases and, as such, applies an incremental borrowing rate based on the Company's cost of borrowing for the relevant terms of each lease.

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Operating lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. The Company's leases have remaining lease terms that range from less than one year to eleven years, some of which may include options to extend or terminate a lease if it is reasonably certain that the company will exercise such options. The Company has elected the practical expedient to not separate lease components from non-lease components, and also has elected not to record a right-of-use asset or lease liability for leases which, at inception, have a term of twelve months or less. Variable lease expenses are generally recorded in the period they are incurred and are excluded from the ROU assets and lease liability.

The Company does not have any material restrictions or covenants in its lease agreements or residual value guarantees.

Income Taxes

BlueHalo Financing TopCo, LLC is a limited liability company for federal income tax purposes and has elected to be treated as a C Corporation.

Prior to the Eqlipse Acquisition, BlueHalo Financing Holdings, LLC was a limited liability company for federal income tax purposes and has elected to be treated as a C Corporation. Verus Technology Group, Inc. and Ipsolon Research, Inc. are also treated as C Corporations. As such, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

BlueHalo Global Holdings, LLC, BlueHalo, ATA, Brilligent, Base2, Citadel and Asymmetrik (all wholly owned subsidiaries) are single member limited liability companies and are disregarded for income tax purposes. As such, these entities are generally not subject to individual corporate income taxes as the income, deductions, credits and other tax attributes of each company are combined for tax reporting purposes with BlueHalo Financing Holdings, LLC.

The Company is subject to income taxes in U.S. federal jurisdictions and various state jurisdictions. Tax regulations within each jurisdiction are subject to interpretation of the related tax laws and regulations and require significant judgment to apply. The Company recognizes tax liabilities for uncertain tax positions when it is more likely than not that a tax position will not be sustained upon examination and settlement with various taxing authorities. Liabilities for uncertain tax positions are measured based upon the largest amount of benefit that is greater than 50% likely of being realized upon settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. Management has evaluated the Company's tax positions and has concluded that the Company has taken no uncertain tax positions that require adjustment to the Consolidated Financial Statements. The Company is generally no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for the years ended December 31, 2020 and prior.

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Fair Value of Financial Instruments

Certain assets and liabilities are carried at fair value in accordance with ASC 820, *Fair Value Measurement*. Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- *Level 1* – Quoted prices in active markets for identical assets or liabilities.
- *Level 2* – Observable inputs (other than level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.
- *Level 3* – Unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

To the extent the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

As of December 31, 2024 and 2023, the fair value of the Company's cash and cash equivalents, restricted cash, contract receivables, accounts payable and accrued expenses, accrued payroll and related liabilities, and contract liabilities approximate their carrying amounts due to the relatively short maturity of these items.

Certain non-financial assets, such as intangible assets, right of use assets, and property and equipment, are measured at fair value on a non-recurring basis and are adjusted to fair value only if an impairment charge is recognized. Such fair value measures are considered to be within the Level 3 valuation hierarchy due to the subjective nature of the unobservable inputs used.

Concentrations of Credit Risk and Significant Customers

The Company's assets that are exposed to credit risk consist primarily of cash and cash equivalents and billed receivables.

Cash and cash equivalents are maintained at accredited financial institutions. Bank accounts in the United States are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 and, at times, balances may exceed federally insured limits. As of December 31, 2024 and 2023, the Company's primary operating accounts significantly exceeded federally insured limits. The Company has never experienced any losses related to these balances. The Company does not believe that it is subject to unusual credit risk beyond the normal credit risk associated with commercial banking relationships.

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For the years ended December 31, 2024 and 2023, one customer accounted for 16.7%, and 15.7%, respectively, of total revenue.

The Company's billed receivables consist primarily of amounts due from various agencies of the federal government or prime contractors doing business with the federal government. All operations of the Company are in the United States. In the aggregate, the majority of receivables came from agencies of the U.S. Government. Historically, the Company has not experienced significant losses related to billed receivables and since the receivables are primarily with the U.S. Government, the Company believes that the credit risk related to billed receivables is minimal.

Recent Accounting Pronouncements Not Yet Adopted

In December 2023, the FASB issued Accounting Standards Updated ("ASU") 2023-09, *Income Taxes (Topic 740) – Improvements to Income Tax Disclosures*, which is intended to enhance the transparency and usefulness of income tax disclosures through improved reporting related to the rate reconciliation and income taxes paid. The guidance is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of this guidance on the disclosures in the Consolidated Financial Statements.

In November 2024, the FASB issued ASU 2024-03: *Disaggregation of Income Statement Expenses*, which requires disclosures about the nature of expenses presented on the face of the income statement. The guidance is effective for annual periods beginning after December 15, 2026 and interim periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the impact of this guidance on the disclosures in the Consolidated Financial Statements.

The Company has assessed other accounting pronouncements issued or effective through the issuance date of these Consolidated Financial Statements and for the years ended December 31, 2024 and 2023 and deemed they were not applicable to the Company or are not anticipated to have a material effect on the Consolidated Financial Statements.

2. Acquisitions

Eclipse Technologies, LLC Acquisition

On March 1, 2024, BlueHalo Parent completed the Eclipse Acquisition with Eclipse Parent.

Eclipse Parent and Eclipse Technologies and its subsidiaries, is a leading provider of differentiated products and solutions to the Department of Defense and intelligence community. Eclipse Technologies' high-end technical talent and suite of innovative products will enable BlueHalo to deliver enhanced scale and broader capabilities to its customers, accelerating the development and fielding of its advanced defense technologies.

BlueHalo Parent accounted for the transaction as a business combination in accordance with ASC 805, Business Combinations in which BlueHalo Parent was the accounting acquirer. BlueHalo Parent was determined to be the accounting acquirer due to its size relative to Eclipse Parent, and BlueHalo Parent's management retaining its positions in the continuing entity.

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BlueHalo Parent's total consideration transferred to acquire Eqlipse Parent was \$729.9 million, as summarized below (in thousands):

	Fair Value
Preferred Units	\$ 183,580
Common Units	545,119
Restricted Common Units	1,195
Total	\$ 729,894

The purchase price was allocated to assets acquired and liabilities assumed based on an evaluation of their respective fair values at the acquisition date. The following table summarizes the acquisition date fair value of the assets acquired and liabilities assumed in the acquisition (in thousands):

	Fair Value
Cash and cash equivalents	\$ 50,668
Billed receivables	32,726
Contract assets	15,718
Inventory	23,399
Prepaid and other current assets	12,530
Property and equipment	8,181
Operating lease right-of-use assets	23,230
Intangible assets	343,300
Other noncurrent assets	1,003
Total assets acquired	\$ 510,755
Accounts payable	9,598
Accrued payroll and related liabilities	11,317
Contract liabilities	15,342
Other current liabilities	13,829
Current operating lease liabilities	3,044
Noncurrent operating lease liabilities	25,477
Deferred tax liability	56,665
Other noncurrent liabilities	1,050
Total liabilities assumed	136,322
Other current liabilities	469,102
Net assets acquired	\$ 374,433
Total consideration transferred	\$ 729,894
Goodwill	\$ 355,461

The identifiable intangible assets include customer relationships of \$267.3 million with a remaining useful life of 20 years, developed technology of \$74.1 million with a remaining useful life of 10-15 years, and trademark of \$1.9 million with a remaining useful life of 1 year. The fair value of the intangibles assets was determined using a discounted cash flow analysis, which were based on the Company's preliminary estimates of future sales, earnings and cash flows after considering such factors as general market conditions, anticipated customer demand, changes in working capital, long term business plans and recent operating performance. Use of different estimates and judgments could yield materially different results.

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The amounts above reflect management's preliminary estimate of the fair value of the tangible and intangible assets acquired and liabilities assumed based on a valuation performed using currently available information. Any necessary adjustments will be finalized within one year from the date of acquisition.

The goodwill represents the value attributable to new and unidentifiable contracts and customers, as well as expanded market opportunities. Goodwill related to this combination is not deductible for tax purposes.

As of the acquisition date, Eqlipse Technologies had twelve real estate leases, classified as operating leases and similar in nature to the Company's existing lease portfolio. Recognition of Eqlipse Technologies leases resulted in an incremental right of use (ROU) asset of \$23.2 million and ROU liability of \$28.5 million.

The results of operations of Eqlipse have been included in the accompanying consolidated financial statements since the effective date of the acquisition. Eqlipse contributed \$239.2 million of revenue and \$12.7 million of net income for the year ended December 31, 2024.

BlueHalo Parent incurred transaction costs of \$4.9 million associated with this acquisition are included within selling, general, and administrative expenses in the Condensed Consolidated Statements of Operations for the fiscal year ended December 31, 2024.

Supplemental Pro Forma Information (unaudited)

The following table presents unaudited pro forma financial information for the fiscal years ended December 31, 2024 and December 31, 2023, as if the acquisition of Eqlipse has occurred on January 1, 2023 (in thousands):

	December 31, 2024		December 31, 2023	
Contract Revenue	\$	839,278	\$	842,233
Net Loss	\$	(69,132)	\$	(126,900)

The unaudited pro forma financial information has been calculated after applying our accounting policies and adjusting the historical results with pro forma adjustments that assume the acquisition occurred on January 1, 2023. These pro forma results do not represent financial results realized, nor are they intended to be a projection of future results.

The transaction accounting adjustments and other adjustments are based on available information and assumptions that the Company's management believes are reasonable. Such adjustments are estimates and actual experience may differ from expectations. The pro forma Net Loss for the periods ended December 31, 2024 and December 31, 2023 includes adjustments to historical amounts such as adjustments to interest expense to account for additional interest expense related to debt committed for financing the acquisition, net of interest expense related to the pay down of a portion of the outstanding principal on the line of credit, the reclassification of acquisition costs and employee compensation costs associated with the purchase of Eqlipse from the period ended December 31, 2024 to the period ended December 31, 2023, additional amortization expense related to the intangible assets acquired, and inventory purchase accounting adjustments charged to cost of sales as the inventory is sold.

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VideoRay Acquisition

In November 2024, BlueHalo completed the VideoRay Acquisition. Under the terms of the Equity Interest Purchase Agreement (the “VideoRay Equity Interest Purchase Agreement”) dated November 2, 2024, the Company acquired 100% of the stock of VideoRay, LLC and VideoRay Europe B.V. (collectively, “VideoRay”). VideoRay is a global leader in underwater remotely operated vehicle (ROV) technology, providing cutting-edge solutions for defense, commercial, and rescue operations. VideoRay’s advanced underwater robotic solutions will enable BlueHalo to deliver greater scale and enhanced capabilities to customers, accelerating the development and deployment of next-generation underwater defense technologies.

BlueHalo accounted for the transaction as a business combination in accordance with ASC 805, in which BlueHalo was the accounting acquirer as the Company transferred cash. Pursuant to the VideoRay Equity Interest Purchase Agreement, the Company acquired 100% of the issued and outstanding membership interests of VideoRay, obtaining a controlling financial interest. The Company’s total consideration transferred to acquire VideoRay was \$215.1 million, as summarized below (in thousands):

	Fair Value
Cash and cash equivalents	\$ 2,046
Billed receivables	9,942
Inventory	18,079
Prepaid and other current assets	1,764
Property and equipment	2,179
Intangible assets	72,800
Operating lease right-of-use assets	1,923
Total assets acquired	\$ 108,733
Accounts payable	3,780
Accrued payroll and related liabilities	2,131
Other current liabilities	1,868
Current operating lease liabilities	399
Noncurrent operating lease liabilities	1,524
Total liabilities assumed	9,702
Net assets acquired	\$ 99,031
Total consideration transferred	\$ 215,138
Goodwill	\$ 116,107

The identifiable intangible assets include customer relationships of \$55.7 million with a remaining useful life of 20 years, developed technology of \$10.8 million with a remaining useful life of 10 years, and trademark of \$6.3 million with a remaining useful life of 15 years. The fair value of the intangibles assets was determined using a discounted cash flow analysis, which were based on the Company’s preliminary estimates of future sales, earnings and cash flows after considering such factors as general market conditions, anticipated customer demand, changes in working capital, long term business plans and recent operating performance. Use of different estimates and judgments could yield materially different results.

The amounts above reflect management’s preliminary estimate of the fair value of the tangible and intangible assets acquired and liabilities assumed based on a valuation performed using currently available information. Any necessary adjustments will be finalized within one year from the date of acquisition.

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The goodwill represents the value attributable to new and unidentifiable contracts and customers, as well as expanded market opportunities. Goodwill related to this combination is not deductible for tax purposes.

As of the acquisition date, VideoRay had seven real estate leases, classified as operating leases and similar in nature to the Company's existing lease portfolio.

The results of operations of VideoRay have been included in the accompanying consolidated financial statements since the effective date of the acquisition. VideoRay contributed \$5.8 million of revenue and \$0.7 million of net income for the year ended December 31, 2024.

BlueHalo incurred transaction costs of \$3.3 million associated with this acquisition are included within selling, general, and administrative expenses in the Condensed Consolidated Statements of Operations for the fiscal year ended December 31, 2024.

Supplemental Pro Forma Information (unaudited)

The following table presents unaudited pro forma financial information for the fiscal years ended December 31, 2024 and December 31, 2023, as if the acquisition of VideoRay has occurred on January 1, 2023 (in thousands):

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Contract Revenue	\$ 836,579	\$ 598,928
Net Loss	\$ (103,004)	\$ (71,251)

The unaudited pro forma financial information has been calculated after adjusting the historical results with pro forma adjustments that assume the acquisition occurred on January 1, 2023. These pro forma results do not represent financial results realized, nor are they intended to be a projection of future results.

The transaction accounting adjustments and other adjustments are based on available information and assumptions that the Company's management believes are reasonable. Such adjustments are estimates and actual experience may differ from expectations. The pro forma loss for the periods ended December 31, 2024 and December 31, 2023 includes adjustments to historical amounts such as adjustments to interest expense to account for additional interest expense related to debt committed for financing the acquisition, net of interest expense related to the pay down of a portion of the outstanding principal on the line of credit, the reclassification of acquisition costs and employee compensation costs associated with the purchase of VideoRay from the period ended December 31, 2024 to the period ended December 31, 2023, additional amortization expense related to the intangible assets acquired, and inventory purchase accounting adjustments charged to cost of sales as the inventory is sold.

Verus Technology Group, Inc. Acquisition

Under the terms of the Stock Purchase Agreement ("the Verus Stock Purchase Agreement") dated March 31, 2023, BlueHalo acquired 100% of the stock of Verus Technology Group, Inc. ("Verus"). Verus designs, develops and integrates counter- Uncrewed Aerial Systems products. The Company's primary reason for the acquisition was to gain strategic market position by increasing the Company's suite of products. The purchase was accounted for under the acquisition method. The effective date of the acquisition was April 1, 2023.

BlueHalo Financing TopCo, LLC (f/k/a BlueHalo Financing Holdings, LLC)
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Pursuant to the Verus Stock Purchase Agreement, the Company acquired 100% of Verus' net assets for the aggregate purchase price of \$63.6 million, which is exclusive of cash acquired of \$1.6 million. The aggregate purchase consideration is comprised of cash, \$12.5 million of rollover equity in BlueHalo Holdings Parent, LLC ("BlueHalo Parent"), and \$0.6 million of net working capital adjustment.

The results of operations of Verus have been included in the accompanying Consolidated Financial Statements since the effective date of the acquisition. For the period from the acquisition effective date to December 31, 2023, Verus contributed \$21.6 million to the Company's consolidated revenue. Due to the integration of operations post-acquisition, presenting the effect of net income attributable to Verus is impracticable. The Company's transaction costs of \$1.5 million associated with this acquisition are included within selling, general, and administrative expenses in the Consolidated Statements of Operations for the year ended December 31, 2023.

