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Presentation

Operator

Good afternoon. Thank you for attending the Archer Aviation Fourth Quarter 2024 Financial Results Conference Call. My name is Cameron, and I will be your moderator for today.

[Operator Instructions] And I would now like to pass the conference over to your host, Eric Lentell. You may proceed.

Eric Lentell

General Counsel & Secretary

Thank you for joining Archer's earnings call. This is Eric Lentell, Archer's General Counsel.

Today, we will be making forward-looking statements. These forward-looking statements are based on assumptions as of today, and we undertake no obligation to update these statements as a result of new information or future events. There are risks and uncertainties that may cause actual results to differ materially from those contemplated. For more information about these risks and uncertainties, please refer to the risk factors in our SEC filings.

We will also be discussing both GAAP and non-GAAP financial measures. A reconciliation of those GAAP to non-GAAP financial measures is included in our shareholder letter and earnings release from today.

And now I'll turn it over to Adam. Adam?

Adam D. Goldstein

Founder, CEO & Director

I founded Archer to fundamentally reshape the future of aviation and help transform how we move through the air. When you look 100 years into the future, it's clear that aviation will be ubiquitous, highly autonomous and electric. This isn't wishful thinking, it's a necessity. Our cities are growing, our ground infrastructure can't keep up and our legacy aviation software systems are antiquated and unscalable.

By ubiquitous, I mean air travel that is accessible to the masses as the safest and fastest way to get from A to B. To truly democratize it, we need to scale aviation to 100x the people at 10,000x the locations at 1/10 the cost we see today. It's estimated that 80% of the world's population has never flown. I believe this is the only way we can absorb the inevitable growth of our cities and populations without overwhelming our ground-based transportation networks.

To achieve this scale and remain safe, aviation must become highly autonomous. Our current systems rely far too much on antiquated technology and places too high a burden on human operators already reaching its limits. Software-driven systems utilizing AI will be able to scale with ubiquitous operations, delivering the highest levels of safety to our airspace at a fraction of the operating cost, allowing human operators to focus on oversight and strategic decisions. And this future of ubiquitous aviation can't come at the expense of our planet.

Luckily, the cost curves of battery technology are following similar exponential improvements to what we saw in computing. So we will be able to increasingly use electric powertrains to power an ever increasing range of aircraft.

The aviation industry has been stuck making incremental improvements for 50 years, constrained by the fundamental limits of legacy technology and the dominant force of an unchallenged duopoly in commercial aviation. But thanks to breakthroughs in technology over the last decades, including batteries, electric engines and the rapid acceleration of AI, coupled with unprecedented levels of investment in our industry, we're now poised for an inflection. And I believe Archer has the opportunity and responsibility to lead the way.

We're on track to begin deploying revenue-generating Midnight aircraft later this year. And over the next 2 decades, Archer has the opportunity to drive the technological transformation across global aviation. It's time to build.

Our business today spans 3 integrated vectors: one, designing and manufacturing our civilian aircraft, Midnight, which is an electric air taxi we're working to deploy in the world's most congested cities, starting with paying customers this year; two, defense, in partnership with Anduril, our first product under development is a next-generation hybrid propulsion vertical lift aircraft that I believe is a multibillion-dollar opportunity this decade with both the military and civilian use cases; and three, software, building advanced but simplified flight control systems that are highly automated as well as leveraging AI to optimize our airspace.

Today, I'll focus on our execution plan for deploying Midnight commercially and developing our next-generation hybrid aircraft. As part of this, I'll dive into our exciting new partner we're bringing into the fold. Taking a step back, our commercial strategy remains the same as it has from day 1; to find the most efficient path to safely bring Midnight to market.

Last fall, the FAA put in place a structured framework for Archer and the rest of the industry, the final key piece of the puzzle needed to create a clear path for the safe phased rollout of eVTOLs in the U.S. While we continue to work through the final stages of our type certification program here in the U.S., we have the opportunity to work with several forward-thinking regulators across the globe that are creating pathways for us to deploy Midnight commercially in advance of FAA type certification.

After engaging dozens of these countries at the highest levels of governments over the last year, I'm excited today to share more details about our Launch Edition program, which will allow us to deploy Midnight aircraft in early adopter markets worldwide to generate revenue. These early adopters are more than just customers. They are true partners who we will work with to stand up the early air taxi operations hand-in-hand.

These partnerships will have 2 components. First, we will supply them with a small fleet of Launch Edition aircraft to showcase and operate in their countries over the next 18 to 24 months as well as a services component where we will provide an operational support team of pilots, technicians, engineers and local leadership. These arrangements will be tailored based on the partner and their strategic goals, but we are aiming for each one to generate tens of millions of revenue and be margin positive.

Our goal is to create a repeatable playbook we can scale to dozens, if not hundreds of partners globally. And with that framework in place, I'm proud to announce today we have signed up Abu Dhabi Aviation known as ADA as our first Launch Edition partner. Our plan is to deploy aircraft with them in Abu Dhabi later this year, allowing us to generate revenue under the agreement.

As part of this, Archer and ADA will continue to work with other in country partners we have previously announced. This includes Etihad, which will help scale pilot training regionally, and Falcon, who we plan to partner with on infrastructure across the country. All of this continues to be unlocked, thanks to our strong alignment with the GCAA, which regulates aviation federally in the UAE, who we are working closely with to ensure we have an expedited pathway to early operations in the country.

Our progress in the UAE has catalyzed further interest across the broader Middle East, Asia and Africa with many countries in talks with us to bring early commercial operations ahead of our type certification in the U.S., creating multiple opportunities for us later this year and into next.

