

Merlin Labs (Q1 2026 Earnings)
May 14, 2026

Corporate Speakers

- Brian Alger; Merlin Labs; SVP Corporate Development, Investor Relations
- Matthew George; Merlin Labs; Chief Executive Officer
- Ryan Carrithers; Merlin Labs; Chief Financial Officer

Participants

- Suji Desilva; ROTH Capital; Analyst
- Austin Moeller; Canaccord Genuity; Analyst
- Anton Rinnert; TD Cowen; Analyst

PRESENTATION

Operator^ Good morning and welcome to Merlin's First Quarter 2026 Earnings Conference Call. At this time, all participants are in a listen-only mode. Following management's prepared remarks, we will conduct a question-and-answer session.

Today's call is being recorded and a replay will be available on Merlin Investor Relations website following the call.

I will now turn the call over to Brian Alger, SVP Corporate Development and Investor Relations. Please go ahead.

Brian Alger^ Thank you, Andrew, and good morning, everyone. And welcome to Merlin's first earnings call as a public company.

Joining me on the call today are Matt George, Merlin's Founder and Chief Executive Officer; and Ryan Carrithers, our Chief Financial Officer.

I'd like to direct your attention to the presentation intended to accompany today's conference call. A link to the presentation can be found on the Investor Section of our website.

Momentarily, Matt will kick things off with a brief overview of Merlin and the opportunities we are trying to address. He will also discuss our first product launch and its significance under our platform architecture. Ryan will then take you through the financial results, our liquidity, and our financial expectations. We will then close with a Q&A session.

Before we begin, a reminder that today's discussion is being recorded and will include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties, and other factors that could cause actual results, performance, or achievements to differ materially from what is expressed or implied.

Those factors include, among others, regulatory approval timelines, competitive dynamics, capital availability, technology developments, and broader market conditions. For a complete discussion of risks, please see our most recent filings with the SEC. We undertake no obligation to update any forward-looking statement except as required by law.

Today's discussion will also reference adjusted EBITDA, which is a non-GAAP financial measure. The reconciliation of adjusted EBITDA to net loss, the most directly comparable GAAP measure, is included in the appendix of our earnings presentation, available on the Investor section of our website at investors.merlinlabs.com.

A replay of today's call will also be available on the same website shortly after we conclude the Q-&-A session.

And with that, I'll hand the call over to Matt. Matt?

Matthew George^ Thanks, Brian. To everyone joining us today, thank you. I'm excited to be speaking with all of you on Merlin's first earnings call as a public company.

To kick us off ahead of reviewing our Q1 2026 financials, I want to talk at a high level about our business and our markets.

For 100 years, aviation has been built around human crews. At Merlin, we believe that aviation's next 100 years will be built around autonomy. For us, autonomous flight means one certifiable AI System adaptable to any airframe and any mission, which becomes more capable with each adaptation.

We see this as physical AI for the sky, and we believe it has the potential to expand airframe use cases, grow aviation productivity, improve safety, lower operating costs, and build data and operating flywheels that could advantage every existing aircraft.

Finally, we think autonomous flight has the potential to radically change how aviation's future is built and deployed, creating significant market opportunities for systems like ours to pioneer it.

Turning to Merlin itself, our HQ and engineering center are located in the great city of Boston, Massachusetts. Beyond Boston, we have flight test facilities in Quonset, Rhode Island, and in Kerikeri, New Zealand.

Our now almost 200-person team has spent the past eight years on a single technical agenda, aiming to build certifiable autonomy that can fly any aircraft in any mission and for any operator.

If you're new to Merlin, here are four key highlights about our company that you should know. The first is that we are the prime on the USSOCOM IDIQ contract on the C-130J with a \$105 million contract ceiling.

The second is that we've executed our first fully automated takeoffs on certification candidate aircraft this year. We did this on April 11th and April 21st in both the U.S. and New Zealand on two aircraft on two different continents.

The third is that we work supporting those takeoffs inside an active certification program with multiple regulators in two countries on the same software stack. I will come back to certification later because it is an important component of the competitive mode that makes Merlin so special.