The purchase price was allocated to assets acquired and liabilities assumed based on an evaluation of their respective fair values at the acquisition date. The following table summarizes the acquisition date fair value of the assets acquired and liabilities assumed in the acquisition (in thousands):

	Fair Value
Cash and cash equivalents	\$ 1,593
Billed receivables	157
Inventory	2,455
Prepaid and other current assets	20
Property and equipment	58
Intangible assets	26,500
Other noncurrent assets	120
Total assets acquired	\$ 30,903
Other current liabilities	\$ 469
Net assets acquired	\$ 30,434
Total consideration transferred	\$ 63,635
Goodwill	\$ 33,201

The identifiable intangible assets include customer relationships of \$15.7 million with a remaining useful life of 5.0 years and developed technology of \$10.8 million with a remaining useful life of 5.0 years. The fair value of the intangibles assets was determined using a discounted cash flow analysis, which were based on the Company's preliminary estimates of future sales, earnings and cash flows after considering such factors as general market conditions, anticipated customer demand, changes in working capital, long term business plans and recent operating performance. Use of different estimates and judgments could yield materially different results.

The goodwill represents the acquired assembled workforce, which did not qualify for recognition as a separate intangible asset, going concern, the fair value of expected synergies and premiums paid by the Company. Goodwill related to this combination is not deductible for tax purposes.

BlueHalo Financing TopCo, LLC (f/k/a BlueHalo Financing Holdings, LLC)
Notes to the Consolidated Financial Statements

Ipsolon Research, Inc. Acquisition

Under the terms of the Stock Purchase Agreement (the “Ipsolon Stock Purchase Agreement”) dated October 31, 2023, BlueHalo acquired 100% of the stock of Ipsolon Research, Inc. (“Ipsolon”). The Company’s primary reason for the acquisition was to improve operational efficiencies through strategic and technological initiatives allowing for expedited timeframes for rapid prototyping and product delivery while gaining strategic market position by ensuring quality across the supply chain. The purchase was accounted for under the acquisition method. The effective date of the acquisition was November 1, 2023.

Pursuant to the merger agreement, the Company acquired 100% of Ipsolon’s net assets for the aggregate purchase price of \$5.2 million, which was exclusive of cash acquired of \$0.1 million. The aggregate purchase consideration is comprised of cash and \$0.5 million of rollover equity.

The results of operations of Ipsolon have been included in the accompanying Consolidated Financial Statements since the effective date of the acquisition. For the period from the acquisition date to December 31, 2023, Ipsolon contributed \$0.1 million to the Company’s consolidated revenue. Due to the integration of operations post- acquisition, presenting the effect of net income attributable to Ipsolon is impracticable. The Company’s transaction costs of \$0.3 million associated with this acquisition are included within selling, general, and administrative expenses in the Consolidated Statements of Operations for the year ended December 31, 2023.

The purchase price was allocated to assets acquired and liabilities assumed based on an evaluation of their respective fair values at the acquisition date. The following table summarizes the acquisition date fair value of the assets acquired and liabilities assumed in the acquisition (in thousands):

	Fair Value
Cash and cash equivalents	\$ 56
Billed receivables	257
Inventory	279
Prepaid and other current assets	8
Property and equipment	26
Intangible assets	1,406
Other noncurrent assets	83
Total assets acquired	\$ 2,115
Other current liabilities	\$ 99
Net assets acquired	\$ 2,016
Total consideration transferred	\$ 5,232
Goodwill	\$ 3,216

The identifiable intangible assets include customer relationships of \$0.5 million with a remaining useful life of 2.0 years and developed technology of \$0.9 million with a remaining useful life of 6.0 years. The fair value of the intangibles assets was determined using a discounted cash flow analysis, which were based on the Company’s preliminary estimates of future sales, earnings and cash flows after considering such factors as general market conditions, anticipated customer demand, changes in working capital, long term business plans and recent operating performance. Use of different estimates and judgments could yield materially different results.

BlueHalo Financing TopCo, LLC (f/k/a BlueHalo Financing Holdings, LLC)
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The goodwill is attributable to the expected synergies, expanded market opportunities and other benefits that the Company believes will result from integrating the capabilities and leveraging the acquired workforce and market position of Ipsolon's existing customers. Goodwill related to this combination is not deductible for tax purposes.

3. Inventory

Inventory consists of the following (in thousands):

	As of December 31,	
	2024	2023
Raw materials	\$ 20,262	\$ 268
Work-in-process	13,984	4,663
Finished goods	46,907	31,818
Inventory, gross	81,153	36,749
Reserve for inventory excess and obsolescence	(1,920)	—
Inventory, net	\$ 79,233	\$ 36,749

The Company had a \$1.9 million reserve for excess and obsolete inventory for the year ended December 31, 2024. The entire reserve amount relates to inventory acquired as part of the Eclipse acquisition. Inventories are stated at the lower of cost or net realizable value with cost being determined using the first-in, first-out method. For the year ended December 31, 2023, the Company did not record a reserve for inventory excess and obsolescence.

4. Property and Equipment, net

Property and equipment, net consists of the following (in thousands):

	As of December 31,	
	2024	2023
Office and laboratory equipment	\$ 31,518	\$ 10,278
Computer hardware and software	20,847	8,874
Capitalized software	57,024	29,464
Construction in progress	19,966	37,848
Furniture and fixtures	6,841	3,155
Leasehold improvements	20,971	2,416
Automobiles	1,390	998
Property and equipment, gross	158,557	93,033
Less: Accumulated depreciation and amortization	(47,221)	(22,879)
Property and equipment, net	\$ 111,336	\$ 70,154

Depreciation and amortization expense related to property and equipment totaled \$21.6 million and \$10.2 million for the years ended December 31, 2024 and 2023, respectively.

BlueHalo Financing TopCo, LLC (f/k/a BlueHalo Financing Holdings, LLC)
Notes to the Consolidated Financial Statements

5. Goodwill

Goodwill represents the residual difference between the consideration paid for a business and the fair value of the net assets acquired. The Company's goodwill is the result of its acquisitions.

The following table presents the changes in the Company's goodwill balance (in thousands):

Balance at December 31, 2022	\$ 364,284
Addition: Verus goodwill	33,201
Addition: Ipsolon goodwill	3,216
Balance at December 31, 2023	400,701
Reduction: Ipsolon goodwill	(6)
Addition: Eqlipse goodwill	355,461
Addition: VideoRay goodwill	116,107
Balance at December 31, 2024	<u>\$ 872,263</u>

The change in goodwill during fiscal year 2024 related to measurement period adjustments from the Ipsolon acquisition.

6. Intangible Assets

Intangible assets primarily consist of customer relationships, developed technology, and backlog.

Intangible assets, net consisted of the following (in thousands, except weighted average remaining useful life):

BlueHalo Financing TopCo, LLC (f/k/a BlueHalo Financing Holdings, LLC)
Notes to the Consolidated Financial Statements

As of December 31, 2024

	Gross carrying value	Accumulated amortization	Net carrying value	Weighted average remaining useful life (in years)
Customer relationships	\$ 506,342	\$ 90,319	\$ 416,023	16.2
Developed technology	145,037	38,807	106,230	8.7
Backlog	19,780	19,780	—	1.4
Trademarks	8,200	1,637	6,563	11.8
	<u>\$ 679,359</u>	<u>\$ 150,543</u>	<u>\$ 528,816</u>	

As of December 31, 2023

	Gross carrying value	Accumulated amortization	Net carrying value	Weighted average remaining useful life (in years)
Customer relationships	\$ 183,342	\$ 60,187	\$ 123,155	9.2
Developed technology	60,138	22,556	37,582	5.9
Backlog	19,780	19,780	—	1.4
	<u>\$ 263,260</u>	<u>\$ 102,523</u>	<u>\$ 160,737</u>	

Amortization expense related to these intangible assets totaled \$48.8 million and \$34.0 million for the years ended December 31, 2024 and 2023, respectively.

The estimated scheduled amortization expense for intangible assets in future years is as follows (in thousands):

Years Ending December 31,	Amount
2025	\$ 53,853
2026	52,503
2027	49,580
2028	41,255
2029	39,093
Thereafter	292,532
Total	\$ 528,816

BlueHalo Financing TopCo, LLC (f/k/a BlueHalo Financing Holdings, LLC)
Notes to the Consolidated Financial Statements

7. Prepaid and Other Current Assets

Prepaid and other current assets consisted of the following (in thousands):

	As of December 31,	
	2024	2023
Prepaid expenses	\$ 17,262	\$ 6,708
Prepaid insurance	1,766	916
Other	4,915	2,384
Total	<u>\$ 23,943</u>	<u>\$ 10,008</u>

8. Notes Payable

Aegis Global Holdings, LLC, which was renamed BlueHalo Global Holdings, LLC in 2020, initially entered into a credit agreement (the “Credit Agreement”) on October 31, 2019. The Credit Agreement provided a \$10.0 million revolving loan facility (the “Revolving Loan Facility”) and \$30.0 million in term loans (the “Term Loan”). Over time, the Credit Agreement has been amended and restated multiple times, resulting in significant increases in Revolving Loan Facility, Term Loan, and the swing-line loans. By December 31, 2023, Revolving Loan Facility had increased to approximately \$51.0 million, Term Loan had increased to approximately \$479.4 million, and up to \$4.0 million in swing-line loans were available.

On March 1, 2024, as part of the Eqlipse Acquisition, the Company entered into an amendment (the “Eighth Amendment”) to its Credit Agreement. Among other things the Eighth Amendment (i) provided an additional \$42.5 million of Term Loan, (ii) changed the reference rate from LIBOR to SOFR benchmark provisions, (iii) replaced the LIBOR margin with a SOFR margin on existing borrowings under the Revolving Loan Facility and Term Loan ranging from 4.75% to 6.00%, (iv) reduced the base rate margin on existing borrowings under the Revolving Loan Facility and Term Loan from a range of 4.50% to 5.00% to a range of 3.75% to 5.00% and (v.) increased the available Letters of Credit under the Revolving Loan Facility from \$4.0 million to \$10.0 million. The Company accounted for the transactions associated with the Eighth Amendment as a debt modification, and as a result the Company recognized \$0.1 million in third party fees in selling, general, and administrative expenses and deferred \$0.7 million in debt issuance costs in connection with the transaction.

On November 22, 2024, in connection with the acquisition of VideoRay, the Company entered into an amendment (the “Ninth Amendment”) to its Credit Agreement. Among other things the Ninth Amendment (i) provided an additional \$220.0 million of Term Loan, (ii) increased the available Letters of Credit under the Revolving Loan Facility to \$150.0 million, and (iii) updated adjusted term SOFR on existing borrowings under the Revolving Loan Facility and Term Loan ranging from 4.75% to 6.00% with three 0.25% reductions of the rate at specified pricing levels and a 0.25% automatic reduction upon consummation of an Initial Public Offering, Special Purpose Acquisition Company transaction, or event resulting in the Company becoming a public company or subsidiary of a public company. The Company accounted for the transactions associated with the Ninth Amendment as a debt modification, and as a result the Company deferred \$2.7 million in debt issuance costs in connection with the transaction.

Each of the amendments discussed above that occurred in the fiscal years ended December 31, 2023, and December 31, 2024, were accounted for as debt modifications. Accordingly, the fees paid to the lenders in each of the amendments were reflected as a reduction to the carrying amount of the term loans and are amortized to interest expense over the remaining loan term.

BlueHalo Financing TopCo, LLC (f/k/a BlueHalo Financing Holdings, LLC)
Notes to the Consolidated Financial Statements

BlueHalo Financing Holdings, LLC, BlueHalo Global Holdings, LLC and BlueHalo, LLC and its subsidiaries are considered guarantors (the “Guarantors”) per the Credit Agreement. The Credit Agreement has customary affirmative and negative covenants, including restrictions on the Company’s ability to incur additional indebtedness, incur liens, make investments, or make restricted payments. The Term Loan and Revolving Loan Facility are subject to a financial maintenance covenant that requires the Company to maintain a maximum consolidated total leverage ratio, tested quarterly. The Company was compliant with all covenants in the Credit Agreement as of December 31, 2024 and December 31, 2023.

Revolving Loan Facility

The Revolving Loan Facility matures on October 31, 2025. Prior to the Eighth and Ninth Amendments, the maximum available under the Revolving Loan Facility is \$51.0 million, with up to \$4.0 million available for letters of credit and a swingline sublimit of \$4.0 million. Following the Eighth Amendment, the maximum available under the Revolving Loan Facility is \$51.0 million, with up to \$10.0 million available for letters of credit and a swingline sublimit of \$4.0 million. As of December 31, 2024, there were \$45.0 million of advances on the Revolving Loan Facility, \$2.5 million of letters of credit outstanding, and \$3.5 million was available to borrow. As of December 31, 2023, there were \$29.8 million of advances on the Revolving Loan Facility, \$2.5 million of letters of credit outstanding, and \$48.5 million was available to borrow.

Prior to the Eighth and Ninth Amendments, draws on the Revolving Loan Facility bear interest at a variable rate equal to a base rate margin ranging from 4.50% to 5.50% plus a LIBOR margin ranging from 5.50% to 6.50%. Following the Eighth and Ninth Amendments, draws on the Revolving Loan Facility bears interest at a variable rate equal to a base rate margin ranging from 3.75% to 5.00% plus a SOFR margin ranging from 4.75% to 6.00%. The weighted average effective interest rate on borrowings outstanding under the Revolving Loan Facility at December 31, 2024 is 4.73%. A 0.5% commitment fee is payable quarterly on the unused portion of the Revolving Credit Facility.

Term Loan

Indebtedness under the Term Loan consisted of the following (in thousands):

	As of December 31,	
	2024	2023
Term loan	\$ 736,081	\$ 479,364
Advance on revolving credit facility	45,000	29,840
Total face value of notes payable	781,081	509,204
Less: current portion	(774,384)	(34,739)
Less: unamortized debt issuance costs	(6,697)	(8,743)
Noncurrent portion of notes payable	\$ —	\$ 465,722

The Term Loan matures on October 31, 2025. After the Ninth Amendment, total principal payments of \$1.9 million are due quarterly beginning on March 31, 2024 through October 31, 2025, with the remainder of principal due at maturity. The Term Loan is secured by a first priority lien on substantially all assets of the Guarantors. Borrowings under the Term Loan are subordinated to the super-priority Revolving Credit Facility in right of payment.

Prior to the Eighth and Ninth Amendments, the Term Loan bears interest at a variable rate equal to a base rate margin ranging from 4.50% to 5.50% plus a LIBOR margin ranging from 5.50% to 6.50%. After the Eighth and Ninth Amendments, the Term Loan bears interest at a variable rate equal to a base rate margin ranging from 4.75% to 6.00%.

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Beginning in 2020 and applicable to all subsequent periods, the Company is required to prepay the Term Loan with a percentage of the Company's annual consolidated excess cash flow if the first lien net leverage ratio is greater than or equal to 3.00 to 1.00. The Company is able to prepay amounts outstanding under the Term Loan without a prepayment penalty.

All principal outstanding on the revolving credit facility will be due to be paid on the maturity date of the revolving credit facility, October 31, 2025.

Because the Term Loan matures within one year of the issuance date of these Consolidated Financial Statements, there is substantial doubt about the Company's ability to continue as a going concern. The Company will continue to work with its current lenders to refinance the existing debt. See also the Going Concern subsection of Note 1. Organization and Summary of Significant Accounting Policies.

9. Related Party Transactions

On April 3, 2020, BlueHalo Holdings entered into a promissory note with BlueHalo Parent (the ultimate member of Holdings) totaling \$3.3 million. The note bears interest at a rate of 1.0% per annum, paid-in-kind, and compounded annually on each anniversary date of the note. All principal and paid-in-kind interest are payable at maturity on April 3, 2026. The Company accrued interest on the promissory note totaling \$0.2 million and \$0.1 million as of December 31, 2024 and 2023, respectively.