Here in the U.S., we continue working with our partners, United Airlines and Southwest to plan our initial operations in our key launch cities, L.A., San Francisco, Miami and New York. This includes route planning, building our plans to recruit and train pilots and planning for the integration of Archer's aerial ridesharing software into our airline partners' software stack.

To enable all of this, we must scale manufacturing. We have completed our factory in Georgia, ARC, and plan to manufacture up to 10 Midnight aircraft this year for use as part of our FAA certification program as well as early commercial deployment internationally. Tom will share more about our progress, but I want to take a moment to thank our team who has worked tirelessly to get us to that point.

The first eVTOL OEM to be scaling commercial production of its piloted aircraft here in the U.S. We know there are endless challenges ahead, but I truly believe we have the best team in the world capable of tackling them.

Finally, I want to talk about our exciting announcement from last December, Archer Defense. I'm seeing outsized demand for the hybrid aircraft we are developing with Anduril. Over the last few earnings calls, I've telegraphed how meaningful I expect the defense business will be for Archer. We partnered with Anduril because they are too builders and have proved that new innovative companies can successfully sell to the Department of Defense.

As part of our mission to build the future of aviation, modernizing America's military fleet as well as those of our allies is core, and I am proud we have the opportunity to make an impact here. We're working closely with Anduril to develop what we think the future vertical lift requirements for the defense use cases is. I believe the aircraft we plan to build can result in multibillion-dollar programs of record, all without the need for FAA certification.

Similar to SpaceX, we're now seeing synergies between our civil and defense vectors that have the potential to unlock a powerful flywheel. As I've met with the global leaders in the Trump administration over the last few months, it's clear that our technology, talent and experience from the civil side builds credibility and diversified revenue streams, while our role in America's defense industry helps to further elevate eVTOL as a national priority. This becomes increasingly important when I engage leaders in Washington and abroad on how the technology we are building at Archer can both help build the cities of the future here in the U.S., modernize aviation and ensure our military has access to the world's leading technologies.

On the back of all of this tremendous progress and opportunity, last month, we announced that we raised an additional \$300 million from investors, thanks to strong inbound demand. This gives Archer over \$1 billion in liquidity, our strongest liquidity position to date. Yet for us, our view is that it's still early innings. We have a once-in-a-generation opportunity to advance the technology that defines our skies and ultimately shape the future of aviation for generations to come. Let's keep building.

Over to Tom.

Thomas Paul Muniz
Chief Technology Officer

Our goal from an engineering perspective has always been to leverage advancements in electric propulsion and software to build advanced aircraft for a variety of use cases. Our foundational aircraft platform, Midnight, was built with this strategy in mind and includes technology that can scale and adapt across multiple aircraft configurations for multiple mission profiles. Throughout aviation history, the most significant advancements have not come from incremental improvements, but from a fundamental reevaluation of what's possible.

The core technology in Midnight, our electric propulsion system and flight control software, can be adapted for urban air mobility, cargo delivery, medevac and defense applications as well as missions we have yet to conceive of. As you can see from the pictures in our shareholder letter, we've now moved our piloted Midnight aircraft to our Salinas facility for final ground testing before its upcoming piloted flight. This aircraft can only fly piloted and thus requires that our flight control system, the same one we are certifying with the FAA, must be at the maturity level necessary to support that from a safety of flight perspective.

This requires a tremendous amount of testing and analysis ahead of flight. Our team has been working relentlessly to get us to this point. A few examples of the many tests we've completed include: completing a comprehensive series of tests covering propeller endurance, ground vibration testing and various fault injection tests across all of the systems on the aircraft; EEE qualification tests for our Safran flight computer at their R&D facilities in France; as well as completed safety of flight declarations for our actuators from Honeywell and Flight deck from Garmin; and stress testing of the Midnight airframe with individual load cases of over 18,000 pounds.

These are just a few key highlights. This aircraft will be the eighth full-scale eVTOL that myself and our Chief Engineer, Dr. Geoff Bower, have successfully built and flown in our careers. What we've learned over all those other programs is that there are no shortcuts when it comes to safety of flight. While it's taken longer than we may have projected, this thoroughness ensures the safety of our pilots and has deepened our confidence in the maturity of our aircraft design and systems.

Looking ahead to our pilot and flight test campaign, you can expect us to continue to take a methodical, phased approach that focuses on safety first. When we designed Midnight, it was important to our team that the aircraft was capable of both conventional takeoff and landing, as well as vertical takeoff and landing. We believe this will be critical for operational flexibility when the aircraft is deployed in a commercial environment.

This design decision did not come for free as we had to design our landing gear and airframe to support the additional loads that come with conventional landings, which are far greater than the loads resulting from only VTOL. But this increased capability provides not only additional operational flexibility, but also increased levels of safety as it gives more options of where you can land in an emergency situation. We plan to test this capability first before we take the aircraft through the full transition envelope.

If you look closely at the pictures of the new piloted Midnight aircraft that we released today, you can see some of the refinements we made in our landing gear from our prior aircraft to help enable all of this. This tremendous progress on safety of flight activities positions us for continued momentum on Midnight's type certification program with the FAA. We expect to share important updates on this front in the quarters ahead.

In parallel with FAA type certification, we continue making substantial progress on the operational approvals needed from the FAA to operate our air taxi service once Midnight is type certified. Recently, we announced the FAA certification of our Part 141 Flight Training Academy, allowing us to train and certify Midnight pilots, securing another critical element of our commercial launch strategy. Internationally, we've accelerated our efforts in the UAE significantly as we work to achieve our launch goals.

