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Market Intelligence

# Archer Aviation Inc.

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*Earnings Call*

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# Call Participants

## EXECUTIVES

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*Founder, CEO & Chairman*

**Eric Lentell**
*Chief Legal & Strategy Officer*

**Priya Gupta**
*Acting CFO, Acting Principal Financial Officer & VP of Finance*

**Thomas Paul Muniz**
*Chief Technology Officer*

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# Presentation

**Operator**

Good afternoon. Thank you for attending today's Archer Aviation Q2 2025 Financial Results Conference Call. My name is Tamia, and I'll be the moderator for today's call. [Operator Instructions]

I'd now like to pass it over to Eric Lentell. Please go ahead.

**Eric Lentell**
*Chief Legal & Strategy Officer*

Thanks for joining Archer's earnings call. This is Eric Lentell, Archer's Chief Legal and Strategy Officer.

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

We will also be discussing both GAAP and non-GAAP financial measures on the call. A reconciliation of those 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 & Chairman*

Thanks, Eric. We are living through the reindustrialization of America. Just 10 years ago, the best and brightest minds in the country were building SaaS products, marketplaces and consumer electronics. Now, think of what's going on today. We are building flying cars, modular reactors and autonomous fighter jets. The new heroes of today aren't influencers, they're builders, people like Palmer Luckey, Alex Karp and Zuck.

If you're listening to this while trading on Robinhood or doomscrolling Reddit, I would encourage you to put your phone down, pick up a tool belt and come build a future world with us and others out there doing it. What a time to be alive.

All right. Let's dive in. This quarter, we made some tremendous strides in ramping our manufacturing, which we highlighted in our shareholder letter today. First, I want to step back and talk about how unprecedented the level of support is for our sector within the highest levels of the U.S. government. There has been a clear shift in our industry from ambition to execution, focused on scaling commercial air taxi operations in the U.S. and select forward-leaning cities around the world.

First, there were multiple presidential executive orders directing an imperative for U.S. leadership in advanced aviation. Second, showcasing air taxis at the 2028 L.A. Olympics was made a national priority. And third, there was a series of unprecedented changes to FAA rules that will help unlock near-term commercial ops in the U.S.

Just a few weeks ago, I was in D.C. meeting with Vice President, JD Vance, FAA and DOT leadership and Secretary of Defense, Pete Hegseth. I left more convinced than ever. This is the most coordinated national effort in modern aviation history. My message to them was simple. Archer is committed to furthering America's lead in advanced aviation by building and deploying eVTOLs here at home and then exporting that innovation globally.

The Olympics mandate has become a national stage to showcase air taxis at scale. Two years ago, the FAA published its Innovate28 road map for scaling eVTOL ops in American cities by 2028. Earlier this quarter, the LA '28 Olympics announced that they selected Archer to be the official exclusive air taxi provider for the games.

And just last week, a new executive order established a White House task force personally led by President Trump and the Vice President to ensure maximum safety, secure borders and world-class transportation at the 2028 L.A. Olympics. This level of commitment is allowing us to rally our infrastructure partners, supply chain and the FAA around a national priority.

Our existing infrastructure partners, including SoFi Stadium and USC as well as new real estate groups are working with us to prepare over a dozen eVTOL vertiports to support Archer operations. Our key suppliers are ramping production and component level certification to align with our manufacturing scaling time lines. And the FAA is working closely with our teams to advance Midnight certification to support our operational readiness.

The executive order in June crafted in partnership with the White House, DOT and FAA is the most significant federal action to date in the eVTOL sector. It establishes a national directive for American dominance in this industry and a presidential imperative to begin air taxi deployments in the U.S. as early as next year. These early operations will allow us to validate Midnight's performance, safety and scalability in real-world conditions in advance of the games.

But to make all of this a reality, we must quickly ramp manufacturing to support our certification programs and early commercial deployments. Tom will unpack the details, but here's the headline. We now have 6 more Midnight aircraft in various stages of production, with 3 of those in final assembly across our facilities. When those are complete, that will bring our Midnight fleet to a total of 8 aircraft. Each of those will carry our production 4-bladed rear propeller design and will either go directly into certification flight testing or early commercial deployment.

Completion of these aircraft will bring our fleet to 8 Midnight aircraft. The capital we have deployed over the last few years to build out our test and manufacturing is now paying dividends. We are the only ones in the eVTOL sector capable of executing what we are doing today, using a golden line approach as a blueprint to scale our high-volume facility.

If you remember, we began construction on our high-volume facility in Covington in early 2023. Our team built that in 2 years at a record pace. And no other company in the eVTOL sector has even started construction on a comparable facility. We are pacing the industry. And location matters, too.

The FAA's Atlanta Aircraft Certification Office manages our certification program, and our Covington site is located in the suburban on the eastern side of Atlanta. The proximity enables frequent on-site engagement as we work through our certification program. Further, we began working on our production certificate in January, and the FAA is conducting regular reviews and inspections with our team as we go through these early builds.