On November 22, 2021, as part of the acquisition of Asymmetrik, BlueHalo entered into a promissory note to pay the seller of Asymmetrik \$6.5 million, together with capitalized interest, upon maturity. The note bears interest at a rate of 5.0% per annum, paid-in-kind. The promissory note matures and is payable upon a change in control event, as defined in the amended and restated limited liability company agreement of BlueHalo Parent. The accrued interest on the promissory note was \$1.1 million and \$0.7 million as of December 31, 2024 and 2023, respectively.

The Company also leases office space in two buildings that are owned by members of BlueHalo Parent. The first is an approximately 50,000 square foot facility on Jan Davis Drive in Huntsville, AL. The second is a 7,400 square foot facility on Channing Drive in Fairborn, OH. For these two facilities, the Company paid \$1.2 million and \$1.2 million of rent expense during the years ended December 31, 2024 and 2023, respectively.

10. Revenue

Remaining Performance Obligations

Remaining performance obligations represent the amount of contracted future revenue that has not yet been recognized. As of December 31, 2024, the Company's remaining performance obligations were \$457.9 million. The Company currently expects to recognize approximately \$305.8 million of the remaining performance obligations as revenue in the next 12 months and the remaining to be recognized thereafter.

BlueHalo Financing TopCo, LLC (f/k/a BlueHalo Financing Holdings, LLC)
Notes to the Consolidated Financial Statements

Disaggregation of Revenue

The Company disaggregates revenue from contracts with customers by contract and customer type, as the Company believes these categories best depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Disaggregated revenues by contract type were as follows (in thousands):

	Year Ended December 31,	
	2024	2023
Cost Plus	\$ 506,863	\$ 297,748
Fixed Price	147,147	169,349
Time and Materials	140,754	90,425
Total revenue	<u>\$ 794,764</u>	<u>\$ 557,522</u>

Disaggregated revenues by customer type were as follows (in thousands):

	Year Ended December 31,	
	2024	2023
U.S. Government	\$ 736,913	\$ 544,494
Non-U.S. Government	57,851	13,028
Total revenue	<u>\$ 794,764</u>	<u>\$ 557,522</u>

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables, and contract liabilities on the Consolidated Balance Sheets. Generally, billing occurs subsequent to revenue recognition, resulting in contract assets recorded on the Consolidated Balance Sheets. However, the Company sometimes receives advance payments or deposits prior to the commencement of work, as well as milestone payments that are paid in accordance with the terms of the contract as work is performed, which results in contract liabilities recorded on the Consolidated Balance Sheets. These assets and liabilities are reported on the Consolidated Balance Sheets on a contract-by-contract basis at the end of each reporting period.

Contract balances consist of the following (in thousands):

	As of December 31,	
	2024	2023
Billed receivables net of credit losses	\$ 116,748	\$ 70,279
Contract assets	100,736	71,220
Contract receivables	<u>\$ 217,484</u>	<u>\$ 141,499</u>
Contract liabilities	\$ 44,121	\$ 26,889

The increase in contract receivables from December 31, 2024 is primarily a result of significant project milestones being reached, delays in the billing cycles, services for which revenue was recognized in the prior year yet billed in the current year, and the Eqlipse acquisition. The increase in contract liabilities from year end is primarily due to new advance payment projects, changes in billing practices, the recognition of revenue on contracts for which the Company was paid in prior periods, and the Eqlipse acquisition. The Company anticipates that substantially all of such amounts will be earned as revenue within one year when the performance obligations are satisfied.

BlueHalo Financing TopCo, LLC (f/k/a BlueHalo Financing Holdings, LLC)
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11. Profit Sharing Plan

BlueHalo and its subsidiaries maintain various defined contribution savings plans (the Plans) under Section 401(k) of the Internal Revenue Code for substantially all eligible employees, as defined by the Plans. Participants may make voluntary contributions up to the maximum amount allowable by law. The Company does not allow investment in its common stock through the Plans.

During the years ended December 31, 2024 and 2023, the Company made contributions, net of forfeitures, to the Plans of \$16.3 million and \$13.0 million, respectively.

12. Preferred Units

The Company was formed as Eqlipse Technologies Financing Holdings, LLC by filing a Certificate of Formation on September 12, 2022. On March 1, 2024, the Company changed its name from Eqlipse Technologies Financing Holdings, LLC to BlueHalo Financing TopCo, LLC, pursuant to the transactions contemplated under the plan of merger between Eqlipse Parent and BlueHalo Parent. Pursuant to the merger, BlueHalo Parent became the sole member of the Company. The Preferred Unites remained outstanding subsequent to the Eqlipse Transactions.

The Preferred Units have been classified as temporary equity on the Condensed Consolidated Balance Sheets since the Preferred Units are redeemable at the option of the holder. As the sole member, BlueHalo Parent controls the board of the Company which can effectuate a distribution and thereby redeem the Preferred Units. Accordingly, as of December 31, 2024, 80,000 Preferred Units are presented as temporary equity, outside of the member's equity section of the Company's Condensed Consolidated Balance Sheets.

The Preferred Units include a yield at 8.1% per annum (calculated based on 360 days consisting of twelve 30-day months). The yield is cumulative and compounded quarterly at the end of each fiscal quarter.

The Preferred Units rank higher in priority than the Common Units. If the Company declares a distribution, cash shall be distributed with priority to the Preferred Units until the aggregate unpaid preferred unit yield and the aggregate unreturned preferred unit capital with respect to each of BlueHalo Parent's Preferred Units has been reduced to zero.

Upon the occurrence of a Dissolution event, the Preferred Unit holders shall be entitled to receive the remaining funds and other property of the Company in priority to the Common Units.

13. Member's Equity

Common Units

The rights of the Company's common units holders to receive dividends, if declared, and the right to receive a distribution of assets upon liquidation are subject to and qualified by the rights, powers, and preferences of the holders of the Company's Preferred Units. Refer to Note 12. Preferred Units for additional information.

Prior to March 1, 2024, BlueHalo Equity Holdings, LLC ("BlueHalo Equity Holdings"), the sole member of BlueHalo Holdings, owned 100% of the 100 issued and outstanding membership units.

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Effective March 1, 2024, pursuant to the Eqlipse Transactions (refer to Note 2. Acquisitions), (i) BlueHalo Parent became the owner of 648,117 common units of Eqlipse Technologies, and (ii) BlueHalo Parent contributed BlueHalo Equity Holdings) and the 100 units it held in BlueHalo Holdings to BlueHalo TopCo in exchange for 1,092,493 common units as part of the common control transaction.

As of December 31, 2024, all 1,740,610 common units issued and outstanding are held by BlueHalo Parent.

Member's Contributions

During the fiscal year ended December 31, 2024, the Company did not receive any material cash contributions.

14. Unit-Based Compensation

2019 Management Incentive Plan

Aegis Holdings Parent, LLC (renamed BlueHalo Holdings Parent, LLC) 2019 Management Incentive Plan ("the Incentive Plan") was established to promote the interests of the Company whereby, the Company may issue membership units ("Incentive Units") as equity compensation to employees, consultants or other service providers to the Company or any subsidiary (collectively, Service Providers) for services provided to, or for the benefit of, the Company or any of its subsidiaries.

The Board of Managers is authorized to negotiate and enter into award agreements with each Service Provider to whom it grants Incentive Units. Each Award Agreement shall include such terms, conditions, rights and obligations as may be determined by the Board of Managers (including without limitation vesting criteria), in its sole discretion, consistent with the terms of the Plan.

During the year ended December 31, 2024, approximately 138,500 Incentive Units were granted related to the Company under the Incentive Plan. In connection with the issuance of any Incentive Units, the Board will determine and set a threshold dollar amount with respect to the units. In the event of distribution by the Company, the proceeds distributed to the holder would be reduced by the threshold amount.

The Incentive Units are subject to time, performance and return-based vesting requirements, with all agreements having the following vesting requirements: "one-third (1/3) of the Incentive Units are designated as time-vested, one-third (1/3) of the Incentive Units are designated performance-vested and one-third (1/3) of the Incentive Units are designated return-vested."

Incentive Units vest based on time or performance-based milestones. Vesting of all Incentive Units is generally subject to continuing service over the vesting periods. For awards that are time-vested based on continued service, unit-based compensation is recognized on a straight-line basis over the requisite service period, which is generally the vesting period of the awards. The vesting period is five years. For awards that are performance vested, unit-based compensation cost is recognized on a graded vesting basis over the requisite service period when it is probable the performance condition will be achieved. Return vested units are only to vest upon a change of control event. The Company has not recognized any compensation expense for return-vested units as of December 31, 2024 as the vesting conditions are not probable to be met.

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Notes to the Consolidated Financial Statements

The following table presents the Unvested Incentive Units activity:

	Number of Nonvested Incentive Units	Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2022	266,511	\$ 27.74
Incentive Units granted	93,500	68.19
Incentive Units vested	(57,611)	34.32
Incentive Units forfeited	(5,651)	26.44
Outstanding at December 31, 2023	296,749	39.23
Incentive Units granted	138,500	54.10
Incentive Units vested	(79,087)	39.99
Incentive Units forfeited	(7,626)	55.30
Outstanding at December 31, 2024	348,536	44.61

The estimated grant-date fair value of the Company's Incentive Units issued in 2024 was calculated using the Black-Scholes pricing model, based on the following assumptions:

	Year Ended December 31, 2024
Expected term (in years)	1.3
Expected volatility	40.0%
Risk-free interest rate	4.8%

In accordance with ASC 718, *Compensation-Stock Compensation*, the Company recorded compensation expense associated with the Incentive Units during the years ended December 31, 2024 and 2023, in an amount of \$3.5 million and \$2.3 million, respectively. The compensation expense has been included within selling, general, and administrative expenses in the accompanying Consolidated Statements of Operations and as a unit-based compensation within the accompanying Consolidated Statements of Changes in Redeemable Preferred Units and Member's Equity. As of December 31, 2024, there was \$12.4 million of unrecognized compensation expense related to nonvested units, of which \$4.3 million is related to time-vesting units.

The Company reports fully vested awards of \$7.4 million at December 31, 2024.

Restricted Common Unit Activity

During 2024, in connection with the acquisition of Eqlipse, the company replaced the unvested outstanding Incentive Units held by Eqlipse employees immediately prior to the acquisition with Blue Halo Restricted Common Units ("RCUs") covering 28,210 common units having a total acquisition date fair value of \$6.6 million. The replacement RCUs have substantially the same terms and conditions as were applicable for the time-vesting units under the original Incentive Unit awards. Of the acquisition date fair value, \$1.2 million was attributed to pre-acquisition service and treated as a component of purchase consideration transferred. The remaining \$5.4 million is considered future compensation cost and will be recognized as stock based compensation cost over the remaining service period of the replacement RCUs. At December 31, 2024, the replacement RCUs had a remaining weighted-average term of 3.37 years.

BlueHalo Financing TopCo, LLC (f/k/a BlueHalo Financing Holdings, LLC)
Notes to the Consolidated Financial Statements

RCU activity for the period is as follows:

	Number of Nonvested Units
Outstanding at December 31, 2023	—
Restricted Common Units granted	28,210
Restricted Common Units vested	(14,448)
Restricted Common Units forfeited	(1,873)
Outstanding at December 31, 2024	<u>11,889</u>

During the year ended December 31, 2024, the Company recorded a compensation expense of \$2.3 million associated with the RCUs, following the acquisition of Eqlipse

15. Income Taxes

The current and deferred components of the income tax expense (benefit) consists of the following (in thousands):

	Year Ended December 31,	
	2024	2023
Current		
Federal	\$ (374)	\$ 411
State	288	927
Total Current Expense	<u>(86)</u>	<u>1,338</u>
Deferred		
Federal	(28,748)	326
State	(3,518)	131
Total Deferred Expense	<u>(32,266)</u>	<u>457</u>
Total Tax Expense	<u>\$ (32,352)</u>	<u>\$ 1,795</u>

The Company's effective tax rate differs from the U.S. federal tax rate of 21.0% primarily due to state taxes, research & development tax credits, and valuation allowances against deferred tax assets.

The difference between the Company's reported total provision for income taxes and the U.S. federal statutory rate of 21.0% is as follows:

	Year Ended December 31,	
	2024	2023
Income tax expense at statutory rate	21.0%	21.0%
State taxes (net of federal benefit)	4.2%	2.0%
Permanent differences	—%	—%
Stock compensation expense	(1.1)%	—%
Research & development tax credits	2.6%	1.7%
Change in valuation allowance	5.6%	(24.5)%
Transaction costs	—%	—%
Other, net	(2.8)%	(3.2)%
Total income tax expense (benefit)	<u>29.5%</u>	<u>(3.0)%</u>

BlueHalo Financing TopCo, LLC (f/k/a BlueHalo Financing Holdings, LLC)
Notes to the Consolidated Financial Statements

Significant components of the Company's deferred tax assets and liabilities are as follows (in thousands):

	As of December 31,	
	2024	2023
Deferred tax assets:		
Transaction costs	\$ 3,139	\$ 1,503
Deferred revenue	19	—
163J limitation	37,154	21,238
Accrued compensation	6,917	4,083
Prepays	732	511
Other accruals & reserves	100	77
IRC section 174 capitalization	17,343	7,426
Lease liability	22,924	14,014
Net operating losses & credit carryforwards	14,722	8,829
State net operating losses & modifications	2,423	1,247
Other	1,623	—
Gross deferred tax assets	107,096	58,928
Less: valuation allowance	(16,375)	(22,620)
Net deferred tax assets	90,721	36,308
Deferred tax liabilities:		
Property and equipment	6,239	2,636
ROU assets	21,105	13,145
Goodwill and intangible assets	88,054	20,772
Other	—	31
Total net deferred tax liabilities	115,398	36,584
Deferred tax (liabilities) assets	\$ (24,677)	\$ (276)

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible. The Company has analyzed the deferred tax assets and have determined, based on the weight of available evidence, that it is more likely than not that a significant portion will not be realized. Accordingly, valuation allowances have been recognized of 16.4 million and \$22.6 million, as of December 31, 2024 and 2023, respectively, related to certain deductible temporary differences and net operating loss carryforwards. The increase in valuation is primarily a result of current year increases to excess business interest expense carryforwards in the U.S. that are not supported by the reversal of taxable temporary differences.

As of December 31, 2024, the Company had \$48.0 million of U.S. federal and \$63.9 million of state net operating loss carryforwards available as a result of several acquisitions. Section 382 of the Internal Revenue Code (IRC) limits utilization of NOL carryforwards when an ownership change occurs as defined by that Section. The Company is in the process of performing a Section 382 analysis with respect to all acquired entities, but all NOLs were generated in post-tax reform periods subject to the parameters of the Tax Cuts and Jobs Act (TCJA) and therefore such NOL's have an indefinite life and no amount will expire unused.

BlueHalo Financing TopCo, LLC (f/k/a BlueHalo Financing Holdings, LLC)
Notes to the Consolidated Financial Statements

As of and for the year ended December 31, 2024, the Company had not established a liability for uncertain tax positions as no such positions existed. In general, the Company's tax returns are subject to U.S. federal, state and local tax examinations by tax authorities. Generally, the Company is not subject to examination by taxing authorities for tax years prior to 2019. The Company does not believe that it is reasonably possible that the total amount of unrecognized tax benefits will significantly change within 12 months of the reporting date.