We've now been working with the UAE's federal regulator, the General Civil Aviation Authority for nearly 2 years, and I want to thank them for the continued partnership. I'm excited to announce that we've now finalized our project-specific certification plan with the GCAA. This document outlines the steps needed to bring Midnight to market in the country, which we are well down the path of executing against.

We have already begun submitting compliance data to the UAE for review and acceptance and expects to work in earnest on that throughout the first half of this year. Here's what you can expect to see over the remainder of this year with regard to our planned progress in the UAE. This summer, we'll deliver our first piloted Midnight to Abu Dhabi and begin flight testing in country. With that aircraft, we'll focus our efforts on testing it in high-temperature operations as conditions there can exceed 110 degrees during the day.

Fortunately, Midnight is designed to support this operating environment, including a Honeywell climate control system that is designed to maintain comfortable cabin temperatures. Subsequent to that, we plan to start flights in and around cities in the UAE, performing proving runs to and from some of the locations on our intended network and performing market survey flights with limited passenger operations working towards our ultimate commercial launch.

Critical to supporting all of these aircraft testing and deployment efforts is ramping our production. This year, we plan to build up to 10 Midnight aircraft, 3 heavily instrumented for flight testing and the remainder as Launch Edition aircraft for early commercial deployment. Our Georgia factory is now operational, and the first aircraft produced out of this factory is on target to be completed by early summer.

Finally, regarding Archer Defense, when we announced our exclusive partnership with Anduril a few months ago, we indicated that our first product is planned to be a hybrid powertrain VTOL aircraft with a low thermal and acoustic signature. This program will build directly on Midnight's core technology, leveraging the best of what we've already developed while continuing to push the boundaries of what's possible. While we can't share more details yet, we will when we can.

The progress the team is making is extraordinary and to think that by this time next year, I'll get the opportunity to fly Midnight as a passenger is exhilarating.

With that, I'll turn it over to Priya.

Priya Gupta

Acting CFO, Acting Principal Financial Officer & VP of Finance

Thanks, Tom. Q4 '24 was a pivotal quarter for Archer. We made significant progress on the engineering milestones, manufacturing ramp, commercialization readiness and defense industry diversification. In parallel, we made significant strides in reaching our financial goals to create an industry-leading balance sheet, all while managing our spend to invest appropriately in the growth of our business.

We exited 2024 with \$835 million of cash and cash equivalents, our highest ever quarter end cash balance. and we currently have a liquidity position of over \$1 billion, giving us one of the strongest balance sheets in our industry. This was all enabled by the equity raises we did in Q4 and Q1 as we've continued to see strong investor demand.

It is important to note that our current liquidity of \$1 billion does not include any of the up to \$400 million of additional capital Stellantis has agreed in principle to commit to help scale the manufacturing of our Midnight aircraft. Our teams are working hard to finalize that agreement that we expect to complete this quarter.

With regards to our spending for the quarter and the year, as you would expect, we continue to invest in the development, certification and testing of our Midnight aircraft and in the ramp-up of our manufacturing and testing capabilities as we build additional Midnight aircraft. For Q4 '24, our results were in line with our guidance for both GAAP and non-GAAP expenses, and our spending was relatively flat quarter-over-quarter.

Non-GAAP operating expenses were \$98.3 million for Q4, which is within our guided range of \$95 million to \$110 million. And our total operating expenses on a GAAP basis were \$124.2 million, which were also within the \$120 million to \$140 million range previously provided. For context, our GAAP operating expenses included approximately \$25.9 million of non-cash expenses, primarily driven by the \$23.9 million of stock-based compensation.

For the full year 2024, our non-GAAP operating expenses were \$380.6 million, a 22% increase year-over-year, and our GAAP operating expenses for the full year were \$509.7 million, a 14% increase year-over-year, primarily due to the investments we have made in people-related spend, materials and non-recurring engineering costs to support our current phase of aircraft development and testing as well as our manufacturing scale-up.

Our cash used in operations and investing activities for 2024 was \$450.6 million. This included approximately \$50 million of spend for the build-out of our ARC facility, all of which was offset through the drawdown on our construction loan. Excluding this build-out spend for ARC, our net cash used in operations and investing activities was approximately \$100 million per quarter on average in 2024.

We increased our ending cash balance at the end of 2024 by \$369.9 million over 2023 by raising a total of \$820.4 million through financing activities in 2024. This primarily includes the proceeds from the August and December equity raises, our ATM programs, the drawdown on our construction loan and the third and final tranche under our forward equity purchase arrangement with Stellantis. This has helped to significantly derisk our path to commercialization.

So, as we look ahead this year towards our goals of manufacturing ramp, commercialization of our Launch Edition program and the development of the hybrid aircraft for the defense industry, we feel very confident that we have access to sufficient capital to deliver. As we prepare for revenue generating operations later in the year in 2025, we are pivoting our guidance to using an adjusted EBITDA metric instead of what we have guided to historically, which was non-GAAP operating expenses. We believe this new metric is a better proxy for operating cash spend and currently tracks very closely to non-GAAP operating expenses.

For Q1 of 2025, we anticipate adjusted EBITDA to be a loss of \$95 million to \$110 million as we continue to invest in our engineering, manufacturing and commercial activities discussed earlier by Adam and Tom.

In summary, we are currently very well capitalized and continue to be very thoughtful about investing in the growth of the business to ensure we can achieve our goals.

And with that, I'll turn it back over to Adam for Q&A. Adam?