And the fourth highlight is the financing we closed on May 1st. Following that close, Merlin's cash, cash equivalents, and short-term investments were approximately \$183 million. We believe this provides us the runway intended to support our near-term priorities.

Now let's talk about the technology at the heart of our business. If you started with a clean sheet of paper and you set out to build a generational aerospace and defense business, you would not begin with metal and rivets.

You'd begin with a brain. You'd build an intelligent system that could fly any aircraft, anywhere, and on any mission. And because you'd build that brain, not an airframe, you would design your system to be smarter, faster, and more capable with every flight. That brain is what we are building with the Merlin Pilot.

The Merlin Pilot is the same core software across every aircraft we equip. Every aircraft we integrate is another spin of the Merlin flywheel because we think the data collected from each flight will make the core smarter and more capable.

Our strategy is to scale the software platform across multiple aircraft in multiple markets while focusing our engineering investment where we can quickly build structural advantage.

If you're following along in the deck, right now you should be looking at what we call the spaghetti slide. The slide is the visual I use with investors who ask, what would the platform actually look like at scale? The answer, it would look like one core across many programs and many airframes. This includes both military and civil aircraft.

We believe leveraging the same core should compound our advantage over time in three mutually reinforcing ways. The first is engineering. To reiterate, with each new aircraft we integrate builds on the same core Merlin Pilot software. We think the engineering cost of each subsequent program should significantly decline over time.

The second is regulatory. Prior regulatory alignment, accepted compliance methods, and reusable certification artifacts should create significant leverage for subsequent platforms. The third is data. Information we capture from every flight will make the core itself more capable over time.

We do not think these compounding dynamics can be replicated quickly and all three of them get more valuable to us with every aircraft we add. That's why we believe that this is a platform business designed to benefit from real network effects across our fleet and across our customers.

With the strategy behind the technology defined, I want to double click on certification. It is important to realize that we're not only writing code that can fly an airplane. We're also building processes, policy, a team, and a data lake, all focused on turning code into safe, reliable, human or better performance.

We are aiming to be the first in the world to achieve civil certified, fully automated takeoff to touchdown flight on a fixed-wing aircraft. The gap between can fly and is certified to fly is where most autonomy programs end. It's also where Merlin's moat begins.

Certification is a demanding process and a complex topic. Today, I want to frame out our high-level progress. We've cleared the first two major certification milestones with the New Zealand Civil Aviation Authority in a concurrent validation program with the United States Federal Aviation Administration. Those milestones are SOI 1 and SOI 2. Think of those as the planning and development review gates.

We're currently working on SOI 3, which is where we demonstrate that our software verification holds up under the regulator's scrutiny. SOI 4 is the final software compliance gate. A successful outcome with the CAA would potentially create direct pathways for U.S. operational approval.

As we noted earlier, if we achieve certification, we believe downstream progress would become easier and more efficient from both a technical and regulatory perspective.

Now, I want to turn to how Merlin defines a product. For us, a product is a combination of four things. It is the Merlin Pilot core integrated onto an airframe, oriented at a mission, and targeted at a customer. So, software plus airframe plus mission plus customer equals a product.

Now, let's look at how we execute against our product definition. When we launch a product, we think an aviation vertical has the following opportunity set. First, we want the Merlin Pilot core to be technically mature on the relevant aircraft category.

Second, we assess whether our software will add significant value to operating that aircraft, either in terms of fleet productivity or in terms of missions it otherwise couldn't fly.

The third is there should be a clear basis for understanding the relevant regulatory areas requirements with target regulators. And finally, we look for an external indication of interest from potential customers or collaborators.

But discipline is important. If we cannot clearly apply these four criteria to a given opportunity, we won't do it. We are early in this commercialization effort. Longer term, our goal is to build a portfolio of product verticals on top of the Merlin Pilot software platform.

But right now, let's turn to the first major step towards that goal. We announced it right ahead of this call. Our first product launch is called Condor. Condor is a Merlin product designed to bring certified autonomy into multi-crew large aircraft, sitting alongside the human pilots already in the flight deck. Our goal is to make every flight safer and more productive.

As a product, it applies both to the civil and defense markets. On the civil side, we think Condor has compelling tailwinds given the growth of demand across the narrow body and wide body freighter markets, and the structural challenge related to pilot shortages around the world.