The goal here is to ensure we are aligning the progression of our type certification with our production certificate, so that we can ramp manufacturing as soon as we receive Midnight's type certification. This quarter, we also commenced the piloted flight phase of our flight test campaign. By design, we deliberately started with conventional takeoff and landing flights as Midnight is uniquely capable of handling both vertical and conventional takeoff and landing as part of normal operations.

In recent years, our flight test campaigns have predominantly focused on VTOL and transition to wing-borne flight. As we eye TIA later this year, it was essential to first work through the CTOL campaign. The good news is that we are rapidly progressing through the flight envelope, hardening the aircraft's ability to handle our expected commercial operations.

For example, we've recently focused on flights in the 20- to 30-mile range, which are representative of many of our planned commercial operations. We also expanded our flight test program internationally with our first launch edition operations in the UAE, where we first focused on testing Midnight's performance in Abu Dhabi's extreme summer heat. This is important to validate Midnight safety and reliability in high heat, high humidity conditions essential for regulatory approval and subsequent commercial operations across the region.

We plan to deploy several of these early aircraft commercially under our Launch Edition program with strategic partners ahead of FAA type certification. We've announced 3 launch edition program partners so

far, with the first being in the UAE, the second being in Ethiopia, and most recently, Indonesia. Demand from global operators and governments continue to grow.

This summer, we signed definitive agreements with Abu Dhabi Aviation and the Abu Dhabi Investment Office and kicked off operations under our first Launch Edition program in the UAE. This unlocks a multiyear commercial partnership that I expect will generate tens of millions of dollars for Archer, with initial payments expected later this year.

Let's run through some of the key activities from this launch program. Delivering our first Midnight aircraft and began flight testing with the GCAA in June, deploying our first flight simulator with Etihad, which our teams will be using to build local readiness across pilot training. converting existing aviation infrastructure into turnkey eVTOL vertiports in partnership with local stakeholders, including Jetex, the UAE's leading FBO operator.

Over the next several years, expect to see us continue to ready infrastructure, deliver additional Midnight aircraft to the region and begin early exhibition flights with passengers ahead of more robust commercial operations under authorization from the GCAA.

We also expanded Launch Edition into Asia, beginning with Indonesia, anchored by Jakarta, one of the world's fastest-growing megacities and Bali, a high-demand destination with limited access options. You can expect to see us both announce more global launch edition partners and continue to grow our multibillion-dollar order book with the world's top governments and airlines.

As we partner with the countries at the highest level of government, our growing commercial momentum is also attracting defense momentum. For over a century, every major conflict has been defined by a breakthrough in military technology. World War II introduced the fighter jet. The Gulf War showcased precision-guided munitions and stealth. Drones reshaped the war on terror.

Today, the war in Ukraine is being fought in real time with unmanned systems and satellite linked targeting. The next paradigm shift will be defined by advanced vertical lift. The U.S. and its allies, however, are still reliant on legacy platforms such as the Chinook and Black Hawk, expensive older technology from the '60s and '70s, but future conflicts will be won with low-cost, low thermal, low acoustic systems capable of rapidly moving through contested airspace without risking human pilots.

Over the last 18 months, I've learned from the global defense industry that our customers demand a purpose-built system designed to stay relevant for decades. You cannot simply slap a heavy fuel powertrain onto an existing eVTOL design. I am confident that Archer's technology positions us at the forefront of that shift, delivering the speed, agility and deployability modern militaries will require to win.

To accelerate our progress, we completed 2 strategic acquisitions this quarter. First, we acquired a key patent portfolio and technical team from Overair, a Karem Aircraft spin-off focused on advanced fixed wing and rotary wing platforms powered by high-efficiency tiltrotors.

Second, we bought a supplier of specialized defense composite manufacturing capabilities in-house by acquiring a 60,000 square foot facility in Southern California from mission-critical composites. These moves continue to build our proprietary moat as we push to meet the demands of our growing defense pipeline.

Following recent meetings in Washington with Secretary Hegseth and Secretary of the Army, Dan Driscoll, it's clear that Archer Defense is positioned to become a strategic pillar of our business. With over $1.7 billion in liquidity, we're not waiting on the future of aviation. We're building it now at global scale. This is what execution looks like. Over to Tom.

**Thomas Paul Muniz**
*Chief Technology Officer*

Thanks, Adam. The progress at Archer continues at an unprecedented pace. It's incredibly motivating to work with what I believe to be the best team in the world to turn the vision of advanced air mobility into an everyday reality across both commercial and defense.

This past quarter, Benjamin Lyon also further integrated into his role as President, Aircraft OEM, bringing decades of leadership experience from Apple and more recently as CTO at Aptiv. Partnering with Benjamin and the additional team members he has brought in has already meaningfully accelerated our progress across engineering, manufacturing and certification.

Since 2018, we've been relentlessly focused on finding the most efficient path to making urban air mobility a reality. We have worked tirelessly on the engineering front to ensure Archer leads the way in this new sector. We've outpaced the competition through a series of deliberate choices from our design to our manufacturing build-out to our approach to certification and flight testing.