Adam D. Goldstein

Founder, CEO & Director

Thanks, Priya. We tried something new this quarter. So, through the Say platform, we collected questions from retail investors. Those questions were then voted on through the platform, and we'll now answer some of the top questions.

So, the first question was, what are the key remaining steps for FAA certification and can investors expect any major regulatory or partnership announcements that can accelerate commercialization?

So, yes, we announced a major partnership today with Abu Dhabi Aviation that accelerates commercialization, and you can expect more Launch Edition customers that are going to come. But I want to focus you on, there's 2 different tracks here to think about. The first is this Launch Edition track, and the second is the FAA type certified aircraft track.

So, on the Launch Edition track, we are deploying these aircraft that are not contingent on receiving FAA type certification. So why are countries doing this? They're doing this because they believe in the industry. They think it's going to be very large and they want to start operations as soon as possible. So, in the UAE, we're working with the GCAA to certify those aircraft locally. And from Archer's perspective, this allows us to deploy, monetize these aircraft and we can build them pre-FAA type certification. So everybody wins. We all learn eVTOL operations together. We can do it safely. This is a crawl, walk, run approach.

The second track is the FAA type certified track. And so, why does this matter? Well, the FAA is the largest regulator in the world. It's the largest market in the world here in the U.S. So it's obviously very important. But they've not been able to close out all the industry-wide issues that are needed to allow us to cross the finish line. And so, our teams continue to work on that track, but I'm confident that the new administration was going to help us speed up things to ensure that we drive results.

The second question that is from the platform on say was, when are we going to see piloted flight? And I'll turn that over to Tom.

Thomas Paul Muniz

Chief Technology Officer

Thanks, Adam. So, as everybody can see from the pictures in our shareholder letter, the Midnight aircraft is now fully assembled, and we've positioned it down at our flight test facility in Salinas. So now we're going through the process of finishing up ground tests to prepare for flight. At this point, I don't know of any specific issues or blockers that prevent us from flying. We just have to finish the remaining tests, get ready to fly.

As I said on the last call, I won't give a specific date that we're going to fly because I don't want to put undue pressure on our team, but first flight should happen really soon. And that being said, I want to remind everybody, we've completed hundreds of flights unmanned on the prior Midnight aircraft, which we've been flying for the last 1.5 years. So at this point, we feel really confident that we understand the flight dynamics of the aircraft and have a lot of confidence in the platform.

So, as we start flying more aircraft this year, we think we'll have a really efficient path to completing all the testing we need to do in order to support our commercial launch goals this year.

And with that, operator, if you can open the call up for questions.

Question and Answer

Operator

[Operator Instructions] The first question is from the line of Chris Pierce with Needham.

Christopher Alan Pierce

Needham & Company, LLC, Research Division

Adam, just to clarify, did you -- did I hear you correctly on tens of millions of revenue and margin positive on these Launch Edition aircraft?

Adam D. Goldstein

Founder, CEO & Director

Chris, yes, that's the goal. And so we're not going to release the exact terms of the contract just from a competitive standpoint. But it's a \$20 million-plus contract on this one, and the goal is for -- to make these contracts [more to] positive.

Christopher Alan Pierce

Needham & Company, LLC, Research Division

Okay. And then, how should we think about -- I know you have the order book, but now you've got Launch Edition, countries that want to go. Should we think of that as moving to the front of the order book or in defense, moving to the front of the order book? I just want to get a sense of sort of how sort of supply constrained you might be or what the order book looks like now to the extent that as things are moving around.

Adam D. Goldstein

Founder, CEO & Director

Yes, it's a great question. So, the order book is, I'll say, constrained by a lot of the ability to launch within a specific country. The Launch Edition program gives us the ability to move ahead of some of the local full certification. So, you can imagine there are customers out there, countries out there, airlines out there that want to take delivery of aircraft because there are a lot of operational learnings that they need in order to launch and scale these operations.

So they're just trying to figure out how they can get these aircraft. So, it gives us the ability to go deliver them aircraft and teach them all the things that they need, so they can train pilots, they can add maintenance crews, they can figure out route planning, they can do all the local community engagement. And that could take multiple years.

So, we started talking to different groups about that, starting with the UAE, and it was very clear that they were very interested in this and willing to take aircraft and pay for that. That is true for dozens of countries. And so, there was one of them that you even saw kind of leak out.

Several weeks ago, I was in Davos. I met with the President of Serbia, and there was a press release that came out after that, that said they're going to be buying aircraft. So you can see that there are lots of countries that are interested in getting aircraft. And so it really helped me understand that this is global and there's demand for this all over the place.

But the good news, as it relates to the order book is it also allows to put in place the operations to allow the larger scale orders to be able to come to fruition, because we're not going to deliver somebody 100 aircraft in a year. They'll start with a handful and then we'll go from there. So this is like the precursor to the order book.

Operator

The next question is from the line of Savi Syth with Raymond James.

Savanthi Nipunika Prelis-Syth*Raymond James & Associates, Inc., Research Division*

I guess just a bit of a follow-up to the prior question on the order book, but more so from a production standpoint. So, sounds like you're planning on producing up to 10 aircrafts this year. And I'm guessing you'll know more as you produce this year. But generally, how are you thinking about the ability to scale that then to meet some of these kind of early demands even before you get FAA authorization?

Adam D. Goldstein*Founder, CEO & Director*

Yes. So the concept of the Launch Edition was, okay, how do we deploy and monetize every single aircraft that we can build? And I think we found a pathway to do that. And that's what this is all about. So we're not sitting here kind of negotiating or arguing over what percentage of completion did we do in the quarter. This is about actually deploying aircraft and starting like the real business. So that's what's exciting.