16. Leases

The Company's total lease cost recorded in selling, general, and administrative expenses for the years ended December 31, 2024 and 2023 were as follows (in thousands):

	Year Ended December 31,	
	2024	2023
Operating lease cost	\$ 17,589	\$ 11,614
Short-term lease cost	1,061	1,137
Total lease cost	\$ 18,650	\$ 12,751

The following is a schedule by year of the future minimum lease payments required under these leases that have initial or remaining terms in excess of one year as of December 31, 2024 (in thousands):

	Amount
2025	\$ 17,492
2026	15,144
2027	15,223
2028	13,956
2029	12,452
Thereafter	45,179
Total lease payments	119,446
Less: Imputed interest	(30,321)
Present value of minimum lease payments	89,125
Less: Current portion of operating lease liabilities	(11,450)
Noncurrent portion of operating lease liabilities	\$ 77,675

BlueHalo Financing TopCo, LLC (f/k/a BlueHalo Financing Holdings, LLC)
Notes to the Consolidated Financial Statements

Supplemental lease information for the years ended December 31 was as follows (in thousands):

	Year Ended December 31,	
	2024	2023
Cash paid for leases	\$ 16,495	\$ 10,968
Operating right-of-use asset obtained in exchange for operating lease entered into during the year	\$ 19,723	\$ 1,493
Operating lease term and discount rate		
Weighted-average remaining lease term in years	7.55	7.15
Weighted-average discount rate	7.8%	5.0%

17. Commitments and Contingencies

Commitments

The Company's operations are conducted in leased facilities. Refer to Note 16. Leases for additional information on the Company's related commitments.

Risks and Uncertainties

The Company faces various risks related to U.S. Government funding decisions. Delays in funding decisions or re-appropriation of funds for programs could have an impact on the Company's revenues. Management continues to monitor government budgetary and funding activities, to assess possible implications to operations and revenues, and to take actions in an effort to mitigate adverse consequences in the case of any delays or re-appropriation of funds. The Company also continues to actively pursue new opportunities that may result from such changes.

18. Subsequent Events

The Company has evaluated its December 31, 2024 Consolidated Financial Statements for subsequent events through March 31, 2025, the date the Consolidated Financial Statements were available to be issued. Other than as disclosed below, the Company is not aware of any subsequent events which would require recognition or disclosure in the Consolidated Financial Statements.

Term Loan Amendment

On January 8, 2025, the Company entered into an amendment (the "Tenth Amendment") to its Credit Agreement. The Tenth Amendment provided an additional \$40.0 million of Term Loan. The Company is currently assessing the Tenth Amendment under the relevant guidance in Subtopic 470-50, *Modifications and Extinguishments*, to determine if the Tenth Amendment should be accounted for as an extinguishment or debt modification.

BlueHalo Financing TopCo, LLC

Condensed Consolidated Financial Statements for the Three Months Ended March 31, 2025 and March 31, 2024

The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited)

Condensed Consolidated Balance Sheets (Unaudited)
(In thousands)

	As of,	
	March 31, 2025	December 31, 2024
Assets		
Current assets		
Cash and cash equivalents	\$ 55,247	\$ 20,745
Billed receivables net of credit losses of \$420 and \$387 at March 31, 2025 and December 31, 2024, respectively	65,478	116,748
Contract assets	124,533	100,736
Inventory	78,816	79,233
Income taxes receivable	3,034	4,210
Prepaid and other current assets	18,530	23,943
Total current assets	345,638	345,615
Property and equipment, net	122,455	111,336
Operating lease right-of-use assets	75,183	76,983
Goodwill	874,306	872,263
Intangible assets, net	515,106	528,816
Other noncurrent assets	3,628	3,200
Total assets	\$ 1,936,316	\$ 1,938,213
Liabilities and Member's Equity		
Current liabilities		
Line of credit	\$ 45,000	\$ 45,000
Current portion of notes payable	794,780	729,384
Accounts payable	62,937	66,379
Accrued payroll and related liabilities	45,127	51,660
Contract liabilities	23,468	44,121
Current operating lease liabilities	11,808	11,450
Other current liabilities	18,568	19,021
Total current liabilities	1,001,688	967,015
Non-current portion of notes payable	—	—
Related party notes payable	11,100	11,000
Non-current operating lease liabilities	76,548	77,675
Other noncurrent liabilities	924	1,068
Deferred income taxes	23,785	24,677
Total liabilities	1,114,045	1,081,435
Mezzanine equity		
Preferred units, subject to redemption, 8.1% cumulative dividends; 80,000 units issued and outstanding as of March 31, 2025 and December 31, 2024	\$ 91,926	\$ 91,926
Members' equity	730,345	764,852
Total liabilities and members' equity	\$ 1,936,316	\$ 1,938,213

The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited)

Condensed Consolidated Statements of Operations (Unaudited)
(In thousands)

	Three Months Ended March 31,	
	2025	2024
Revenue		
Product sales	\$ 108,359	\$ 82,556
Contract services	101,805	79,687
	210,164	162,243
Cost of revenue (exclusive of depreciation and amortization shown separately below)		
Product sales	53,621	45,488
Contract services	63,345	49,864
	116,966	95,352
Selling, general, and administrative	74,953	61,691
Research and development	9,399	2,559
Depreciation and amortization	20,313	12,289
Income (loss) from operations	(11,467)	(9,648)
Other expense (income)		
Other income	(164)	(287)
Interest expense	25,009	16,179
Total other expense	24,845	15,892
Loss before income taxes	(36,312)	(25,540)
Income tax benefit	(835)	(7,627)
Net loss	\$ (35,477)	\$ (17,913)

The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited)

Condensed Consolidated Statements of Changes in Redeemable Preferred Units and Member's Equity (Unaudited)
(In thousands)

	Redeemable Preferred Units (Note 11)	Member's Capital	Accumulated Deficit	Total Member's Equity
Balance at December 31, 2024	\$ 91,926	\$ 970,668	\$ (205,816)	\$ 856,778
Member's contributions		108		108
Unit-based compensation		862		862
Net loss			(35,477)	(35,477)
Balance at March 31, 2025	<u>\$ 91,926</u>	<u>\$ 971,638</u>	<u>\$ (241,293)</u>	<u>\$ 822,271</u>
Balance at December 31, 2023	—	\$ 326,842	\$ (128,370)	\$ 198,472
Member's contribution, including impact of Eqlipse transactions	91,926	637,752		729,678
Unit-based compensation		1,407		1,407
Net loss			(17,913)	(17,913)
Balance at March 31, 2024	<u>\$ 91,926</u>	<u>\$ 966,001</u>	<u>\$ (146,283)</u>	<u>\$ 911,644</u>

The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited)

Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

	Three Months Ended March 31,	
	2025	2024
Cash flows from operating activities		
Net loss	\$ (35,477)	\$ (17,913)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	16,902	10,337
Software amortization	3,411	1,952
Amortization of debt issuance costs	2,034	1,032
Unit-based compensation expense	862	1,407
Accrued interest on related party notes payable	100	96
Deferred income taxes	(892)	(7,789)
Non-cash lease expense	(1,720)	(2,741)
Changes in operating assets and liabilities, net of acquisitions		
Contract receivables	27,473	17,921
Inventory	418	6,721
Income taxes receivable	1,176	(893)
Prepaid expenses and other assets	4,082	(4,794)
Accounts payable and accrued expenses	(4,565)	(32,462)
Accrued payroll and related liabilities	(6,533)	959
Contract liabilities	(20,653)	1,264
Operating lease liabilities	2,750	2,203
Other liabilities	(5,977)	(551)
Net cash used in operating activities	(16,609)	(23,251)
Cash flows from investing activities		
Purchase of property and equipment	(12,681)	(9,487)
Cash acquired in Eqlipse acquisition	—	50,668
Net cash used in investing activities	(12,681)	41,181
Cash flows from financing activities		
Borrowings under line of credit	40,000	10,000
Payments under line of credit	(40,000)	(39,840)
Proceeds from term loan	66,881	42,500
Repayments of term loan	(3,197)	(1,225)
Proceeds from member's contributions	108	(216)
Net cash provided by financing activities	63,792	11,219
Net increase (decrease) in cash	34,502	29,149
Cash and cash equivalents, beginning of the year	20,745	12,084
Cash and cash equivalents, end of the year	\$ 55,247	\$ 41,233
Supplemental disclosures of non-cash flow information		
Noncash purchases of property and equipment	\$ 5,023	\$ 719

The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited)

BlueHalo Financing TopCo, LLC
Notes to the Condensed Consolidated Financial Statements (Unaudited)

1. Organization and Summary of Significant Accounting Policies

Organization

References in this section to “BlueHalo,” “we,” “us,” “our,” and the “Company” are to BlueHalo Financing Holdings, LLC and its consolidated subsidiaries before giving effect to the Eqlipse Transactions (defined below), and to BlueHalo Financing TopCo, LLC and its consolidated subsidiaries after giving effect to the Eqlipse Transactions (defined below) but before giving effect to the potential merger with AeroVironment, Inc. and related transactions, unless the context otherwise requires or as otherwise indicated.

References in this section to “Eqlipse Technologies” or “Eqlipse” are to Eqlipse Technologies Financing Holdings, LLC and its consolidated subsidiaries before giving effect to the Eqlipse Transactions (defined below), unless the context otherwise requires or as otherwise indicated.

BlueHalo is a leading provider of advanced defense and intelligence solutions, specializing in multidomain technologies that address some of the most complex challenges faced by the national security community. With a steadfast commitment to innovation, agility, and customer intimacy, BlueHalo delivers cutting-edge products and solutions across the following key mission areas: Counter-Uncrewed Aerial Systems (C-UAS) & Autonomous Systems, Uncrewed Maritime Systems, Space, Electronic Warfare (EW) & Cyber, and Artificial Intelligence / Machine Learning (AI/ML). BlueHalo’s customers are primarily the U.S. Government and corresponding federal agencies, the Department of Defense (DoD), allied and coalition partners, and commercial clients.

In March 2024, as part of the Eqlipse Transactions (defined below), the Company completed a legal entity reorganization of entities under common control. The reorganization resulted in a change of reporting entity and a recapitalization of the reporting entity’s equity structure. Refer to Eqlipse Transactions and Basis of Presentation within this footnote.

Eqlipse Transactions

Prior to March 1, 2024, the business of BlueHalo was conducted through BlueHalo Financing Holdings, LLC (“BlueHalo Holdings”) and its consolidated subsidiaries. BlueHalo Holdings was wholly owned by BlueHalo Holdings Parent, LLC (“BlueHalo Parent”).

On March 1, 2024, BlueHalo Parent entered into and executed an agreement and plan of merger with Eqlipse Technologies Holdings Parent, LLC (“Eqlipse Parent”), pursuant to which BlueHalo Parent issued equity to acquire Eqlipse Parent and its wholly owned subsidiaries (“Eqlipse Acquisition”) through a series of mergers and entity contributions (collectively with the “Equity Acquisition” or the “Eqlipse Transactions”). As a result of the Eqlipse Transactions, Eqlipse Technologies, previously a wholly owned subsidiary of Eqlipse Parent (i) became a direct wholly owned subsidiary of BlueHalo Parent (ii) became the sole member of BlueHalo Holdings through the issuance of 1,092,493 common units of Eqlipse Technologies in exchange for the 100 membership units of BlueHalo Holdings owned by BlueHalo Parent and (iii) was renamed to BlueHalo Financing TopCo, LLC (“BlueHalo TopCo”).

AeroVironment, Inc. Acquisition of BlueHalo

On May 1, 2025 the Company and AeroVironment, Inc. executed a Definitive Merger Agreement. Under the terms of the Merger Agreement, all of the equity interest of BlueHalo immediately prior to the closing were canceled and extinguished without any conversion thereof were converted into the right to receive 17,425,849 shares of AeroVironment. AeroVironment issued all of the Transaction Consideration to BlueHalo and distributed all of the Transaction Consideration to the equity holders of the Company, which included holders of incentive units and restricted common units of Seller in accordance with the Merger Agreement. All outstanding incentive units and restricted common units of Seller became vested as of immediately prior to the closing (to the extent unvested and not otherwise vested at closing pursuant to their terms) and also were entitled to receive a portion of the Transaction Consideration in connection with the Seller Liquidation and Seller Distribution. Subsequent to the closing BlueHalo used the proceeds from the transaction to settle all outstanding debt positions.

BlueHalo Financing TopCo, LLC
Notes to the Condensed Consolidated Financial Statements (Unaudited)

Going Concern

In accordance with the accounting guidance related to the presentation of financial statements, when preparing financial statements for each interim reporting period, management evaluates whether there are conditions or events that, when considered in the aggregate, raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued. In making its assessment, management considered the Company's (defined below) current financial condition and liquidity sources including current funds available, forecasted future cash flows and conditional and unconditional obligations due over the next twelve months.

As described further in Note 8. Notes Payable, the Company had a significant outstanding debt obligation that was scheduled to mature within one year of the issuance of the December 31, 2024 financial statements, which resulted in the Company concluding that substantial doubt existed,

As noted in Note 15, Subsequent Events, AeroVironment and BlueHalo executed the Merger Agreement on May 1, 2025. The proceeds received by the Company as a result of the Merger agreement were used to settle all outstanding debt under the Credit Agreement. Accordingly, the repayment of this debt has alleviated the substantial doubt that had previously existed regarding the Company's ability to continue as a going concern.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Any reference in these notes to applicable guidance is meant to refer to authoritative U.S. GAAP as found in Accounting Standards Codification ("ASC") and Accounting Standards Updates ("ASUs") of the Financial Accounting Standards Board ("FASB").

Business Combination

BlueHalo Parent accounted for the Eqlipse Acquisition as a business combination in accordance with ASC 805, Business Combinations. Refer to Note 2. Acquisitions for further information on the business combination accounting for the Eqlipse Acquisition.

Common Control Transaction

The reorganization transactions subsequent to the Eqlipse Acquisition were accounted for as transactions between entities under common control which resulted in a change in reporting entity and required retrospective combination of the entities from the inception of common control. As common control of the entities was established on March 1, 2024, the Company assessed and determined that Bluehalo Holdings was the receiving entity for accounting purposes in contemplation of the common control transactions because it was under common control of BlueHalo Parent first. These common control reorganization events are accounted for akin to a reverse recapitalization with the combined entity representing a continuation of the consolidated financial results of BlueHalo adjusted for the Eqlipse Transactions on March 1, 2024, the date common control was established.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of BlueHalo TopCo, and its wholly owned subsidiaries (collectively, "BlueHalo" or the "Company"). All intercompany balances and transactions have been eliminated in consolidation.

BlueHalo Financing TopCo, LLC
Notes to the Condensed Consolidated Financial Statements (Unaudited)

Unaudited Interim Condensed Consolidated Financial Statements

The accompanying Condensed Consolidated Balance Sheets as of March 31, 2025, the Condensed Consolidated Statements of Operations and the Condensed Consolidated Statements of Changes in Redeemable Preferred Units and Member's Equity for the three months ended March 31, 2025 and 2024, and the Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2025 and 2024, and the related notes to such interim condensed consolidated financial statements, are unaudited. The accompanying Condensed Consolidated Balance Sheet as of December 31, 2024 was derived from the Company's audited annual consolidated financial statements for the year ended December 31, 2024.

These unaudited condensed consolidated financial statements are presented in accordance with the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") and do not include all disclosures normally required in annual consolidated financial statements prepared in accordance with U.S. GAAP. Certain information and note disclosures normally included in the consolidated financial statements prepared in accordance with U.S. GAAP have been omitted. The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the audited annual consolidated financial statements for the year ended December 31, 2024.

In the opinion of management, the interim condensed consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the Company's financial position for the periods presented. The results for the interim periods presented are not necessarily indicative of future results or results for the full fiscal year or for any other period.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results may differ from estimates under different assumptions or conditions. Significant items subject to such estimates and assumptions include, but are not limited to, the allowance for credit losses, determination of revenue recognition under ASC 606, *Revenue From Contracts With Customers*, fair value of incentive units, and valuation of common and preferred units, unit-based compensation, intangible assets, and goodwill.

The Company evaluates estimates based on historical and anticipated results, trends, and various other assumptions. The Company assesses these estimates on a regular basis; however, actual results could differ from these estimates.

Significant Accounting Policies

Our significant accounting policies are detailed in "Note 1. Organization and Summary of Significant Accounting Policies" of the audited annual consolidated financial statements for the year ended December 31, 2024. There have been no material changes to our significant accounting policies.