Watching our Chief Test pilot, Jeff Greenwood, take Midnight to the skies this quarter marked a defining moment for our flight test program, as he stood on the shoulders of all that we've achieved over the last 7 years. This piloted phase of our program, like everything else we do, intentionally builds on years of safe autonomous flight testing across our various aircraft platforms, which validated our proprietary 12-tilt-6 VTOL configuration.

Here's how we got here and why I believe we're leading the industry with our pace of progress. I joined Archer in 2019 after spending nearly a decade working on this technology. With a small team of elite engineers, we went from a clean sheet to the first flight of our full-scale 12-tilt-6 eVTOL aircraft, Maker, in 2021. In 2022, less than a year later, we completed the full month-long transition test campaign on Maker, making Archer one of the first eVTOL companies to achieve that milestone.

In parallel, we matured our production aircraft platform Midnight, and it took flight in late 2023. Just 7 months later, in June 2024, Midnight became the largest eVTOL by gross weight to complete transition, an unmatched technical achievement. I have highlighted this point before and continue to do so because what I've learned from building more eVTOL aircraft across more programs than anyone else in the world over the last 15 years is that an aircraft of at least 6,000 pounds will be critical to being able to carry economically viable passenger payloads.

Then by fall 2024, we had already surpassed 400 test flights for the year, months ahead of schedule. Those flights demonstrated Midnight's ability to do high rate operations and advanced landing profiles, validated acoustic performance and demonstrated robustness to critical failures, all while optimizing Midnight's control laws. This pace set us up to achieve the 2 critical milestones Adam highlighted for our flight test program this quarter, flying Midnight with multiple pilots and commencing our first launch edition program by beginning international flights in Abu Dhabi.

Let's dive deeper into both of those. Our inaugural piloted flight was flown by Jeff Greenwood, who has been at the helm of some of the industry's most pivotal flight test programs. When he landed after his first flight piloting Midnight, which hit speeds of 125 miles per hour and altitude of over 1,500 feet, I'll never forget his first comment. Midnight flew just like the simulator. And that's exactly what you want to hear for any test flight.

This level of consistency isn't a coincidence. It's the product of our team's engineering and operational excellence with unmatched attention to detail and dedication to safety. While we designed Midnight to fly predominantly vertical takeoff and landing operations, it's important that the initial phase of our piloted flight test program with Midnight focus on conventional takeoff and landing operations for 2 reasons.

First, throughout Midnight's design and certification process, regulators, airlines and defense customers have stressed that they need us to certify both VTOL and CTOL operations for operational flexibility and enhanced safety as well as extended range for certain missions.

Second, it's the most pragmatic safe approach to flight testing. Our strategy has been to first validate Midnight's fixed wing flight and conventional landing performance and then return to focus on VTOL with pilots on board.

In the back half of the year, we'll continue to ramp up the pace of pilot and flight testing, rapidly expanding our performance envelope and commencing piloted VTOL operations. In parallel, we plan to continue our international flight testing, which we kicked off in Abu Dhabi earlier this quarter as part of our launch edition programs.

In early July, we flew Midnight at the Al Bateen Executive Airport located in the heart of Abu Dhabi, with our local customer and partners under oversight from the national regulator, the GCAA. Our initial vertical takeoff and landing testing was focused on UAE-specific performance conditions, including high temperature, humidity and dust exposure, as we work to ramp commercial operations in the country.

Just to give you a sense of how critical and difficult the operating environment is there, after just a few minutes on the tarmac, internal components within Midnight's avionics bay for flight heated to just over 140 degrees Fahrenheit immediately before takeoff. We are building Midnight to operate safely at these temperatures, and it was rewarding to test our performance across these more challenging conditions.

Over the coming quarters in the UAE, you can expect that we will expand on our in-country operations, including pilot training, MRO setup and flight testing, all in support of gathering additional data to inform our certification and commercialization plans in both the UAE and the U.S.

As Adam mentioned, we announced today that we are currently producing 6 Midnight aircraft, 3 of which are in final assembly across our facilities. Each of those aircraft will feature our production 4-blade rear propeller and will go directly into vertical takeoff and landing flight testing. We are building these across our facilities in both Silicon Valley and Georgia. We continue to be focused on developing the capabilities required to achieve a rate of 50 aircraft per year across our nearly 0.75 million square feet of manufacturing and test facilities.

During this new product introduction phase of our Midnight program, we are starting with our golden manufacturing line at one of our Silicon Valley facilities. This pilot line is where our engineering and manufacturing teams work together to refine the build process and equipment to ensure we can build the aircraft efficiently with high quality.

We then leverage this playbook developed in California, along with all of the lessons learned in the ramp of our high-volume manufacturing operations in Georgia. In the early months of our operations at Georgia, we have focused on dialing in the manufacturing processes related to Midnight's fuselage as this is the core part of the aircraft where the majority of the aircraft systems are installed.