We put out kind of high-level guidance around manufacturing several quarters ago. The way to think about that is '25 and '26 is building, let's call it, tens of aircraft and kind of the 27 plus is more -- in the more scaled version of that. So we're learning as we're building these aircraft. The customers are learning as they're taking delivery and we can scale together.

Savanthi Nipunika Prelis-Syth*Raymond James & Associates, Inc., Research Division*

That's helpful. And then just on the software side that you kind of talked about, Adam, can you provide a little bit more color on that, like where you are in the development and how that might work?

Adam D. Goldstein*Founder, CEO & Director*

Yes. The way to think about this is, if you go back to our earnings call, starting about, I think a year ago, I started saying, I think defense is going to be a big deal. I think it's going to be a big deal for the eVTOL industry. And it's probably it was a little bit different than what people were understanding because -- I mean, the reality is a lot of the deliveries that were made to the Agility Prime program were basically seen as -- there were good learning lessons, but not useful to be able to launch a full-scale program.

And so it was very clear to me that we had to do something that was hybrid with some type of heavy fuels. And so, we've been thinking about that part of the process for a long time. The same thing is happening with me now in software. It's become very clear that software is going to be very important. So, we started building out all of our movement control on maps, and we started working with lot of our customers, showing them what we built, and they were blown away. Stuff that we're building is very complex and very, very useful.

And so we started thinking about really the full value chain across software. And that starts with the customer experience from a booking perspective into the movement control and operations control and then ultimately into autonomy. And so, I do think software will become a bigger part of what we do. I think it's a new potential line of revenue for us, something that can grow to be something very, very big. And I think it's going to be the key to scaling. I also think you're going to see the broader global aviation industry and sort of system benefit from kind of new age aviation companies building out new software to help make sure we can scale safely across all aviation.

Operator

The next question comes from the line of David Zazula with Barclays.

David Michael Zazula*Barclays Bank PLC, Research Division*

Tom, appreciate the color on the development and testing program. Could you give us some more on the plan to get to a conforming aircraft, what the steps you need to get to there are and what the time frame we could potentially expect would be?

Thomas Paul Muniz
Chief Technology Officer

Yes. David, so as we talked about on prior calls, from the very beginning of our kind of test program and planning that we've done, we set out a detailed plan for exactly what parts of each of our test aircraft we need to have conforming to support the targeted flight test objectives. So, for example, on this first aircraft that you can see pictures of down in Salinas, there's a set of onboard system components, which have been conformed, along with some aerodynamic measurements we made on the aircraft, all to support the testing we plan to do for that aircraft.

Subsequent aircraft will have an increased level of conformity as would be required to support all the tests we plan to do with those aircraft. But the other thought to share is we're still waiting to close out kind of final topic or 2 here with FAA. And until that, to be honest, a lot of what we're doing is at risk for that to close out. And while we don't expect there to be any issues with that, that's where we are right now. As a reminder, this issue that we talked about last time was related to how the whole industry deals with emergency landing for these kinds of aircraft.

David Michael Zazula
Barclays Bank PLC, Research Division

Got it. Very helpful. And then, Adam, just as we think strategically, my understanding has always been you've been trying to do everything you can to focus on getting to commercialization as early as possible. With the decision to devote resources towards the DoD initiatives and towards the arrangement to develop the hybrid aircraft. I guess, why did you think this was the right time to devote those resources when you're still kind of in the certification process and trying to work towards commercialization of the original aircraft?

Adam D. Goldstein
Founder, CEO & Director

Yes. The reason it's a good timing for us now is the Midnight aircraft is becoming quite mature. And so there's a big staff of engineers that are working on the aircraft. And as each individual system and the entire aircraft gets more mature, they effectively start rolling off of that program. The next steps that they can work on are things like performance up or cost down, those type of things. But a big chunk of them ultimately start wrapping up.

So it's a great time to start moving them over to a new platform. Now, of course, there will be engineers that stay to work on some of those improvements and to help support some of the certification stuff. But the flight test teams and a lot of those other teams are different people. So we have a lot of just incredible engineers, I think some of the best engineers ever assembled in aviation that are working here, and there's a huge need to do that to build some of these new products.

The other thing is, we're creating this flywheel where we are taking new technologies. We can work on our defense aircraft where there does not require FAA certification. We can go learn a lot about these new technologies, get a lot of hours on the aircraft with these new technologies, and then in turn, go back and certify them and bring them back to the civil side of the business. So that really works well.

And then finally, we've become something more of a strategic national priority for the U.S. as they look at different military applications. And so you can imagine it's very helpful when you have a broader viewpoint where we can help on both the defense side and the civil side as it relates to the administration strategy. So net-net, I think it's a huge compliment, and I think it'd be a pretty big disadvantage to not be doing this.

David Michael Zazula
Barclays Bank PLC, Research Division

That's great color. If I could just squeeze one in for Priya. Great news on the cash balance and the equity raises. How should we think about what portion of that is going to be dedicated towards the arrangement with Anduril?

Priya Gupta

Acting CFO, Acting Principal Financial Officer & VP of Finance

Thanks, David. So, as you saw earlier in the call, we talked about our Q1 range of spending, which you saw probably was in the range of \$95 million to \$110 million. And that you can see the spending is -- that range is similar to what we provided last quarter. Beyond that, we don't typically give annual guidance, but let me walk you through how we think about what plays out in the coming quarters.