Recent Accounting Pronouncements Not Yet Adopted

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740) – Improvements to Income Tax Disclosures*, which is intended to enhance the transparency and usefulness of income tax disclosures through improved reporting related to the rate reconciliation and income taxes paid. The guidance is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of this guidance on the disclosures in its condensed consolidated financial statements.

BlueHalo Financing TopCo, LLC
Notes to the Condensed Consolidated Financial Statements (Unaudited)

In November 2024, the FASB issued ASU 2024-03: *Disaggregation of Income Statement Expenses*, which requires disclosures about the nature of expenses presented on the face of the income statement. The guidance is effective for annual periods beginning after December 15, 2026 and interim periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the impact of this guidance on the disclosures in its condensed consolidated financial statements.

The Company has assessed other accounting pronouncements issued or effective through the issuance date of these Condensed Consolidated Financial Statements and during the three months ended March 31, 2025 and deemed they were not applicable to the Company or are not anticipated to have a material effect on the condensed consolidated financial statements.

Risks and Uncertainties

The Company faces various risks related to U.S. Government funding decisions. Delays in funding decisions or re-appropriation of funds for programs could have an impact on the Company's revenues. Management continues to monitor government budgetary and funding activities, to assess possible implications to operations and revenues, and to take actions in an effort to mitigate adverse consequences in the case of any delays or re-appropriation of funds. The Company also continues to actively pursue new opportunities that may result from such changes.

Recently Adopted Accounting Pronouncements

The Company did not adopt any accounting standards during the three months ended March 31, 2025.

2. Acquisitions

Eclipse Technologies, LLC Acquisition

On March 1, 2024, BlueHalo Parent completed the Eclipse Acquisition with Eclipse Parent.

Eclipse Parent and Eclipse Technologies and its subsidiaries, is a leading provider of differentiated products and solutions to the Department of Defense and intelligence community. Eclipse Technologies' high-end technical talent and suite of innovative products will enable BlueHalo to deliver enhanced scale and broader capabilities to its customers, accelerating the development and fielding of its advanced defense technologies.

BlueHalo Parent accounted for the transaction as a business combination in accordance with ASC 805, *Business Combinations* in which BlueHalo Parent was the accounting acquirer. BlueHalo Parent was determined to be the accounting acquirer due to its size relative to Eclipse Parent, and BlueHalo Parent's management retaining its positions in the continuing entity.

BlueHalo Parent's total consideration transferred to acquire Eclipse Parent was \$729.9 million, as summarized below (in thousands):

	Fair Value
Preferred Units	\$ 183,580
Common Units	545,119
Restricted Common Units	1,195
Total	\$ 729,894

BlueHalo Financing TopCo, LLC
Notes to the Condensed Consolidated Financial Statements (Unaudited)

The purchase price was allocated to assets acquired and liabilities assumed based on an evaluation of their respective fair values at the acquisition date. During the three months ended March 31, 2025, the Company finalized its determination of the acquisition date fair value of the assets acquired and liabilities assumed in the acquisition, which is summarized in the following table (in thousands):

	Fair Value
Cash and cash equivalents	\$ 50,668
Billed receivables	32,726
Contract assets	15,718
Inventory	23,399
Prepaid and other current assets	12,530
Property and equipment	8,181
Operating lease right-of-use assets	23,230
Intangible assets	343,300
Other noncurrent assets	1,003
Total assets acquired	<u>\$ 510,755</u>
Accounts payable	9,598
Accrued payroll and related liabilities	11,317
Contract liabilities	15,342
Other current liabilities	14,986
Current operating lease liabilities	3,044
Noncurrent operating lease liabilities	25,477
Deferred tax liability	56,665
Other noncurrent liabilities	1,050
Total liabilities assumed	<u>137,479</u>
Net assets acquired	<u>\$ 373,276</u>
Total consideration transferred	<u>\$ 729,894</u>
Goodwill	<u>\$ 356,618</u>

The identifiable intangible assets include customer relationships of \$267.3 million with a remaining useful life of 20 years, developed technology of \$74.1 million with a remaining useful life of 10-15 years, and trademark of \$1.9 million with a remaining useful life of 1 year. The fair value of the intangibles assets was determined using a discounted cash flow analysis, which were based on the Company's preliminary estimates of future sales, earnings and cash flows after considering such factors as general market conditions, anticipated customer demand, changes in working capital, long term business plans and recent operating performance. Use of different estimates and judgments could yield materially different results.

During 2025, the Company recorded a measurement period adjustment to other current liabilities totaling \$1.2 million. The measurement period adjustment resulted in the Company recognizing additional goodwill totaling \$1.2 million during the three months ended March 31, 2025.

The goodwill represents the value attributable to new and unidentifiable contracts and customers, as well as expanded market opportunities. Goodwill related to this combination is not deductible for tax purposes.

As of the acquisition date, Eqlipse Technologies had twelve real estate leases, classified as operating leases and similar in nature to the Company's existing lease portfolio. Recognition of Eqlipse Technologies leases resulted in an incremental right of use (ROU) asset of \$23.2 million and ROU liability of \$28.5 million.

BlueHalo Financing TopCo, LLC
Notes to the Condensed Consolidated Financial Statements (Unaudited)

The results of operations of Eqlipse have been included in the accompanying condensed consolidated financial statements since the effective date of the acquisition. Eqlipse contributed \$21.5 million of revenue for and \$1.5 million of net loss for the three months ended March 31, 2024.

Supplemental Pro Forma Information

The following table presents pro forma financial information for the three months ended March 31, 2024, as if the acquisition of Eqlipse has occurred on January 1, 2023 (in thousands):

	March 31, 2024	
Contract revenue	\$	206,757
Net loss	\$	(13,717)

The pro forma financial information has been calculated after applying our accounting policies and adjusting the historical results with pro forma adjustments that assume the acquisition occurred on January 1, 2023. These pro forma results do not represent financial results realized, nor are they intended to be a projection of future results.

The transaction accounting adjustments and other adjustments are based on available information and assumptions that the Company's management believes are reasonable. Such adjustments are estimates and actual experience may differ from expectations. The pro forma loss before taxes for the periods ended March 31, 2024 includes adjustments to historical amounts such as adjustments to interest expense to account for additional interest expense related to debt committed for financing the acquisition, net of interest expense related to the paydown of a portion of the outstanding principal on the line of credit, the reclassification of acquisition costs and employee compensation costs associated with the purchase of Eqlipse, additional amortization expense related to the intangible assets acquired, and inventory purchase accounting adjustments charged to cost of sales as the inventory is sold.

3. Inventory

Inventory consists of the following (in thousands):

	As of,	
	March 31, 2025	December 31, 2024
Raw materials	\$ 13,549	\$ 20,262
Work-in-process	18,288	13,984
Finished goods	48,994	46,907
Inventory, gross	80,831	81,153
Reserve for inventory excess and obsolescence	(2,015)	(1,920)
Inventory, net	\$ 78,816	\$ 79,233

The Company had a \$2.0 million reserve for excess and obsolete inventory. Inventories are stated at the lower of cost or net realizable value with cost being determined using the first-in, first-out method.

BlueHalo Financing TopCo, LLC
Notes to the Condensed Consolidated Financial Statements (Unaudited)

4. Property and Equipment, net

Property and equipment, net consists of the following (in thousands):

	As of,	
	March 31, 2025	December 31, 2024
Office and laboratory equipment	\$ 30,046	\$ 31,518
Computer hardware and software	21,924	20,847
Capitalized software	64,304	57,024
Construction in progress	28,676	19,966
Furniture and fixtures	6,899	6,841
Leasehold improvements	21,586	20,971
Automobiles	1,390	1,390
Property and equipment, gross	174,825	158,557
Less: Accumulated depreciation and amortization	(52,370)	(47,221)
Property and equipment, net	<u>\$ 122,455</u>	<u>\$ 111,336</u>

Depreciation and amortization expense related to property and equipment totaled \$6.6 million and \$3.2 million for the three months ended March 31, 2025 and March 31, 2024, respectively.

5. Goodwill

Goodwill represents the residual difference between the consideration paid for a business and the fair value of the net assets acquired. The Company's goodwill is the result of its acquisitions. The Company performed its annual goodwill impairment analysis and concluded there was no impairment of goodwill.

The following table presents the changes in the Company's goodwill balance (in thousands):

Balance at December 31, 2024	\$ 872,263
Addition: Eqlipse goodwill	1,157
Addition: VideoRay goodwill	\$ 885
Balance at March 31, 2025	<u>\$ 874,305</u>

The change in goodwill during the three months ended March 31, 2025 related to measurement period adjustments from the Eqlipse acquisition and the VideoRay acquisition.

6. Intangible Assets

Intangible assets primarily consist of customer relationships, developed technology, and backlog. Intangible assets acquired through a business combination are recorded at their estimated fair values at the date of acquisition. Intangible assets are stated as costs less accumulated amortizations, which is computed using the straight-line method over the estimated useful life of the asset.

BlueHalo Financing TopCo, LLC
Notes to the Condensed Consolidated Financial Statements (Unaudited)

Intangible assets, net consisted of the following (in thousands):

	As of,	
	March 31, 2025	December 31, 2024
Intangible assets		
Customer relationships	\$ 506,342	\$ 506,342
Developed technology	145,037	145,037
Trademarks	8,200	8,200
Backlog	19,780	19,780
Intangibles, gross	679,359	679,359
Less accumulated amortization		
Customer relationships	99,016	90,319
Developed technology	43,398	38,807
Trademarks	2,059	1,637
Backlog	19,780	19,780
Intangibles, net	<u>\$ 515,106</u>	<u>\$ 528,816</u>

Amortization expense related to intangible assets totaled \$13.7 million and \$9.1 million for the three months ended March 31, 2025 and March 31, 2024, respectively.

As of March 31, 2025, the estimated scheduled amortization expense for intangible assets in future years is as follows (in thousands):

	Amount
2025 (remainder of year)	40,142
2026	52,503
2027	49,580
2028	41,255
2029	39,093
Thereafter	292,533
Total	<u>\$ 515,106</u>

7. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (in thousands):

	As of,	
	March 31, 2025	December 31, 2024
Prepaid expenses	\$ 13,398	\$ 17,262
Prepaid insurance	1,147	1,766
Other	3,985	4,915
	<u>\$ 18,530</u>	<u>\$ 23,943</u>

8. Notes Payable

Aegis Global Holdings, LLC, which was renamed BlueHalo Global Holdings, LLC in 2020, initially entered into a credit agreement (the "Credit Agreement") on October 31, 2019. The Credit Agreement provided a \$10.0 million revolving loan facility (the "Revolving Loan Facility") and \$30.0 million in term loans (the "Term Loan"). Over time, the Credit Agreement has been amended and restated multiple times, resulting in significant increases in Revolving Loan Facility, Term Loan, and the swing-line loans. By December 31, 2024, Revolving Loan Facility had increased to approximately \$45.0 million and Term Loan had increased to approximately \$736.1 million.

On January 8, 2025, the Company entered into an amendment (the "Tenth Amendment") to its Credit Agreement. The Tenth Amendment provided an additional \$40.0 million of Term Loan with no changes to the Revolving Loan Facility, interest rate, or maturity date. The Company accounted for the transactions associated with the Tenth Amendment as a debt modification, and as a result the Company deferred \$0.2 million in debt issuance costs in connection with the transaction.

BlueHalo Financing TopCo, LLC
Notes to the Condensed Consolidated Financial Statements (Unaudited)

On March 26, 2025, the Company entered into an amendment (the “Eleventh Amendment”) to its Credit Agreement. Among other things the Eleventh Amendment (i) provided an additional \$25.0 million of Term Loan with no changes to the Revolving Loan Facility, interest rate, or maturity date. The Company accounted for the transactions associated with the Eleventh Amendment as a debt modification, and as a result the Company recognized \$0.02 million in third party fees in selling, general, and administrative expenses and deferred \$0.1 million in debt issuance costs in connection with the transaction.

BlueHalo Financing Holdings, LLC, BlueHalo Global Holdings, LLC and BlueHalo, LLC and its subsidiaries are considered guarantors (the “Guarantors”) per the Credit Agreement. The Credit Agreement has customary affirmative and negative covenants, including restrictions on the Company’s ability to incur additional indebtedness, incur liens, make investments, or make restricted payments. The Term Loan and Revolving Loan Facility are subject to a financial maintenance covenant that requires the Company to maintain a maximum consolidated total leverage ratio, tested quarterly. The Company was compliant with all covenants in the Credit Agreement as of March 31, 2025 and December 31, 2024.

Revolving Loan Facility

The Revolving Loan Facility matures on October 31, 2025. Following the Tenth and Eleventh Amendment, the maximum available under the Revolving Loan Facility is \$51.0 million, with up to \$10.0 million available for letters of credit and a swingline sublimit of \$4.0 million. As of March 31, 2025, there were \$45.0 million of advances on the Revolving Loan Facility, \$2.5 million of letters of credit outstanding, and \$3.5 million was available to borrow. As of December 31, 2024, there were \$45.0 million of advances on the Revolving Loan Facility, \$2.5 million of letters of credit outstanding, and \$3.5 million was available to borrow.

Draws on the Revolving Loan Facility bears interest at a variable rate equal to a base rate margin ranging from 3.75% to 5.00% plus a SOFR margin ranging from 4.75% to 6.00%. The weighted average effective interest rate on borrowings outstanding under the Revolving Loan Facility at March 31, 2025 is 1.55%. A 0.5% commitment fee is payable quarterly on the unused portion of the Revolving Credit Facility.

Term Loan

Indebtedness under the Term Loan consisted of the following (in thousands):

	As of,	
	March 31, 2025	December 31, 2024
Term loan	\$ 799,765	736,081
Advance on revolving credit facility	45,000	45,000
Total face value of notes payable	844,765	781,081
Less: current portion	(839,780)	(774,384)
Less: unamortized debt issuance costs	(4,985)	(6,697)
Noncurrent portion of notes payable	\$ —	\$ —

The Term Loan mature on October 31, 2025. Total principal payments of \$1.3 million are due quarterly beginning on March 31, 2024 through October 31, 2025, with the remainder of principal due at maturity. The Term Loan is secured by a first priority lien on substantially all assets of the Guarantors. Borrowings under the Term Loan are subordinated to the super-priority Revolving Credit Facility in right of payment.

BlueHalo Financing TopCo, LLC
Notes to the Condensed Consolidated Financial Statements (Unaudited)

The Term Loan bears interest at a variable rate equal to a base rate margin ranging from 3.75% to 5.00% plus a SOFR margin ranging from 4.75% to 6.00%.

Beginning in 2020 and applicable to all subsequent periods, the Company is required to prepay the Term Loan with a percentage of the Company's annual consolidated excess cash flow if the first lien net leverage ratio is greater than or equal to 3.00 to 1.00. The Company is able to prepay amounts outstanding under the Term Loan without a prepayment penalty.

All principal outstanding on the revolving credit facility will be due to be paid on the maturity date of the revolving credit facility, October 31, 2025. As disclosed in Note 1, Organization and Summary of Significant Accounting Policies, the proceeds received by the Company as a result of the Merger agreement were used to settle all outstanding debt under the Credit Agreement on May 1, 2025.

9. Related Party Transactions

On April 3, 2020, BlueHalo Holdings entered into a promissory note with BlueHalo Holdings Parent, LLC (Parent) (the ultimate member of Holdings) totaling \$3.3 million. The note bears interest at a rate of 1.00% per annum, paid-in-kind, and compounded annually on each anniversary date of the note. All principal and paid-in-kind interest are payable at maturity on April 3, 2026. The Company accrued interest on the promissory note totaling \$0.2 million and \$0.2 million as of March 31, 2025 and December 31, 2024, respectively.