All of this flight testing and manufacturing progress is enabling the continued rapid advancement of our Midnight certification programs with the FAA in the U.S. and the GCAA in the UAE. On the FAA certification front, as we've discussed on our most recent calls, we are primarily focused on the fourth and final phase of Midnight's certification program with the FAA having now approved about 15% of our compliance verification documents.

The executive order that Adam mentioned, along with our quickly advancing piloted flight test campaign have meaningfully accelerated our progress with the FAA. Over the past few months, we have successfully completed several SOI-3 audits, including one for our in-house developed powertrain software and hardware. These SOI-3 audits cover software testing and verification and are the penultimate step before the final certification review at SOI-4.

On the airframe certification side, we have now completed all of the composite material coupon testing for certifying Midnight's primary structure. This data from over 2,000 individual tests is in hand and certification test reports are now being finalized to provide to the FAA. This past quarter, we have also taken several steps aligning with the FAA on TIA entrance criteria and execution plans as we approach this next key phase of Midnight certification.

As has been our plan all along, we have agreed with the FAA to have multiple TIAs on the program, each targeting a specific system or set of systems in order to efficiently move through the work as certification test data for each area is matured in parallel. We believe our rigorous and collaborative approach with the FAA is setting the standard for the industry.

In the UAE, we delivered midnight to Abu Dhabi and commenced flight testing in the region, advancing our relationship with the GCAA. Over the coming months, we will continue our flight test campaign in the country as we work closely with the regulators to receive authorization for commercial flights ahead of FAA certification.

Finally, let's discuss our progress on the defense side of the house. We are rapidly maturing the design of our new hybrid electric aircraft. While I can't share details on the mission parameters or aircraft requirements due to the sensitive nature of the development, what I can share is that we are focused on building a revolutionary aircraft, not simply a hybridized version of an eVTOL. That's why we made 2 strategic acquisitions in this space over the last few months.

Just a few days ago, we highlighted 2 of those, Overair and Mission Critical Composites. We acquired Overair's patent portfolio and hired critical employees from Overair, a spin-off of Karem Aircraft, founded by Abe Karem, who invented the predator drone and is regarded as the founding father of drone technology, with decades of experience with DARPA and the DoD.

We believe this technology will accelerate our path to market with our defense aircraft and can also be utilized in future commercial variants of Midnight. We also acquired key manufacturing assets and a roughly 60,000 square foot defense specialized composite manufacturing facility for mission-critical composites in Southern California. These assets bring core composite fabrication capabilities in-house, supporting our defense program needs for rapid prototyping and iteration. Momentum is strong on the defense platform. We're excited about the path ahead, and we'll continue to share more details in the back half of this year.

And now I'll turn it over to Priya to talk about the financials for the quarter.

**Priya Gupta**
*Acting CFO, Acting Principal Financial Officer & VP of Finance*

Thanks, Adam and Tom, for the strategic insights. I'm pleased to share our record financial results for the quarter. As Adam mentioned earlier, Q2 is a pivotal quarter for Archer. We have strong momentum across all our planned lines of business across civil and defense and domestic and international.

We're capitalizing on significant tailwinds, all while maintaining our unwavering focus on operational execution and market entry. We closed Q2 '25 with $1.7 billion in cash and cash equivalents, marking our fourth consecutive quarter of record liquidity and means we have almost twice as much cash on hand as our next competitor in the sector. This was all made possible, thanks to our successful capital raise strategy that we've executed on over the last 2 years, including the completion of our $850 million financing in June.

Our ability to raise capital in the manner we have, to ensure we maintain a strong balance sheet demonstrates the institutional confidence in our strategy and our ability to execute. Despite the strength of our balance sheet, we continue to maintain our disciplined approach to capital allocation, strategically investing in the initiatives that matter most.

Our financial results for Q2 '25 were in line with guidance and represent the investments made across key priorities we have highlighted over our last few calls, rapidly advancing our piloted Midnight air taxi through early commercial deployment and certification in the U.S. and UAE, ramping our aircraft manufacturing capabilities, accelerating the development of our defense aircraft and maturing our AI software platform approach.

Our net loss for Q2 '25 was $206 million, and our net loss per share was $0.36. This included approximately $92 million of noncash charges associated with stock-based compensation and warrant revaluation. Excluding these noncash charges, our adjusted net loss for Q2 '25 was $114 million, and our adjusted net loss per share was approximately $0.20.

Our adjusted EBITDA for Q2 was a loss of $190 million, falling within our guided range of $100 million to $120 million. This represents an approximately $10 million increase from the previous quarter, reflecting planned investments primarily in people-related costs to support our key priorities.

Our GAAP operating expenses for Q2 '25 were $176 million. It included approximately $52 million of noncash stock-based compensation-related expenses, which reflects the costs associated with stock issued to our employees, nonemployees and vendors.

GAAP operating expenses increased $32 million quarter-over-quarter, primarily due to the increase in people-related costs mentioned earlier, which reflects our accelerated progress in manufacturing, certification and other initiatives such as defense.