So, firstly, as Adam mentioned, we're seeing a lot of opportunities to deploy the aircraft that we're building through our revenue-generating opportunity in the Launch Edition program. And so to execute to that, we're growing our team of pilots, maintenance staff, flight test engineers. And to be set up for success, we need to invest in that part of the business. And the goal of that program, as mentioned earlier, is not just to get operational learnings, but generate revenue but also be gross margin positive. So that's how we generally think about that side of the business.

But on the defense, very specific to your question, and again, I think Adam already hit upon this, is it's a large revenue opportunity. And to fund this large opportunity, again, we're leveraging our existing resources in engineering as and how they're -- again, Adam mentioned about this, as they're rolling off the Midnight program as we reach design maturity onto the defense program.

And depending on the nature of the defense opportunities, we may choose to invest incrementally to be able to capture that very specific opportunity. So, lots of puts and takes here and between revenue generation, execution to the Launch Edition program, the new defense platform and potential offsets we get from both the customer and the defense contracts. So we're still assessing all of that. And -- so we'll share more when we're able to and we get closer to that point in time. But where we are right now, we're very comfortable with our range for Q1, and we generally stay committed to making any additional investments thoughtfully.

Operator

Next question comes from the line of Edison Yu with Deutsche Bank.

Xinran Li

Deutsche Bank AG, Research Division

This is Laura for Edison today. I'd like to dig into the defense opportunity a little bit more. So, what are the next steps for partnership with Anduril?

Adam D. Goldstein

Founder, CEO & Director

Sorry, can you repeat the question? I didn't quite follow.

Xinran Li

Deutsche Bank AG, Research Division

So, what are the next steps for the partnership with Anduril?

Thomas Paul Muniz

Chief Technology Officer

Got it. So what are the next steps? So, we are in the process of building the aircraft, and just given the nature of the sensitivity of it, there's not a lot that we can share right now. But what we can say is, it's a hybrid VTOL program that we're building. And the goal is to leverage a lot of the core capabilities that we have from the Midnight aircraft program and to meet some of the sort of existing needs that we see happening. So as more information comes out on that program, we will be sure to share it.

Xinran Li

Deutsche Bank AG, Research Division

Okay. Got you. Also what would be like a realistic time frame to win a program of record with the DoD? And like how large could such a program be in terms of like dollar value or volume?

Thomas Paul Muniz

Chief Technology Officer

So, again, I don't have additional color that we're going to be able to share here, but I know there is a very real opportunity with a very real customer about a very real need, and that's what we are working towards. And so, as there is more information, we'll be sure to share it.

Operator

The next question is from the line of Austin Moeller with Canaccord.

Austin Nathan Moeller

Canaccord Genuity Corp., Research Division

So, my first question here, just given the news about the Abu Dhabi contract for the Launch Edition, have you initiated or introduced a standardized fixed price contract value to deploy x number of aircraft and provide training and aftermarket support across all your customers? Or do you think it will vary pretty significantly between customer and country?

Adam D. Goldstein

Founder, CEO & Director

Austin, this is Adam. I think it will vary, but it will all be within a similar type of range point. So you can think about it in the terms of \$10 million to \$15 million per aircraft is probably like a decent way to just, back of the envelope, think about it. But it really depends on the goals of the different countries and the partners that we're working with.

And so, the main high-level goal is to take aircraft and stand up all the necessary ecosystem to launch the broader network. And so that involves the aircraft itself and then the different support systems that go with it. And so, we're trying to have that assembled in a way that can be margin positive for Archer, but also very beneficial to the customers themselves. So, each one will be a little bit different, depending on their capabilities and the capabilities they need us to bring.

Austin Nathan Moeller

Canaccord Genuity Corp., Research Division

Okay. And just to follow-up, since you're already delivering a Launch Edition aircraft to Abu Dhabi, do you need any additional hardware changes to be made to those planes you're sending customers to get the GCAA to allow passengers on board? Or would they allow it in the current configuration you're delivering it in?

Thomas Paul Muniz

Chief Technology Officer

Austin, this is Tom. So, the kind of way you should think about this is, the first step is going to be delivering an aircraft to the UAE for some experimental flying where we're going to gather data around operating in that particular environment. So the 2 things that are different about over there are the higher temperatures in that part of the world as well as the additional kind of dust and sand considerations.

So, first part will be doing those tests to ensure the aircraft is safe. We don't anticipate needing to make any changes to address those things, but we need to do the testing first. So, right now, there's no region-specific type tailoring that we have to do.

Adam D. Goldstein

Founder, CEO & Director

And Austin, this is Adam. Another way to think about this is, we have the core framework for what we're building that we're going to certify here in the U.S. with the FAA. And as Tom said, we think it's actually a very stable platform and we think we have a good understanding of how to build out this whole aircraft and certify it.

And as the FAA kind of gets all their stuff together and we get through that part of the program, we'll certify that stuff here -- we'll certify that program here in the U.S. But we're taking all the same stuff that we've been building, and we've just found a good pathway in order to be able to launch that same aircraft sooner.

So, it's really a good way to -- for everybody to win here because it allows us to go early, build hours and get aircraft deployed as well as give the FAA time to do what they need to do.

Operator

The next question comes from the line of Andres Sheppard with Cantor Fitzgerald.

Anand Balaji

Cantor Fitzgerald & Co., Research Division

Anand on for Andres. Awesome work this quarter. I was wondering if you could share with us a little bit more color on your test flight program. I know there was an earlier question on piloted test flights. So, I was wondering, maybe how do you see your test flights ramping up throughout the year on a larger scale? And maybe do you think commercialization activity in defense or the Middle East could accelerate this flight test program prior to certification?