On November 22, 2021, as part of the acquisition of Asymmetrik Ltd. ("Asymmetrik"), BlueHalo Holdings entered into a promissory note to pay the seller of Asymmetrik a portion of the purchase price totaling \$6.5 million. The note bears interest at a rate of 5% per annum, paid-in-kind. The promissory note matures and is payable upon a change in control event, as defined in the amended and restated limited liability company agreement of Parent. The Company accrued interest on the promissory note totaling \$1.2 million and \$1.1 million as of March 31, 2025 and December 31, 2024, respectively.

The Company also leases office space in 2 buildings that are owned by members of Parent. The first is an approximately 50,000 square foot facility on Jan Davis Drive in Huntsville, AL. The second is a 7,400 square foot facility on Channing Drive in Fairborn, OH. For these two facilities, the Company paid \$0.3 million of rent expense during the three months ended March 31, 2025.

10. Revenue

Remaining Performance Obligations

As of March 31, 2025, the Company had approximately \$0.4 billion of remaining performance obligations under contracts with its customers. The Company currently expects to recognize approximately \$0.4 billion of the remaining performance obligations as revenue in the next 12 months and the remaining to be recognized thereafter.

Disaggregation of Revenue

The Company disaggregates revenue from contracts with customers by contract and customer type as the Company believes these categories best depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

BlueHalo Financing TopCo, LLC
Notes to the Condensed Consolidated Financial Statements (Unaudited)

Disaggregated revenues by contract type were as follows (in thousands):

	Three Months Ended March 31,	
	2025	2024
Cost Plus	\$ 108,293	\$ 105,112
Fixed Price	70,418	29,541
Time and Materials	31,453	27,590
Total revenue	<u>\$ 210,164</u>	<u>\$ 162,243</u>

Disaggregated revenues by customer type were as follows (in thousands):

	Three Months Ended March 31,	
	2025	2024
U.S. Government	\$ 176,655	\$ 156,938
Non-U.S. Government	33,509	5,305
Total revenue	<u>\$ 210,164</u>	<u>\$ 162,243</u>

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables, and contract liabilities on the Condensed Consolidated Balance Sheets. Generally, billing occurs subsequent to revenue recognition, resulting in contract assets recorded on the Condensed Consolidated Balance Sheets. However, the Company sometimes receives advance payments or deposits prior to the commencement of work, as well as milestone payments that are paid in accordance with the terms of the contract as work is performed, which results in contract liabilities recorded on the Condensed Consolidated Balance Sheets. These assets and liabilities are reported on the Condensed Consolidated Balance Sheets on a contract- by-contract basis at the end of each reporting period.

Contract balances consist of the following (in thousands):

	As of,	
	March 31, 2025	December 31, 2024
Billed receivables net of credit losses	\$ 65,478	\$ 116,748
Contract assets	124,533	100,736
Contract receivables	<u>\$ 190,011</u>	<u>\$ 217,484</u>
Contract liabilities	\$ 23,468	\$ 44,121

The decrease in contract receivables from March 31, 2025 is primarily a result of significant project milestones being reached, accelerated billing cycles, and improved efficiency in the billing process. The decrease in contract liabilities from year end is primarily due to completion of advance payment projects, and the recognition of revenue on contracts for which the Company was paid in prior periods. The Company anticipates that substantially all of such amounts will be earned as revenue within one year when the performance obligations are satisfied.

11. Preferred Units

The Company was formed as Eqlipse Technologies Financing Holdings, LLC by filing a Certificate of Formation on September 12, 2022. On March 1, 2024, the Company changed its name from Eqlipse Technologies Financing Holdings, LLC to BlueHalo Financing TopCo, LLC, pursuant to the transactions contemplated under the plan of merger between Eqlipse Parent and BlueHalo Parent. Pursuant to the merger, BlueHalo Parent became the sole member of the Company. The Preferred Unites remained outstanding subsequent to the Eqlipse Transactions.

BlueHalo Financing TopCo, LLC
Notes to the Condensed Consolidated Financial Statements (Unaudited)

The Preferred Units have been classified as temporary equity on the Condensed Consolidated Balance Sheets since the Preferred Units are redeemable at the option of the holder. As the sole member, BlueHalo Parent controls the board of the Company which can effectuate a distribution and thereby redeem the Preferred Units. Accordingly, as of March 31, 2025, 80,000 Preferred Units are presented as temporary equity, outside of the member's equity section of the Company's Condensed Consolidated Balance Sheets.

The Preferred Units include a yield at 8.1% per annum (calculated based on 360 days consisting of twelve 30-day months). The yield is cumulative and compounded quarterly at the end of each fiscal quarter.

The Preferred Units rank higher in priority than the Common Units. If the Company declares a distribution, cash shall be distributed with priority to the Preferred Units until the aggregate unpaid preferred unit yield and the aggregate unreturned preferred unit capital with respect to each of BlueHalo Parent's Preferred Units has been reduced to zero.

Upon the occurrence of a Dissolution event, the Preferred Unit holders shall be entitled to receive the remaining funds and other property of the Company in priority to the Common Units.

12. Member's Equity

Common Units

The rights of the Company's common units holders to receive dividends, if declared, and the right to receive a distribution of assets upon liquidation are subject to and qualified by the rights, powers, and preferences of the holders of the Company's Preferred Units. Refer to Note 11. Preferred Units for additional information.

Prior to March 1, 2025, BlueHalo Equity Holdings, LLC ("BlueHalo Equity Holdings"), the sole member of BlueHalo Holdings, owned 100% of the 100 issued and outstanding membership units.

Effective March 1, 2025, pursuant to the Eqlipse Transactions (refer to Note 2. Acquisitions), (i) BlueHalo Parent became the owner of 648,117 common units of Eqlipse Technologies, and (ii) BlueHalo Parent contributed BlueHalo Equity Holdings) and the 100 units it held in BlueHalo Holdings to BlueHalo TopCo in exchange for 1,092,493 common units as part of the common control transaction.

As of March 31, 2025, all 1,740,610 common units issued and outstanding are held by BlueHalo Parent.

Member's Contributions

During the three months ended March 31, 2025, the Company did not receive any material cash contributions.

13. Unit-Based Compensation

2019 Management Incentive Plan (the Incentive Plan)

The Aegis Holdings Parent, LLC 2019 Management Incentive Plan ("the Incentive Plan") was established to promote the interests of the Company and its subsidiaries whereby, the Company may issue membership units ("Incentive Units") as equity compensation to employees, consultants or other service providers to the Company or any subsidiary (collectively, "Service Providers") for services provided to, or for the benefit of, the Company or any of its subsidiaries.

BlueHalo Financing TopCo, LLC
Notes to the Condensed Consolidated Financial Statements (Unaudited)

The Board of Managers is authorized to negotiate and enter into award agreements with each Service Provider to whom it grants Incentive Units. Each Award Agreement includes such terms, conditions, rights and obligations as may be determined by the Board of Managers (including without limitation vesting criteria), in its sole discretion, consistent with the terms of the Plan.

During the period ended March 31, 2025, no Incentive Units were granted related to the Company under the Incentive Plan.

The Incentive Units are subject to time, performance and return-based vesting requirements, with all agreements having the following vesting requirements: “one-third (1/3) of the Incentive Units are designated time-vested, one-third (1/3) of the Incentive Units are designated performance-vested and one-third (1/3) of the Incentive Units are designated return-vested.”

Incentive Units are economically similar to a stock option award and vest based on time or performance-based milestones. Vesting of all Incentive Units is generally subject to continuing service over the vesting periods. For awards that are time-vested based on continued service, unit-based compensation is recognized on a straight-line basis over the requisite service period, which is generally the vesting period of the awards. The vesting period is five years. For awards with performance vesting conditions, unit-based compensation cost is recognized on a graded vesting basis over the requisite service period when it is probable the performance condition will be achieved.

Unvested Incentive Units activity for the three months ended March 31, 2025 were as follows:

	Number of Nonvested Incentive	Weighted Average Grant Date Fair
Outstanding at December 31, 2024	348,536	25.90
Incentive Units granted	—	—
Incentive Units vested	(8,582)	41.92
Incentive Units forfeited	—	—
Outstanding at March 31, 2025	339,954	44.68

In accordance with ASC 718, *Compensation-Stock Compensation*, the Company recorded compensation expense associated with the Incentive Units during the three months ended March 31, 2025 and 2024 in an amount of \$0.7 million and \$0.5 million, respectively. The compensation expense has been pushed down and included within selling, general, and administrative expenses in the accompanying Condensed Consolidated Statements of Operations and as an incentive unit award capital contribution within the accompanying Condensed Consolidated Statements of Changes in Redeemable Preferred Units and Member’s Equity. As of March 31, 2025, there was \$11.8 million of unrecognized compensation expense related to nonvested Incentive units, of which \$3.9 million is related to time-vesting incentive units.

Restricted Common Unit Activity

During 2024, in connection with the acquisition of Eqlipse, the company replaced the unvested outstanding Incentive Units held by Eqlipse employees immediately prior to the acquisition with Blue Halo Restricted Common Units (“RCUs”) covering 28,210 common units having a total acquisition date fair value of \$6.6 million. The replacement RCUs have substantially the same terms and conditions as were applicable for the time-vesting units under the original Incentive Unit awards. Of the acquisition date fair value, \$1.2 million was attributed to pre-combination service and treated as a component of purchase consideration transferred. The remaining \$5.4 million is considered future compensation cost and will be recognized as stock based compensation cost over the remaining service period of the replacement RCUs. At March 31, 2025 the replacement RCUs had a remaining weighted-average term of 3.12 years.

BlueHalo Financing TopCo, LLC
Notes to the Condensed Consolidated Financial Statements (Unaudited)

RCU activity for the period is as follows:

	Number of Nonvested Units
Outstanding at December 31, 2024	11,889
Restricted Common Units granted	—
Restricted Common Units vested	(874)
Restricted Common Units forfeited	(114)
Outstanding at March 31, 2025	10,901

During the three months ended March 31, 2025 and 2024, the Company recorded a compensation expense of \$0.2 million and \$0.9 million associated with the RCUs, respectively.

14. Income Taxes

The provision for income taxes for the three months ended March 31, 2025 was \$0.8 million of benefit, compared to \$7.6 million of benefit for the three months ended March 31, 2024. Our income tax expense for the three months ended March 31, 2025 was primarily related to research and development tax credits and changes to valuation allowances recorded in the U.S. against deferred tax assets that are not more likely than not to be realized. The income tax expense for the three months ended March 31, 2024 was primarily related to changes to valuation allowances recorded in the U.S. against deferred tax assets that are not more likely than not to be realized due to the acquisition of Eqlipse.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible. We have analyzed our deferred tax assets and have determined, based on the weight of available evidence, that it is more likely than not that a significant portion will not be realized.

15. Subsequent Events

The Company has evaluated its March 31, 2025 condensed consolidated financial statements for subsequent events through May 9, 2025, the date the condensed consolidated financial statements were available to be issued. Other than as disclosed below, the Company is not aware of any subsequent events which would require recognition or disclosure in the condensed consolidated financial statements.

As disclosed in Note 1, Organization and Summary of Significant Accounting Policies, on May 1, 2025, AeroVironment and the Company executed a Definitive Merger Agreement. Under the terms of the Definitive Merger Agreement AeroVironment acquired the Company in exchange for shares of AeroVironment.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Introduction

On November 18, 2024, AeroVironment, Inc. (“AeroVironment”), Archangel Merger Sub, LLC, a Delaware limited liability company and the Company’s direct wholly owned subsidiary (“Merger Sub”), BlueHalo Financing Topco, LLC, a Delaware limited liability company (“BlueHalo”) and BlueHalo Holdings Parent, LLC, a Delaware limited liability company and sole member of BlueHalo (“Seller”) entered into an Agreement and Plan of Merger (the “Merger Agreement”), which contemplated that Merger Sub would merge with and into BlueHalo, with BlueHalo continuing as a wholly owned subsidiary of AeroVironment. On May 1, 2025 (the “Closing Date”), AeroVironment, Merger Sub, BlueHalo, and Seller completed the transactions outlined in the Merger Agreement (the “Merger”).

On the Closing Date, AeroVironment drew on a term loan with an initial principal amount of \$700.0 million (the “Term Loan”) and drew \$225.0 million from its revolving credit facility (the “Revolving Facility”) to settle the existing indebtedness of BlueHalo and to settle transaction expenses at the closing of the Merger (collectively with the Term Loan, the “Financing Transactions”).

The following unaudited pro forma condensed combined financial information has been prepared to illustrate the estimated effects of the Merger and the Financing Transactions as if each had occurred on April 30, 2025, for the purposes of the unaudited pro forma condensed combined balance sheet, and as if the Merger and the Financing Transactions each occurred on May 1, 2024, the first day of AeroVironment’s fiscal year ended April 30, 2025, for the purposes of the unaudited pro forma condensed combined statements of income (loss).

To comply with SEC rules and regulations for companies with different fiscal year ends, the unaudited pro forma condensed combined financial information has been prepared utilizing periods that differ by less than 93 days. The unaudited pro forma condensed combined financial information was prepared using as follows:

- The unaudited pro forma condensed combined balance sheet as of April 30, 2025 combines the historical audited consolidated balance sheet of AeroVironment as of April 30, 2025 with BlueHalo’s unaudited consolidated balance sheet as of March 31, 2025.
- The unaudited pro forma condensed combined statement of income (loss) for the year ended April 30, 2025 combines AeroVironment’s historical audited statement of income (loss) for the year ended April 30, 2025 with BlueHalo’s historical unaudited statements of operations for the twelve months ended March 31, 2025.
- BlueHalo’s historical unaudited statements of operations, after reclassifications, for the twelve months ended March 31, 2025 was prepared by summing BlueHalo’s unaudited statements of operations for the three months ended March 31, 2025, and BlueHalo’s audited statements of operations for the fiscal year ended December 31, 2024, and subtracting BlueHalo’s unaudited statements of operations for the three months ended March 31, 2024.

The historical financial statements of AeroVironment and BlueHalo have been adjusted in the accompanying unaudited pro forma condensed combined financial information to give effect to pro forma events that are merger transaction accounting and financing transaction adjustments which are necessary to account for the Merger and Financing Transactions in accordance with U.S. GAAP. The unaudited pro forma adjustments are based upon available information and certain assumptions that management believes are reasonable.

The unaudited pro forma condensed combined financial information and the accompanying notes are provided for informational and illustrative purposes only and should be read in conjunction with AeroVironment’s consolidated financial statements and the notes thereto contained in its Annual Report on Form 10-K for the year ended April 30, 2025 filed with the SEC on June 25, 2025, BlueHalo’s consolidated financial statements and notes for the year ended December 31, 2024 and BlueHalo’s interim unaudited consolidated financial statements and notes for the period ended March 31, 2025 and March 31, 2024 contained within the Current Report on Form 8-K/A to which this Exhibit 99.3 is attached.

The Merger is being accounted for as a business combination using the acquisition method with AeroVironment as the accounting acquirer in accordance with ASC Topic 805. Under this method of accounting, the estimated GAAP purchase price (as calculated in Note 3) will be allocated to BlueHalo’s assets acquired and liabilities assumed based upon their estimated fair values at the Closing date of the Merger. The process of valuing the net assets of BlueHalo, as well as evaluating accounting policies for conformity, is preliminary. Any differences between the estimated fair value of the consideration transferred and the estimated fair value of the assets acquired and liabilities assumed will be recorded as goodwill. Accordingly, allocation of the preliminary estimated merger consideration and related adjustments reflected in this unaudited pro forma condensed combined financial information are preliminary and subject to revision based on a final determination of fair value.

The unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11 of Regulation S-X. All financial data included in the unaudited pro forma condensed combined financial information is presented in thousands of U.S. Dollars, unless noted otherwise, and has been prepared based on U.S. GAAP and AeroVironment’s accounting policies. The unaudited pro forma condensed combined financial information presented is for informational purposes only and is not necessarily indicative of the financial position or results of operations that would have been realized if the Merger and the Financing Transactions had been completed on the dates set forth above, nor is it intended to be indicative of the future results or financial position of the combined company.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
As of April 30, 2025
(in thousands)

	AeroVironment Historical	BlueHalo Historical, After Reclassifications (Note 2)	Merger Transaction Accounting Adjustments (Note 4A)	Financing Transactions Adjustments (Note 4B)	Pro Forma Combined
Assets:					
Current assets:					
Cash and cash equivalents	\$ 40,862	\$ 55,247	\$ (910,324)(a)	\$ 917,141(a)	\$ 102,926
Accounts receivable, net of allowance for doubtful accounts	101,967	65,478	-	-	167,445
Unbilled receivables and retentions	290,009	124,533	-	-	414,542
Inventories, net	144,090	78,816	31,184(b)	-	254,090
Income taxes receivable	622	3,034	-	-	3,656
Prepaid expenses and other current assets	28,966	18,709	(3,014)(k)	(2,262)(b)	42,399
Total current assets	606,516	345,817	(882,154)	914,879	985,058
Long-term investments	31,627	390	-	-	32,017
Property and equipment, net	50,704	122,455	(39,711)(d)	-	133,448
Operating lease right-of-use assets	31,879	75,183	-	-	107,062
Deferred income taxes	61,460	-	(61,460)(g)	-	-
Intangibles, net	48,711	515,106	554,894(c)	-	1,118,711
Goodwill	256,781	874,306	1,427,015(f)	-	2,558,102
Other assets	32,889	3,238	(1,426)(e)	692(b)	35,393
Total assets	\$ 1,120,567	\$ 1,936,495	\$ 997,158	\$ 915,571	\$ 4,969,791
Liabilities and stockholders' equity					
Current liabilities:					
Accounts payable	\$ 72,462	\$ 59,635	\$ (3,000)(h)	\$ (2,725)(a)	\$ 126,372
Wages and related accruals	44,253	45,127	-	-	89,380
Customer advances	15,952	31,071	-	-	47,023
Current portion of long-term debt	-	839,780	(839,780)(j)	35,000(b)	35,000
Current operating lease liabilities	10,479	11,808	-	-	22,287
Income taxes payable	356	212	-	-	568
Other current liabilities	28,659	14,561	(10,979)(i)	-	32,241
Total current liabilities	172,161	1,002,194	(853,759)	32,275	352,871
Long-term debt, net of current portion	30,000	10,773	(10,773)(j)	883,296(b)	913,296
Non-current operating lease liabilities	23,812	76,548	-	-	100,360
Other non-current liabilities	2,026	924	-	-	2,950
Liability for uncertain tax positions	6,061	-	-	-	6,061
Deferred income taxes	-	23,785	65,513(g)	-	89,298
Commitments and contingencies	-	-	-	-	-
Mezzanine equity:					
Preferred units	-	91,926	(91,926)(k)	-	-
Members' equity	-	730,345	(730,345)(k)	-	-
Stockholders' equity:					
Common stock, \$0.0001 par value	4	-	2(k)	-	6
Additional paid-in capital	618,711	-	2,637,349(k)	-	3,256,060
Accumulated other comprehensive loss	(6,514)	-	-	-	(6,514)
Retained earnings	274,306	-	(18,903)(k)	-	255,403
Total mezzanine equity, members' equity and stockholders' equity	886,507	822,271	1,796,177	-	3,504,955
Total liabilities, mezzanine equity, members' equity and stockholders' equity	\$ 1,120,567	\$ 1,936,495	\$ 997,158	\$ 915,571	\$ 4,969,791

See the accompanying notes to the unaudited pro forma condensed combined financial information

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME (LOSS)
For the Year Ended April 30, 2025
(in thousands, except share and per share data)

	AeroVironment Historical	BlueHalo Historical, After Reclassifications (Note 2)	Merger Transaction Accounting Adjustments (Note 5A)	Financing Transaction Adjustments (Note 5B)	Pro Forma Combined
Revenue:					
Product sales	\$ 692,722	\$ 396,630	\$ -	\$ -	\$ 1,089,352
Contract services	127,905	446,055	-	-	573,960
	<u>820,627</u>	<u>842,685</u>	<u>-</u>	<u>-</u>	<u>1,663,312</u>
Cost of sales:					
Product sales	404,347	288,744	48,861(a)	-	741,952
Contract services	97,644	381,799	19,879(b)	-	499,322
	<u>501,991</u>	<u>670,543</u>	<u>68,740</u>	<u>-</u>	<u>1,241,274</u>
Gross margin:					
Product sales	288,375	107,886	(48,861)	-	347,400
Contract services	30,261	64,256	(19,879)	-	74,638
	<u>318,636</u>	<u>172,142</u>	<u>(68,740)</u>	<u>-</u>	<u>422,038</u>
Selling, general and administrative	158,753	210,250	110,455(c)	-	479,458
Research and development	100,729	15,126	-	-	115,855
Impairment of goodwill	18,359	-	-	-	18,359
Income (loss) from operations	40,795	(53,234)	(179,195)	-	(191,634)
Other (loss) income:					
Interest income (expense), net	(2,188)	(74,159)	74,159(d)	(66,741)(a)	(68,929)
Other income (expense), net	1,057	6,823	-	-	7,880
Income (loss) before income taxes	39,664	(120,570)	(105,036)	(66,741)	(252,683)
Provision for (benefit from) income taxes	882	(25,560)	(42,026)(e)	(16,018)(b)	(82,722)
Equity method investment (loss) income, net of tax	4,837	-	-	-	4,837
Net income (loss)	<u>\$ 43,619</u>	<u>\$ (95,010)</u>	<u>\$ (63,010)</u>	<u>\$ (50,723)</u>	<u>\$ (165,124)</u>
Net income (loss) per share					
Basic	\$ 1.56				\$ (3.63)
Diluted	1.55				(3.63)
Weighted-average shares outstanding:					
Basic	28,018,656	-	17,425,849(f)	-	45,444,505
Diluted	28,173,488	-	17,271,017(f)	-	45,444,505

See the accompanying notes to the unaudited pro forma condensed combined financial information.

NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Note 1 - Basis of Presentation

The unaudited pro forma condensed combined financial information and related notes are prepared in accordance with Article 11 of Regulation S-X as amended by the final rule, Release No. 33-10786 "Amendments to Financial Disclosures about Acquired and Disposed Businesses".

AeroVironment's and BlueHalo's historical financial statements were prepared in accordance with U.S. GAAP and presented in U.S. dollars. As discussed in Note 2, certain reclassifications were made to align AeroVironment's and BlueHalo's financial statements presentation. AeroVironment is currently in the process of evaluating BlueHalo's accounting policies. As a result of that review, additional differences could be identified among the accounting policies of the companies. Based upon the review prepared to date, AeroVironment has determined that no significant adjustments are necessary to conform BlueHalo's financial statements to the accounting policies used by AeroVironment.

The unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting in accordance with ASC Topic 805, with AeroVironment as the accounting acquirer of BlueHalo using the fair value concepts defined in ASC Topic 820, Fair Value Measurement, and based on the historical financial statements of AeroVironment and BlueHalo. Under ASC Topic 805, all assets acquired and liabilities assumed in a business combination are recognized and measured at their assumed acquisition date fair value. The excess of the preliminary estimated merger consideration over the estimated fair value of assets acquired and liabilities assumed, if any, is allocated to goodwill. The preliminary estimated merger consideration is based upon the estimated shares of AeroVironment to be issued multiplied by AeroVironment's share price and cash payments by AeroVironment at the Closing Date. Transaction costs associated with the business combinations are expensed as incurred.

The allocation of the preliminary estimated merger consideration depends upon certain estimates and assumptions, all of which are preliminary. The allocation of the preliminary estimated merger consideration has been made for the purpose of developing the unaudited pro forma condensed combined financial information. The final determination of fair values of assets acquired and liabilities assumed relating to the Merger could differ materially from the preliminary. The final valuation will be based on the actual net tangible and intangible assets existing at the acquisition date.

The pro forma adjustments represent management's best estimates and are based upon currently available information and certain assumptions that AeroVironment believes are reasonable under the circumstances. AeroVironment is not aware of any material transactions between AeroVironment and BlueHalo nor amongst BlueHalo during the periods presented that have not already been eliminated in consolidation of BlueHalo. Accordingly, adjustments to eliminate transactions between AeroVironment and BlueHalo have not been reflected in the unaudited pro forma condensed combined financial information.

Note 2 - Reclassification Adjustments

During the preparation of this unaudited pro forma condensed combined financial information, AeroVironment management performed a preliminary analysis of BlueHalo's financial information to identify differences in financial statement presentation as compared to the presentation of AeroVironment. With the information currently available, AeroVironment has determined that no significant adjustments are necessary to conform BlueHalo's financial statements to those used by AeroVironment. However, certain reclassification adjustments have been made to conform BlueHalo's historical financial statement presentation to AeroVironment's financial statement presentation and accounting policies. Following the Closing Date, the combined company will finalize the review of accounting policies and reclassifications, which could be materially different from the amounts set forth in the unaudited pro forma condensed combined financial information presented herein.

A) Refer to the table below for a summary of reclassification adjustments made to present BlueHalo's balance sheet as of March 31, 2025 to conform with that of AeroVironment's (in thousands):

AeroVironment's Historical Consolidated Balance Sheet Line Items	BlueHalo Historical Consolidated Balance Sheet Line Items	BlueHalo Historical Consolidated Balances As of March 31, 2025	Reclassification	Note	BlueHalo Historical, After Reclassifications As of March 31, 2025
Cash and cash equivalents	Cash and cash equivalents	\$ 55,247	\$		\$ 55,247
Accounts receivable, net of allowance for doubtful accounts	Billed Receivables net of allowance for credit losses	65,478			65,478
Unbilled receivables and retentions	Contract assets	124,533			124,533
Inventories, net	Inventory	78,816			78,816
Income taxes receivable	Income taxes receivable	3,034			3,034
Prepaid expenses and other current assets	Prepaid and other current assets	18,530	179	(a)	18,709
Long-term investments			390	(b)	390
Property and equipment, net	Property and equipment, net	122,455			122,455
Operating lease right-of-use assets	Operating lease right-of-use assets	75,183			75,183
Intangibles, net	Intangible assets, net	515,106			515,106
Goodwill	Goodwill	874,306			874,306
Other assets	Other noncurrent assets	3,628	(390)	(b)	3,238
Accounts payable	Accounts payable	62,937	(3,302)	(a), (c)	59,635
Wages and related accruals	Accrued payroll and related liabilities	45,127			45,127
Customer advances	Contract liabilities	23,468	7,603	(d)	31,071
Current portion of long-term debt	Current portion of notes payable	794,780	45,000	(e)	839,780
	Line of credit	45,000	(45,000)	(e)	-
Current operating lease liabilities	Current operating lease liability	11,808			11,808
Income taxes payable			212	(f)	212
Other current liabilities	Other current liabilities	18,568	(4,007)	(c),(d),(f), (g)	14,561
	Related party notes payable	11,100	(11,100)	(g), (h)	-
Long-term debt, net of current portion			10,773	(h)	10,773
Non-current operating lease liabilities	Non-current operating lease liability	76,548			76,548
Other non-current liabilities	Other noncurrent liabilities	924			924
Liability for uncertain tax positions					
Deferred income taxes	Deferred income taxes	23,785			23,785
	Preferred units	91,926			91,926
	Members equity	730,345			730,345

- (a) Reclassification of \$(0.2) million of Prepaid and other current assets to Accounts payable.
- (b) Reclassification of \$0.4 million of Other noncurrent to Long-term investments.
- (c) Reclassification of \$3.5 million of Accounts payable to Other current liabilities.
- (d) Reclassification of \$(7.6) million of Contract liabilities to Other current liabilities.
- (e) Reclassification of \$45.0 million of Line of credit to Current portion of long-term debt.
- (f) Reclassification of \$0.2 million of Other current liabilities to Income taxes payable.
- (g) Reclassification of \$0.3 million of Related party notes payable to Other current liabilities.
- (h) Reclassification of \$10.8 million of Related party notes payable to Long-term debt, net of current position.

B) Refer to the table below for a summary of adjustments made to present BlueHalo's statement of operations for the twelve months ended March 31, 2025 to conform with that of AeroVironment's (in thousands):

AeroVironment's Historical Statement of Income Line Items	BlueHalo Historical Consolidated Statement of Operations Line Items	A	B	C	A + B - C	Reclassification	Note	BlueHalo Historical, After Reclassifications
		BlueHalo Historical Year Ended December 31, 2024	BlueHalo Historical Three Month Ended March 31, 2025	BlueHalo Historical Three Month Ended March 31, 2024	BlueHalo Historical Twelve Month Ended March 31, 2025			Twelve Month Ended March 31, 2025
Revenue:	Revenue:							
Product Sales	Product Sales	\$ 370,827	\$ 108,359	\$ 82,556	\$ 396,630			\$ 396,630
Contract Services	Contract Services	423,937	101,805	79,687	446,055			446,055
Cost of sales:	Cost of revenue:							
Product Sales	Product Sales	194,006	53,621	45,488	202,139	86,605	(a), (c)	288,744
Contract Services	Contract Services	255,128	63,345	49,864	268,609	113,190	(b), (d)	381,799
Selling, general and administrative	Selling, general and administrative	318,427	74,953	61,691	331,689	(121,439)	(a), (b), (e)	210,250
Research and development	Research and development	8,286	9,399	2,559	15,126			15,126
	Depreciation and amortization	70,332	20,313	12,289	78,356	(78,356)	(c), (d), (e)	-
Interest income (expense), net	Interest expense	(65,329)	(25,009)	(16,179)	(74,159)			(74,159)
Other income (expense), net	Other income	6,946	164	287	6,823			6,823
Provision for (benefit from) income taxes	Income tax expense (benefit)	(32,352)	(835)	(7,627)	(25,560)			(25,560)

- (a) Reclassification of \$78.3 million of reimbursable overhead expenses from Selling, general and administrative to Cost of sales - Product sales to conform with AeroVironment's accounting policy.
- (b) Reclassification of \$103.8 million of reimbursable overhead expenses from Selling, general and administrative to Cost of sales - Contract services to conform with AeroVironment's accounting policy.
- (c) Reclassification of \$8.3 million of technology-related intangible asset amortization expense from Depreciation and amortization to Cost of sales - Product sales.
- (d) Reclassification of \$9.4 million technology-related intangible asset amortization expense from Depreciation and amortization related to Cost of sales - Contract services.
- (e) Reclassification of \$60.7 million of the remaining depreciation and amortization not included in (c) and (d), above, from Depreciation and amortization to Selling, general and administrative.

Note 3 – Preliminary Merger Consideration Allocation

Merger consideration

The following table summarizes the preliminary estimated merger consideration (in thousands):

	Amount
Preliminary merger consideration transferred (i)	\$ 2,640,365
Settlement of BlueHalo's transaction expenses by AeroVironment	25,214
Settlement of BlueHalo's indebtedness as of the Closing date	863,207
Preliminary estimated merger consideration	<u>\$ 3,528,786</u>

- i) The fair value of AeroVironment's common stock issued is based on 17,425,849 shares issued as consideration and the closing share price of \$151.52 on April 30, 2025. The amount of shares issued as consideration is based upon the terms of the Merger Agreement, which provide for an aggregate merger consideration of 18,548,698 shares less the Closing Share Leakage Amount of 24,716 shares and the Excess Closing Indebtedness Share Amount of 1,098,133 shares.