With regards to cash burn, our cash used in operating and investing activities for Q2 '25 was $127 million. For Q2, our cash used in investing activities was $24 million and in line with the guidance I provided in the last call. It represents an increase of $14 million over the previous quarter, reflecting strategic areas of investment in the quarter, such as the acquisition of the MCC composites manufacturing-related assets, the Overair patent portfolio for the defense program and aircraft material-related purchases.

As I touched on earlier, but I do think it bears repeating, even with these investments, our quarter end cash position was at record levels with an increase of $694 million compared to Q1 '25 and more than quadrupled year-over-year. Notably, this marks our fourth consecutive quarter of simultaneously growing our cash reserves while executing on strategic business objectives.

Looking ahead, our priorities for the quarter will continue into the second half of 2025. You can also expect that, we will continue to invest in the bring up of our operational footprint in UAE to execute on our launch edition and certification plans there. And we expect our UAE launch edition to start generating cash inflows later this year.

We will also continue to invest in ramping our manufacturing capacity and supply chain capabilities across both Archer and key vendor facilities, all in support of our plan to ramp commercial air taxi operations for LA28.

As a result, for the upcoming quarter, we estimate our adjusted EBITDA loss to be between $110 million and $130 million. We estimate CapEx in Q3 '25 to remain at similar levels as Q2 as we continue to build aircraft and expand investments in tooling and in equipment. Archer continues to be laser-focused on executing on the most efficient path to market, with a diversified business model across commercial air taxis, defense and software. We believe our investments to date in top-tier talent, leading technology, manufacturing and supply chain capabilities and strategic partnerships are helping us establish a competitive moat that will deliver long-term shareholder value.
With that, I'll turn it back over to Adam for Q&A.

# Question and Answer

**Adam D. Goldstein**
*Founder, CEO & Chairman*

Thanks, Priya. We're going to take our first question from the retail, and that is, when will we see mass production?

**Thomas Paul Muniz**
*Chief Technology Officer*

Yes. So really, when we think about mass production, we think about 2 different things. First is how to build the aircraft, how to actually put them together and then second, where to deploy them. So, one big change that happened for us over the last quarter was codifying this new goal for us to be at scale at the Olympics, and that's what we're building towards today.

So, as we touched on in the call, there's really 2 phases of manufacturing that we think about. The first is building on our golden line in California. That's where our engineering and manufacturing teams work together to refine the process that we use to build the airplane, refine our overall production system, reduce labor hours in all these learnings that we can then apply in Georgia at scale. And that's what we're in the process of doing right now.

So, as you can see in our shareholder letter, we're focused on developing all those capabilities required for mass production. We're deploying those in Georgia. And all of this is because the Olympics have given us that really great single date to drive everything towards to be at scale.

**Adam D. Goldstein**
*Founder, CEO & Chairman*

Thanks, Tom. And with that, operator, if you can open the line up for questions.

**Operator**

[Operator Instructions] The first question comes from Andres Sheppard with Cantor Fitzgerald.

**Andres Juan Sheppard-Slinger**
*Cantor Fitzgerald & Co., Research Division*

Andres here. Congratulations on the quarter. Since I guess, I only have time for one question, maybe I'll make it a 2-part question, if I may. Adam, curious if you can just remind us your vision for commercialization in the UAE, kind of how do you see that unfolding? And what are the steps required between now and then? And maybe quickly for Tom, did I hear correctly? I'm just trying to understand like the aircraft in production currently, those will be used to test different components with the FAA for TIA credit. Just want to confirm that.

**Adam D. Goldstein**
*Founder, CEO & Chairman*

Thanks, Andres. We kicked off the first of several launch edition programs earlier this summer in the UAE, and we now have signed definitive revenue-generating agreements with both Abu Dhabi Aviation and Audio. And that sets us up for low tens of millions of dollars in payments over the next 18 to 24 months, with a portion of that starting this year.

And under the launch agreements -- the launch editions, we've delivered our first Midnight to UAE in June, and you can expect us to ramp up a small fleet in Abu Dhabi going forward. This year, we'll continue flight testing in hot weather. We'll train pilots with Etihad and we'll prepare infrastructure. And if you remember, on the infrastructure side, our strategy isn't to construct and certify new verticals. We don't think that's pragmatic in a place like the UAE that has hundreds of helipads, more than 70 of which are in Abu Dhabi.

What we've done is to work with the GCAA to release the world's first regulatory framework to certify existing helipads for eVTOL use. And then we're also working with a number of groups for access to their landing facilities. We announced several of them already. So, Abu Dhabi Cruise Terminal, Falcon Aviation, who is the exclusive operator at the Corniche and Palm Jumira in Dubai and Abu Dhabi Airports. And I'll let Tom answer the second part of that question.

**Thomas Paul Muniz**
*Chief Technology Officer*

Yes. Andres, so as we said, we're building 6 aircraft right now. And those are going to be used for both FAA flight testing and some of the launch tradition goals that Adam was just touching on. And so really, the strategy is the same as it's been for quite a while, where each specific aircraft has a specific test plan. And we're working to make sure that the aspects of the aircraft, the systems, the components that are required to be conformed to support that particular test are all kind of sequenced in with our overall plans.