Thomas Paul Muniz

Chief Technology Officer

Yes. So, the big goal that we're working towards right now is first piloted flight. And as was said earlier, we're very close to achieving that milestone. But in parallel, we've got multiple aircraft being built that will enter flight test later this year. As we also mentioned, we're working on building up to 10 airplanes. And so in addition to the ones that are specifically instrumented for test, there are several of these Launch Edition vehicles that we're looking to get into operation, which, of course, will give us more and more learnings about the aircraft platform, and the more data we get, the better. So, the plan is to really do a lot of flying this year, all taking steps towards the commercial launch.

Anand Balaji

Cantor Fitzgerald & Co., Research Division

Got you. That's very helpful. And secondly, I was wondering maybe if you could share with us a little bit more about your vision for commercialization in the Middle East. Maybe how do you envision this starting and in what capacity, especially with this new Launch Edition release?

Thomas Paul Muniz

Chief Technology Officer

Yes, sure. So, again, if you go back to the manufacturing plan that we put out there from a couple of quarters ago, where we're starting with, call it, the tens of aircrafts over the next 2 years, all we've done here is found a way to go and effectively monetize that. And at the same time, put in all of the necessary infrastructure to scale that. So, this is like a huge benefit, literally like it's a win-win here. And so all we're effectively showing with the Launch Edition program is that there's a way to go effectively commercialize and monetize the stuff we've already talked about.

At the same time, of course, we will keep plowing through all the FAA work, and we're confident that, that will get there, too. But it's just showing you that we have an ability to do that. So, we've talked about UAE as a place to start, and as that has really ramped, we've seen broader interest across many other countries, dozens of other countries that are interested in a similar type of platform. So, you'll see these aircraft get deployed, I think, a bit more broadly. It's not just all going to be into the UAE.

Operator

The next question comes from the line of Bill Peterson with JPMorgan.

William Chapman Peterson

JPMorgan Chase & Co, Research Division

Thanks for all the information that you shared thus far. Wanted to ask about defense in a different way. Just in the context of any changes to your Agility Prime contracts as the program has now transitioned, apparently, to what's called Agility Support Prime. And asking in the context of the announced \$142 million opportunity you announced last summer, is that likely to be modified or curtailed in some way given the changes or how should we think about that, I guess, maybe against the context of your maybe newer and exciting opportunity with Anduril?

Adam D. Goldstein

Founder, CEO & Director

Bill, I think the way to think about it is, there still are opportunities. I'll call them smaller opportunities with Agility Prime, where you can take down call it in the, either single-digit millions or the kind of very low 10 million types of numbers. But our focus is definitely on the larger side. There's opportunities for very large R&D dollars that come with big programs or against big programs. And so I think the big shift has [focused from] there.

The challenge, I think, that took place with Agility Prime was, they just concluded that eVTOLs alone weren't going to be the right aircraft configuration. And so that's why, again, we pivoted and started working towards a hybrid vehicle with more heavy fuels in order to meet the necessary speed, range and payload requirements to basically build an aircraft that can field a program. So, hopefully that gives you a perspective.

William Chapman Peterson

JPMorgan Chase & Co, Research Division

And then maybe coming to FAA approval, it looks like the total compliance verification documents only kind of went up incrementally quarter-on-quarter. I mean, I suppose this is fairly lumpy, but is this in line with the timing you expected? Or is it slower than expected? And if so, is there -- why might that be? I guess asking in the context of maybe -- and you could help frame how the FAA's engagement is or has been, how it's evolved sort of pre and post-election and under the current administration, how is their engagement and your engagement with them?

Adam D. Goldstein

Founder, CEO & Director

Yes, of course. At the working level, things continue to move forward. We have a great relationship with everyone we're working with at the FAA. We're continuing to execute against our CERT tests and analyses, continuing to submit data. Like I talked about earlier on the call, this past quarter has been really focused on our safety of flight preparation for this upcoming piloted flight. And so, a lot of those tests, in addition to giving us confidence to fly, give us data to submit to the FAA, which is great.

But like you mentioned, it is kind of a lumpy process here. And so we're kind of just in that phase of submitting data and FAA making compliance findings. So, I would expect over the rest of the year you'll see the numbers tick up as we get through more and more tests, moving towards certification.

Operator

The next question comes from the line of Amit Dayal with H.C.

Amit Dayal

H.C. Wainwright & Co, LLC, Research Division

So, Adam, with respect to the Anduril partnership, how do you expect this to evolve? Will you potentially be creating a new entity that has its own balance sheet to pursue opportunities in that manner? And then, does this take away any resources that you may need in the near term for Archer?

Adam D. Goldstein

Founder, CEO & Director

So, no, we will not be creating a new entity. The good news is that we have the setup and facilities to be able to accommodate this program. And as I mentioned before, as the Midnight program matures and lots of the engineers start to roll off that program, there's an ability to be able to use not just the engineers, but also a lot of the different processes, facilities, toolings, equipment that we have to build that program. It does not take away from -- anything from Archer either. So we're fully equipped -- from the Midnight program, fully equipped to be able to handle that as well.

So, I think the setup is actually quite favorable. The other thing that it does is the prominence that it gives us with the broader administration that's helping to fulfill some of their goals, I think really will help reinforce and become this nice cycle that we're an important company that will get a lot of attention from the regulators.

I also think that the attention that you're seeing in the UAE is going to also help reinforce the attention that we'll see back here in the U.S. as these are American companies that were built with American technology. And so we're trying to make sure that they can be launched here in America, too.