Preliminary merger consideration allocation

The assumed accounting for the Merger, including the estimated preliminary merger consideration, is based on provisional amounts, and the associated purchase accounting is not final. The preliminary allocation of the purchase price to the acquired assets and assumed liabilities was based upon the preliminary estimate of fair values. For the preliminary estimate of fair values of assets acquired and liabilities assumed in the Merger, AeroVironment used publicly available benchmarking information as well as a variety of other assumptions, including market participant assumptions. AeroVironment is expected to use widely accepted income-based, market-based, and cost-based valuation approaches upon finalization of purchase accounting for the Merger. Actual results may differ materially from the assumptions within the accompanying unaudited pro forma condensed combined financial information. The unaudited pro forma adjustments are based upon available information and certain assumptions that AeroVironment believes are reasonable under the circumstances. The purchase price adjustments relating to the Merger are preliminary and subject to change, as additional information becomes available and as additional analyses are performed.

The following table summarizes the preliminary estimated merger consideration allocation, as if the Merger had been completed on April 30, 2025 (in thousands):

	Amount
Assets:	
Cash and cash equivalents	\$ 55,247
Accounts receivable, net of allowance for doubtful accounts	65,478
Unbilled receivables and retentions	124,533
Inventories, net (i)	110,000
Income taxes receivable	3,034
Prepaid expenses and other current assets	18,709
Long-term investments	390
Property and equipment, net	82,744
Operating lease right-of-use assets	75,183
Deferred income taxes (iii)	-
Intangibles, net (ii)	1,070,000
Goodwill	2,301,321
Other assets	1,812
Liabilities:	
Accounts payable	59,635
Wages and related accruals	45,127
Customer advances	31,071
Current portion of long-term debt	-
Current operating lease liabilities	11,808
Income taxes payable	212
Other current liabilities	3,582
Long-term debt, net of current portion	-
Non-current operating lease liabilities	76,548
Other non-current liabilities	924
Liability for uncertain tax positions	-
Deferred income taxes (iii)	150,758
Preliminary estimated merger consideration	<u>\$ 3,528,786</u>

- i) The unaudited pro forma condensed combined balance sheet has been adjusted to record the acquired inventories at a preliminary fair value of approximately \$110.0 million, an increase of \$31.2 million from the carrying value. The unaudited pro forma condensed combined statement of income (loss) for the year ended April 30, 2025 has been adjusted to recognize additional cost of goods sold related to the increased basis. The additional costs are not anticipated to affect the consolidated statement of income (loss) beyond twelve months after the acquisition date.
- ii) Preliminary identifiable intangible assets in the unaudited pro forma condensed combined financial information consists of the following (in thousands):

	<u>Preliminary Fair Value</u>	<u>Estimated Useful Life (Years)</u>
Preliminary fair value of intangible assets acquired:		
Backlog	\$ 50,000	1
Customer relationships	620,000	7
Developed technology	400,000	4-10
Intangible assets acquired	<u>\$ 1,070,000</u>	

A 10% change in the valuation of intangible assets would cause a corresponding increase or decrease in the amortization expense of approximately \$19.4 million for the year ended April 30, 2025. Pro forma amortization is preliminary and based on the use of straight-line amortization. The amount of amortization following the Merger may differ significantly between periods based upon the final value assigned and amortization methodology used for each identifiable intangible asset.

The fair value assigned to intangible assets has been estimated based on third-party preliminary valuation studies utilizing income-based methodologies and corroborated with benchmarks of similar transactions in the industry.

- iii) Deferred tax assets and liabilities were derived based on incremental differences in the book and tax basis created from the preliminary purchase allocation. In addition, as a result of the Merger, AeroVironment expects to realize the benefit of certain deferred tax assets where BlueHalo's previously recorded a valuation allowance, therefore the valuation allowance is expected to be reduced in purchase accounting.

Note 4 – Adjustments to the Unaudited Pro Forma Condensed Combined Balance Sheet

A) Adjustments included in the Merger Transaction Accounting Adjustments column in the accompanying unaudited pro forma condensed combined balance sheet as of April 30, 2025 are as follows:

(a) Reflects adjustment to cash and cash equivalents (in thousands):

	<u>Amount</u>
Estimated Merger transaction costs (i)	\$ (21,903)
Settlement of BlueHalo's indebtedness, including accrued interest	(863,207)
Settlement of BlueHalo's transaction expenses	(25,214)
Net pro forma merger transaction accounting adjustment	<u>\$ (910,324)</u>

- i) These non-recurring costs consist of legal advisory, financial advisory, accounting and consulting costs of AeroVironment related to the Merger.

(b) Reflects the preliminary purchase accounting adjustment for inventories based on the acquisition method of accounting (in thousands).

	<u>Amount</u>
Preliminary fair value of acquired inventories	\$ 110,000
Less: BlueHalo's historical net book value of inventories	(78,816)
Net pro forma merger transaction accounting adjustment	<u>\$ 31,184</u>

(c) Reflects the preliminary purchase accounting adjustment for estimated intangibles based on the acquisition method of accounting. Refer to Note 3 above for additional information on the acquired intangible assets expected to be recognized (in thousands).

	<u>Amount</u>
Preliminary fair value of acquired intangibles	\$ 1,070,000
Less: BlueHalo's historical net book value of intangible assets	(515,106)
Net pro forma merger transaction accounting adjustment	<u>\$ 554,894</u>

(d) Reflects the adjustment to write-off BlueHalo's historical capitalized software of \$39.7 million from property and equipment, net as the future cash flows associated with these assets are captured within the fair value of acquired intangibles.

(e) Reflects the adjustment to write-off BlueHalo's historical patent costs of \$1.4 million from other assets as the future cash flows associated with these assets are captured within the fair value of acquired intangibles.

(f) Reflects the elimination of historical goodwill and excess of the estimated GAAP purchase price over the preliminary fair value of the underlying assets acquired and liabilities assumed (in thousands).

	Amount
Goodwill per purchase price allocation (Note 4)	\$ 2,301,321
Less: BlueHalo's historical goodwill	(874,306)
Net pro forma merger transaction accounting adjustment	\$ 1,427,015

(g) Represents the adjustment to deferred tax liability of \$127.0 million associated with the incremental differences in the book and tax basis created from the preliminary purchase allocation, primarily resulting from the preliminary fair value of intangible assets. Further, represents a reclassification of AeroVironment's historical deferred tax asset of \$61.5 million to net against the deferred tax liability, above. These adjustments were based on the applicable statutory tax rate with the respective estimated purchase price allocation. The effective tax rate of the combined company could be significantly different (either higher or lower) depending on post-merger activities, including cash needs, the geographical mix of income and changes in tax law. Because the tax rates used for the pro forma financial information are estimated, the blended rate will likely vary from the actual effective rate in periods after completion of the Merger. This determination is preliminary and subject to change based upon the final determination of the fair value of the acquired assets and assumed liabilities.

(h) Reflects the net reduction in accounts payable related to AeroVironment's merger transaction expenses of \$3.0 million payable as of April 30, 2025.

(i) Reflects the net reduction in other current liabilities related to the write-off of BlueHalo's accrued interest of \$4.0 million and accrued transaction expenses of \$7.0 million, respectively, as of March 31, 2025 which will be settled at close.

(j) Reflects the impact of the settlement of BlueHalo's debt. The impact on current portion of long-term debt and long-term debt have been adjusted for the following (in thousands).

	Current portion of long-term debt	Long-term debt	Total
BlueHalo's indebtedness to be settled at close	\$ (844,766)	\$ (10,773)	\$ (855,539)
Eliminate BlueHalo's Companies' unamortized deferred financing fees	4,986	-	4,986
Net pro forma merger transaction accounting adjustment	\$ (839,780)	\$ (10,773)	\$ (850,553)

(k) Reflects the adjustments to Stockholders' equity (in thousands):

	Mezzanine equity	Members' Equity	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated other comprehensive loss
Elimination of BlueHalo's historical equity	\$ (91,926)	\$ (730,345)	\$ -	\$ -	\$ -	\$ -
Estimated shares of AeroVironment common stock issued to BlueHalo's equity-holders	-	-	2	2,640,363	-	-
Estimated expensed transaction costs (i)	-	-	-	-	(18,903)	-
Estimated deferred transaction costs (ii)	-	-	-	(3,014)	-	-
Net pro forma merger transaction accounting adjustments	\$ (91,926)	\$ (730,345)	\$ 2	\$ 2,637,349	\$ (18,903)	\$ -

- i) Consists of AeroVironment's non-recurring financial advisory, legal advisory, accounting, and consulting costs associated with the Merger that were not eligible to be deferred.
- ii) Consists of AeroVironment's non-recurring financial advisory, legal advisory, accounting, and consulting costs associated with the Merger that were eligible to be deferred and recorded within prepaid expenses and other current assets.

B) Adjustments included in the Financing Transactions Adjustments column in the accompanying unaudited pro forma condensed combined balance sheet as of April 30, 2025 are as follows:

(a) Reflects adjustment to cash and cash equivalents related to the Financing Transactions (in thousands):

	Amount
Proceeds from Term Loan A facility (i)	\$ 700,000
Debt issuance costs (ii)	(7,859)
Proceeds from Revolving Facility (iii)	225,000
Net pro forma financing transaction adjustment	\$ 917,141

- i) Total principal amount of AeroVironment's Term Loan A facility with BofA NA and BofA Securities, Inc. issued in contemplation of the Merger.
- ii) Consists of the commitment fee, structuring fee, legal fees, and other debt issuance costs.
- iii) Total proceeds received by AeroVironment from drawing upon the Revolving Facility.

As of April 30, 2025, AeroVironment had accrued debt issuance costs associated with the Financing Transaction of \$2.7 million within accounts payable.

(b) Reflects the impact of the Financing Transactions. The impact on current portion of long-term debt and long-term debt have been adjusted for the following (in thousands)

	Current portion of long-term debt	Long-term debt	Total
Term Loan A Facility (i)	\$ 35,000	\$ 665,000	\$ 700,000
Debt issuance costs related to Term Loan A facility (ii)	-	(6,704)	(6,704)
Revolving Facility (iii)	-	225,000	225,000
Net pro forma financing transaction adjustment	<u>\$ 35,000</u>	<u>\$ 883,296</u>	<u>\$ 918,296</u>

- i) Relates to the Term Loan A facility issued by AeroVironment in contemplation of the Merger.
- ii) Consists of the commitment fee, structuring fee, legal fees and other debt issuance costs.
- iii) Total proceeds received by the AeroVironment from drawing upon the Revolving Facility. Capitalized debt issuance costs associated with the Revolving Facility of \$0.7 million were reflected as a pro forma financing transaction adjustment to other assets.

As of April 30, 2025, AeroVironment had capitalized debt issuance costs associated with the Financing Transactions of \$2.2 million within prepaid and other current assets. AeroVironment expensed \$0.5 million of debt issuance costs associated with the Financing Transaction for the year ended April 30, 2025.

Note 5 – Pro Forma Adjustments to the Unaudited Condensed Combined Statement of Income (Loss)

A) Adjustments included in the Merger Transaction Accounting Adjustments column in the accompanying unaudited pro forma condensed combined statement of income (loss) for the year ended April 30, 2025 are as follows:

(a) Reflects the adjustments to cost of product sales including the amortization of the estimated fair value of intangibles and the amortization of the estimated inventory fair value adjustment (in thousands).

	For the Year Ended April 30, 2025
Amortization of intangible assets	\$ 26,005
Less: BlueHalo’s historical amortization of intangible assets	(8,328)
Amortization of inventory fair value adjustment	31,184
Net pro forma merger transaction accounting adjustment	<u>\$ 48,861</u>

(b) Reflects the adjustments to cost of contract services sold including the amortization of the estimated fair value of intangibles (in thousands).

	For the Year Ended April 30, 2025
Amortization of intangible assets	\$ 29,245
Less: BlueHalo’s historical amortization of intangible assets	(9,366)
Net pro forma merger transaction accounting adjustment	<u>\$ 19,879</u>

(c) Reflects the adjustments to selling, general and administrative expenses (“SG&A”) including the amortization of the estimated fair value of intangibles and the estimated transaction costs expensed (in thousands).

	For the Year Ended April 30, 2025
Amortization of intangible assets	\$ 138,571
Less: BlueHalo’s historical amortization of intangible assets	(35,830)
Less: BlueHalo’s historical depreciation of capitalized software assets	(11,189)
Estimated AeroVironment transaction expenses(i)	18,903
Net pro forma merger transaction accounting adjustment	<u>\$ 110,455</u>

- i) Represents additional transaction costs to be incurred by AeroVironment after April 30, 2025. These costs will not affect AeroVironment’s consolidated statement of income (loss) beyond twelve months after the acquisition date

(d) Reflects the removal of historical interest expense associated with BlueHalo's existing indebtedness which was extinguished at the Closing date of the Merger (in thousands):

	For the Year Ended April 30, 2025
BlueHalo's historical interest expense, net of interest income	\$ 74,159

(e) To record the income tax impact of the pro forma adjustments (in thousands):

	For the Year Ended April 30, 2025
Net pro forma merger transaction accounting adjustments to income (loss) before income taxes	\$ (105,036)
Less: BlueHalo's historical interest expense (i)	(74,159)
Less: AeroVironment transaction expenses estimated to not be deductible for tax purposes (ii)	4,085
Historical and pro forma amounts to be tax affected	(175,110)
Estimated statutory income tax rate (iii)	24%
Net pro forma merger transaction accounting adjustment	\$ (42,026)

- i) BlueHalo historically was unable to recognize a tax benefit when recognizing interest expense due to a limitation under Section 163(j) and associated valuation allowance against its Section 163(j) carryover tax attribute, as it was determined the realizability of such attribute was not at more-likely-than-not. Consequently, no adjustment has been made to tax effect the reversal of historical interest expense. AeroVironment is expected to recognize a tax benefit when recognizing interest expense as the realizability is deemed to be at more-likely-than-not, and therefore the prospective interest expense has been tax effected.
- ii) Reflects \$14.8 million of AeroVironment transaction expenses estimated to be deductible for tax purposes.
- iii) Represents an estimated statutory income tax rate in effect of 24% for the year ended April 30, 2025. The effective tax rate of the combined company could be significantly different (either higher or lower) depending on post-merger activities, including cash needs, the geographical mix of income and changes in tax law. Because the tax rates used for the pro forma financial information are estimated, the blended rate will likely vary from the actual effective rate in periods after completion of the Merger. This determination is preliminary and subject to change based upon the final determination of the fair value of the acquired assets and assumed liabilities.

(f) The pro forma basic and diluted weighted average shares outstanding are as follows (in thousands):

	For the Year Ended April 30, 2025
Pro forma basic and dilutive weighted average shares:	
Historical weighted average AeroVironment common stock shares outstanding	28,018,656
Issuance of shares to BlueHalo	17,425,849
Pro forma weighted average shares – basic and dilutive	45,444,505

Potentially dilutive shares not included in the computation of diluted weighted-average common shares because their effect would have been anti-dilutive were 154,832 for the year ended April 30, 2025.

B) Adjustments included in the Financing Transactions Adjustment column in the accompanying unaudited pro forma condensed combined statement of income (loss) for the year ended April 30, 2025 are as follows:

(a) Reflects the interest income (expense), net related to the financing and amortization of issuance costs related to the Financing Transactions (in thousands):

	For the Year Ended April 30, 2025
Interest expense related to the Financing Transactions (i)	\$ (63,148)
Amortization of debt issuance costs related to AeroVironment's financing	(3,593)
Net pro forma financing transaction adjustment:	\$ (66,741)

- i) Reflects an estimated interest rate of 6.9%. A 0.125% variance in the weighted-average variable interest rates would result in a \$1.1 million change in income before income taxes annually.

(b) To record the income tax impact of the pro forma adjustments utilizing an estimated statutory income tax rate in effect of 24% for the year ended April 30, 2025. The effective tax rate of the combined company could be significantly different (either higher or lower) depending on post-merger activities, including cash needs, the geographical mix of income and changes in tax law. Because the tax rates used for the pro forma financial information are estimated, the blended rate will likely vary from the actual effective rate in periods after completion of the Merger. This determination is preliminary and subject to change based upon the final determination of the fair value of the acquired assets and assumed liabilities.