And I think I highlighted earlier, we've had really good progress aligning with FAA on TIA plans. And so, a lot of those details and strategy we've had kind of laid out for the past year or so is really coming to fruition, which is super exciting.

**Operator**

The next question comes from Mackenzie Holleran with Needham.

**Mackenzie Holleran**

You have Mackenzie on for Chris. So just one for me. So, in order to reach the early deployments of the Midnight aircraft with the DOT and FAA as soon as next year, could you just provide any color related to on the ground preparations needed to get the aircraft into commercial service? So specifically, where do things stand today on infrastructure readiness, aircraft production and any other key milestones in order to achieve that?

**Adam D. Goldstein**
*Founder, CEO & Chairman*

Mackenzie, this is Adam. So, we have a fairly comprehensive infrastructure strategy that's in place. So, we announced 3 vertiport networks that encompass many locations across New York, L.A., San Francisco, we're working on several others as well. And this infrastructure strategy focused on real estate, really across 4 main buckets.

First bucket was across the major international airports that we operate with our partners, United and Southwest. And so, you can think about places like Newark and LAX and SFO. The second one was around agreements with FBOs and portfolios around the big market leaders, Signature and Atlantic. So those are locations like Santa Monica and JFK. The third bucket was around municipal partnerships to install industry common chargers at city-owned infrastructure. So, you can think about the 3 heliports in Manhattan as an example, which are publicly accessible.

To be clear, no one has exclusive access to any of those. And the fourth bucket were proprietary deals where our data science team surgically identified key vertiport locations, and we formed partnerships with top-tier operators, things places like SoFi Stadium or Oyster Point in San Francisco. So, we've got a lot of the groundwork in place to operate there. And then from there, it's really getting the aircrafts in position to start operations.

**Operator**

The following question comes from Edison Yu with Deutsche Bank.

**Xin Yu**
*Deutsche Bank AG, Research Division*

First, on UAE, I'm wondering if you can give us a rough road map on what to expect over the next, call it, 12 to 18 months. I know you have launch edition ramping up, but just in terms of the flight testing, I

think, you also mentioned it's going to get more advanced. So, if you can share a rough path on what to look for in the next kind of year, 18 months?

**Thomas Paul Muniz**
*Chief Technology Officer*

Yes. Edison, this is Tom. So, as we announced, we did our first flight out in the UAE earlier this summer, which is super cool. Main goal of that was to learn about operating in the really high temperature environment out there. I talked about that a little bit on the call. What you can expect to see later this year is more flying in the UAE back half of the year.

And then big picture, what we're trying to do is parallel our efforts progressing both our FAA certification and UAE certification. So just like in the U.S. with the GCAA, we've got really detailed plans put in place that we're executing against. to gather all the requisite data from ground test and flight tests to support the commercial operations there ramping up over the next 12-month period you mentioned. But maybe Adam wants to chime in more about what that will look like from the commercial side.

**Adam D. Goldstein**
*Founder, CEO & Chairman*

Sure. So, we will grow the fleet from now through the first half of next year. We will get the commercial authority from the GCAA to begin flying. We will start exhibition flights, and those flights will mimic the actual passenger routes on the infrastructure that I mentioned and then ultimately have the full commercial flights take place. So hopefully, that gives you a little bit of a road map.

**Operator**

The next question comes from Amit Dayal with H.C. Wainwright.

**Amit Dayal**
*H.C. Wainwright & Co, LLC, Research Division*

Good to see all the progress. Congratulations. So, the balance sheet looks really solid, guys. How much of this is going to go towards the defense opportunity? And with respect to that, are there any catalysts on that front that we should be looking out for?

**Adam D. Goldstein**
*Founder, CEO & Chairman*

Yes. Thanks for the question. We don't separate the capital in terms of commercial versus defense. There's one kind of large engineering team here at Archer. The good news is as the Midnight program matures, a lot of the engineers can work over on the defense part of the business, too.

So, you can think about parts of the aircraft program on the Midnight aircraft like the Aero team, for example, that is more mature, can start working on the defense side as they're less needed on the Midnight aircraft. A lot of the Midnight team is still working on things like performance up and cost down. And as they start to roll off, they'll pick up steam on the defense side as well.

As far as the defense side goes, I think, you can see it in looking at the U.S. defense budgets, and there's a couple of pretty interesting data points. The Pentagon requested $13.4 billion for autonomous military systems, of which the majority was for aircraft.

So, as you know, in my previous calls, I can't say much about it, but I think there's 2 points that are quite interesting. One is we see this as a global opportunity, not just an opportunity in the U.S. This is something that makes sense all over the world. And so that makes this opportunity quite large. And the second is our goal is really a program of record, not just a budget allocation. And so, what we've learned over the past 18 months in our communications with the different defense departments is that you cannot simply hybridize a passenger eVTOL. You have to build a new bespoke aircraft. And so, we've been working on this for a while. I think we have a clear advantage over our peers here, and we think it represents a very exciting opportunity.