Amit Dayal

H.C. Wainwright & Co, LLC, Research Division

So the ADA partnership, right, are the ADA folks going to be running the operations or is Archer going to be involved in that? Just trying to see if there is any revenue opportunity for Archer from those operations or are you just limited to the sales of these aircrafts and then maybe servicing and maintenance part of it?

Adam D. Goldstein

Founder, CEO & Director

Yes. So, the nature of the agreements and kind of all the Launch Edition agreements are all about standing up the networks in each of the individual countries. And so, the goal is really about learning and putting everything in place to be able to scale an actual network. So we're paid more of like a fixed price that's on that. So we're not going to be paid for, let's say, like flying individual trips. That's not really the goal.

The goal is to be able to launch and deploy a lot of aircraft over a period of time. So, you can imagine, just kind of extrapolate, imagine there are 20 countries that have this type of thing in place and each one has a handful of aircraft, 2 to 5 aircraft. And then each one of those countries ultimately order and take delivery of a fleet of aircraft.

And so, you can really start to see how this can scale to a very large level by putting this in place. So we're doing a lot of the groundwork now with them. We're just getting paid for doing it. And then over time, it will scale. But this does focus us heavily on the OEM side, the sales side of the business.

Amit Dayal

H.C. Wainwright & Co, LLC, Research Division

Yes. That's good to see. Just last one for me. Are you seeing infrastructure investments in vertiports or the rest of the infrastructure that's required in terms of operational needs for you guys also starting to come up? Or investors lining up to put those types of infrastructure investments in place before you start scaling up sales of these aircraft?

Adam D. Goldstein

Founder, CEO & Director

Yes, absolutely. So, for example, in the UAE, we have plans to launch a 5 node vertiport network in Abu Dhabi. And all of these will be leveraging existing infrastructure locations, which will just allow us to move really quickly and allow the country to minimize spend.

And so the GCAA estimates that I think it's like over 100 -- sorry, over 1,000 helicopter landing sites across the UAE, most of which are in Abu Dhabi, which is, I believe, about 87% of the overall land mass of the country. And then our partner, Abu Dhabi Aviation is the UAE's largest helicopter operator, and they already safely carry passengers to and from many of these locations today.

So, you're seeing a lot of the existing infrastructure that gets put together. And then we have other partners like Falcon Aviation, which are converting some of their key locations in Marina Mall and Abu Dhabi Cruise Terminal to help really kind of stand up this network for us.

So that's a good example of a country that's moving to really help make sure that we can load this up. But again, that's what the Launch Edition program is all about. And so it's where these groups go and really start to spend money and put money into the ground to get us ready to unlock larger fleets.

Amit Dayal

H.C. Wainwright & Co, LLC, Research Division

Great to see you guys moving so fast. Appreciate all the color.

Operator

The last question is from the line of Josh Sullivan with The Benchmark Company.

Joshua Ward Sullivan

The Benchmark Company, LLC, Research Division

The thought process around exploring heavy fuels, hybrid for defense applications, is there any thought that the hybrid system you're envisioning here with Anduril could have commercial passenger applications at some point? And I imagine the range, payload capabilities of a hybrid might complement an eVTOL offering or even help develop certain passenger markets as batteries improve.

Adam D. Goldstein

Founder, CEO & Director

Yes, absolutely. So the intent is actually to have the aircraft have dual use and so -- both on the civilian side, which I think is what makes it an even larger potential opportunity. So the hybrid application just allows us to get better performance, I think like much further range. And so, it allows us to basically increase the different types of use cases that we have. So, yes, there definitely is an application for that.

Joshua Ward Sullivan

The Benchmark Company, LLC, Research Division

Okay. Got it. And then just as far as the new administration, where have you experienced tangible support for accelerating the industry or Archer, specifically?

Adam D. Goldstein

Founder, CEO & Director

So, the Secretary of Transportation has been very supportive and is working with us closely to try to figure out how to continue to advance the certification process and just the broader support for the category. I think you've also seen it on the defense side. I mean, literally between President Trump and Elon, tweeting about the defense department needing more, they call autonomous and attributable solutions. We fit directly into those types of comments. And so I think we are in the path of progress, which is very helpful.

And at the same time, there's actual work on the ground that's being done now. So, you'll see more to come here, I think, in the following quarters. But I actually think what's going to happen is, you'll see the FAA certification process really start to accelerate, especially as we start to deliver aircraft internationally,

because I know that the administration does want these American products that are built with American technology to be locked here in America.

Joshua Ward Sullivan

The Benchmark Company, LLC, Research Division

Got it. And then just one last one. Are you seeing any early indication of financial buyers becoming interested in a leasing market for eVTOLs at some point? Or where are those conversations at this point?

Adam D. Goldstein

Founder, CEO & Director

We have been inundated since the very early days of those types of conversations. We have really tried to focus on more of countries and operators that can do fleet type purchases. But a lot of those conversations continue. I think you'll see more of that stuff over time. But again, the Launch Edition program gives us an ability to really start to deploy aircraft with some of these operators and countries that have very deep pockets that can deploy very large fleets. So, I think more on that to come.

Operator

That was our last question for the day. I would now like to pass the conference back over to Adam for any closing comments.

Adam D. Goldstein

Founder, CEO & Director

All right. Well, thank you for joining the call today. I am very proud of what the team has accomplished, but this is just the beginning. 2025 is going to be a huge year. Thank you.

Operator

That concludes the Archer Aviation Fourth Quarter 2024 Financial Results Conference Call. Thank you for your participation, and have a great day.

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