**Operator**

The following comes from Savi Syth with Raymond James.

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

Just based on Tom's comments, I'm guessing you're not out of policy completely, so you don't have your kind of compliance and cert plans approved. So, under this scenario, could you talk about what can be accomplished on the certification side? And then just a follow-up on the 2 blade versus the full blade. I was just wondering how much of a major design change that is? Or would that has an impact on the flying of the next few aircraft versus what you've done so far?

**Adam D. Goldstein**
*Founder, CEO & Chairman*

Sure. So, Adam, I'll take the first part of that. So, I think it's important to even just establish what you even mean to be in policy or out of policy. So, what this is really referring to is working with the FAA on policy things like certification basis, your means of compliance or certification plans. And so, both Archer and Joby are the only 2 that have published airworthiness criteria. And so, this means that we're really the only 2 in the final stages of policy. And so, while we are largely done, it's not completely done. And so, no OEM can fully conform an aircraft.

So, 18 months ago, we announced that we were building 6 conforming aircraft to be used in the FAA certification process. And we said that, each aircraft would be used for TIA testing, each one with different systems, and we expect it to be out of policy with the FAA in a short period of time. But given the industry issue papers and other policy matters that we were dealing with, that affected everyone, not just Archer, that did not transpire.

So as a result, we are still building 6 aircraft, and we expect to use those aircraft for TIA testing. And in fact, the aircraft we're flying today will be used for TIA testing likely this year. But since policy for the industry isn't done, we cannot fully conform the aircraft and finish TIA testing. In fact, the FAA told me directly that nobody is out of policy yet.

And so that's why we introduced the concept of the Launch Edition, which is where we sell the aircraft in advance of the FAA type certification process, and we'll do that to countries that want to start early. It allows us to generate revenue early. There's a list of countries that are very excited to do this.

And it also sort of shows the importance of why the Olympics and the executive order have been highlighted so much by Archer because it helps bookend this whole process with the FAA, where the highest levels of government have said, this is very important to the U.S. It's very important for specific events to make sure that the policy issues all get done and are resolved.

**Thomas Paul Muniz**
*Chief Technology Officer*

Savi, and then I guess on the second part of your question, as you know, we've been flying conventional takeoff and landing on Midnight with a pilot for the last few months here. And that was really intentional. It's been the plan for a long time. Kind of to put that in context and get to your question about the AF crops, we flew Midnight hundreds of times over the last couple of years without a pilot on board. And so, we got a huge amount of data on VTOL and transition. So, we know a lot about that flight regime.

So, it was really intentional to try and gather data focused on conventional takeoff and landing. One thing we did is we had multiple pilots fly our airplane at this point. So, we're getting feedback on landing from multiple of our test pilots. But just to be clear, every plane that we're manufacturing now is going to have that new aft 4-blade propeller and all of those will likely focus on VTOL flying. That's not to say that CTOL flying is not important, both for all the reasons I mentioned and because we're going to need to do TIA flight test for credit on the conventional takeoff and landing behavior.

So, all this stuff is stuff we need to do. But then just the last point is there still is a lot we can progress right now given where we are with policy. And really, the main area that we're waiting to close has to do with flight test and essentially flight test policy for the entire industry. And like Adam kind of mentioned, nobody can enter TIA if you're talking about flight performance until this is closed. And so, we see a path for that getting wrapped up in the near future and a good path to finish all the testing we need to get done.

**Operator**

The next question comes from Austin Moeller with Canaccord.

**Austin Nathan Moeller**
*Canaccord Genuity Corp., Research Division*

Just my first question. So, was the goal of the mission-critical composites acquisition, does that enable you to vertically integrate more carbon composites for the structures? And would that enable you to manufacture composites for the passenger aircraft as well as the unmanned aircraft and therefore, rely less on third-party aerospace suppliers?

**Adam D. Goldstein**
*Founder, CEO & Chairman*

Yes, Austin, thanks for the question. So as we've said many times, we think the defense opportunity is quite large, and we identified the need to have rapid in-house development capabilities around advanced composites. And so, this was a really great way to stand up that capability. There are things we think we will learn on the defense application that we'll be able to ultimately transfer over to the civil application.

And so you see this is quite common in the kind of broader commercial aviation industry, where defense a lot of times will lead to advancements in technologies for the civil side. But when we're just doing civil, it doesn't necessarily make sense for us to be doing experimental things that might not be applicable for civil. So, the defense side gives us that R&D capability, allows us to move quickly and ultimately mature technologies that will be very applicable and allow us to scale ultimately on the commercial side.

**Operator**

The following comes from Bill Peterson with JPMorgan. You may proceed.

**William Chapman Peterson**
*JPMorgan Chase & Co, Research Division*

I wanted to come back to a prior question on flight testing. And I guess, with the comments from the TIA and also locking in the propellers, when should we expect, I guess, a piloted transition like this full vertical takeoff and landing versus conventional? I mean, what needs to be completed ahead of this for this to be derisked? And I guess, when subsequently should we expect testing Midnight with FAA pilots on board?

**Thomas Paul Muniz**
*Chief Technology Officer*

Yes. Well, as I just mentioned in answering Savi's question, we've done a lot of flying VTOL on Midnight in the past without a pilot on board. So, we've got a lot of data that's given us confidence in the behavior of the aircraft in that flight regime. And so that was one of the main reasons we wanted to focus on conventional takeoff and landing. So having said that, we're planning to wrap up a lot of that CTOL test campaign and get back to VTOL flying with the pilots on board later this year. But we're going to take it step by step.

The other thing I mentioned is we're building aircraft right now that will have those new aft 4-blade propellers, and we've got some of those propellers in hand. So, all of that is sort of moving forward at pace. And so all that positions us to support PIA testing over the kind of hopefully starting the end of the year and then into next year. But last context there is we really have made tremendous progress with the FAA aligning plans for all the certification flight test. And so each of these aircraft that we're building,

we're really targeting to go achieve specific flight test objectives. I think that's the key here to get through this efficiently.

**Operator**

[Operator Instructions]The following comes from David Zazula with Barclays.

**David Michael Zazula**
*Barclays Bank PLC, Research Division*

You might have answered it earlier, but is the 15% number you mentioned during the prepared remarks, is that apples-to-apples with the 15% figure you mentioned during 1Q? Because we have been kind of anticipating that many of the roadblocks to progressing in acceptance had been overcome. So, I mean, is this flight test issue that is preventing more progress? Just more color on that, Tom, or just reference your prior answer, if applicable.

**Thomas Paul Muniz**
*Chief Technology Officer*

Yes, absolutely. So, to put that number into context, this is the FAA accepting compliance verification documents for the aircraft. So this is like the very last stage before TC. This is -- we've got data. It's been witnessed if it needs to be witnessed. Here you go, FAA sign-off. And so to answer your question, yes, we are about the same sort of percentage through that, that we discussed on the last call.

But no, like we don't see that as any issue. Like this is not something that we would expect to continuously ramp up and like a nice curve. It'll kind of come -- come and go or move forward in chunks as we work through the various systems. And so, one thing that we talked about on previous calls, and we talked about earlier on this call is there are still these handful of policy items open.

And so on the last call, we talked about emergency landing and specifically this industry paper around 2105G, like we talked about on the last call, we have gotten that issue paper, but we're still waiting for it to be finalized at Stage 4. And this is like kind of really in the weeds of FAA certification, but we know what the requirements are. We are in good shape against those. We're just waiting for the administrative process to roll through such that we can then start conforming items, making compliance findings, sending in those reports so that we can get that 15% number to tick up. So, kind of in the weeds, but hopefully, that gives you some context.

**Operator**

The next comes from Josh Sullivan with Benchmark.

**Joshua Ward Sullivan**
*The Benchmark Company, LLC, Research Division*

Adam, maybe a higher-level question. Just how do we think about the defense opportunity at this point as you see it? You just noted that it's quite large, strong Pentagon support for the industry and budgets, a couple of high-profile executive orders and now 2 defense acquisitions here. I mean, do you think we could see Archer with anything like 50-50 between commercial and defense? Or how do you see defense technology settling into the portfolio maybe longer term?

**Adam D. Goldstein**
*Founder, CEO & Chairman*

I'll give you a higher-level answer than just specifically defense. So, when we started designing the aircraft, we assumed it would be relatively straight line through the type certification process. And as it's taken time, we announced the Launch Edition program. And that gave us a way to commercialize early the civil application. And so that was, I think, a creative way to find countries that wanted and saw this as a huge opportunity and wanted a way to monetize and start operationalizing the industry very early. And so we've been focused on that.

The second part has been obviously focusing on the type certification with the FAA here in the U.S., which ultimately gives you the ability to go global. And so that's also been a big focus of ours. And then the third side of it has been on the defense application. Now the defense application side is not as much focused on a certification process, but more focused on a program of record. That stuff is very chunky.

And so, there's not a lot I can give to disclose on where that's at today, but I do see it being a very large portion of the business over time. I do also think it's obvious by looking at the conflicts today that there is a very real need for autonomous and attributable solutions, not just in future vertical lift, but really across many different applications. And so, I do think it will continue to be something we focus on. I think it has the opportunity to be very large and very large in the early parts of the Archer revenue-generating process, but we'll have to wait and see how that all shakes out before we say too much.

**Operator**

There are currently no further questions queued. So, I will now pass it back to Adam Goldstein, CEO, for closing remarks.

**Adam D. Goldstein**
*Founder, CEO & Chairman*

Well, thank you, everyone, for joining us today. We're building the future of aviation now. We're not waiting for it. And each quarter, we're proving what's possible in this new era for our industry. I look forward to sharing our progress with you next quarter. Thanks.

**Operator**
This concludes today's conference call. Thank you for your participation. You may now disconnect your lines.