In particular, we believe the combination of those two dynamics creates a real opportunity for single pilot and augmented operations in this space. Let me explain by putting the scale of what those airframes carry in context.

According to the International Air Transport Association, air cargo moves roughly a third of the world's trade by value, more than \$8 trillion of goods per year. That includes around 77% of the world's smartphones, 60% of laptops, and more than 99% of the world's memory chips.

At the same time, aviation is overall experiencing pilot shortfall. The National Air Carrier Association forecast projects a cumulative shortfall of nearly 30,000 pilots in the U.S. alone, with an even larger shortfall globally.

To bring autonomy to that network, we need allies. Autonomous cargo aviation is a network of operators, lessors, integrators, and, of course, regulators. Merlin is already collaborating with World Star Aviation, a leading freight lessor, and is developing additional relationships with key players in the commercial cargo conversion market.

We believe these kinds of collaborations will give Merlin and Condor the technical and framework to help us scale. We expect to collaborate with more key operators in this ecosystem over time.

With Condor's applicability to the private sector hopefully clear, let me now underscore Condor's defense applications. Here, too, we believe Condor will allow for the eventual transition to single pilot and augmented operations. I referenced the USSOCOM, IDIQ contract on the C-130J earlier.

From an operating certification and technical capabilities perspective, the C-130J is, of course, a significant deployment. It is a serious aircraft, four engines, high gross weight, tactical missions, contested environment. The work we do on this airframe should translate to a meaningful set of additional defense aircraft.

Further, if our autonomy stack works on the C-130J, the technical case for it is also meaningful on our civil airframe.

Finally, let me reiterate that Condor is just the first named product of an expected portfolio.

Now, with that, let me turn it over to Ryan to walk you through the first quarter financial numbers.

Ryan Carrithers^ Thanks, Matt. Good morning, everyone. The financial picture this quarter tells a story consistent with what Matt just walked through. We successfully completed our business

combination and additional pipe financing to significantly strengthen the balance sheet and support our next phase of growth.

I'll now talk through each of those areas in more detail. First quarter revenue was approximately \$1 million, up roughly 15% year-over-year. The substantial majority of revenue in the quarter was recognized under our defense IDIQ structure as task orders were funded and work was performed.

On a GAAP basis, net loss for the quarter was approximately \$90 million. I want to flag up front that this figure is heavily influenced by non-cash items tied to the completion of our business combination.

Most significantly was a non-cash fair value adjustment on our convertible promissory notes of \$88 million, partially offset by an approximately \$27 million non-cash gain on our warrant liabilities. These items are financing related and non-cash, and we don't believe they're reflective of our underlying operating performance.

Excluding these and other similar items, adjusted EBITDA was a loss of \$23.3 million, compared to a loss of \$10.4 million in the prior year quarter. That increase reflects a deliberate investment in engineering, certification, and program execution that Matt walked through.

We are spending ahead of the platform leverage we expect to generate, and we believe the return on that investment will show up in the speed and cost efficiency of every product vertical that follows Condor.

A reconciliation of adjusted EBITDA to net loss is included in the appendix to the presentation and in the earnings release.

Capital expenditures in the quarter were approximately \$2 million, compared to approximately \$100,000 in the prior year quarter. The CapEx this quarter primarily reflects flight test equipment and ground infrastructure across our three operational sites.

Turning to the balance sheet, we ended the first quarter with approximately \$123 million in cash, cash equivalents, and short-term investments and no debt. Subsequent to the quarter end, we closed our private placement with an existing long-term institutional shareholder on May 1st.

As of May 1st, our cash position was approximately \$183 million. Together, the completion of our business combination and this additional capital raise has meaningfully strengthened our balance sheet, providing the capital and flexibility to continue advancing our certification roadmap, scaling engineering and integration capacity, and supporting the commercial introduction of Condor.

Before I hand it back to Matt to close the call, I want to spend a few minutes on how we're thinking about the year ahead and what we believe investors should be watching. Our near-term financial trajectory is tied to the timing of certification milestones, program awards, and the commercial introduction of Condor.

The timing and magnitude of revenue associated with each of these can shift meaningfully based on the customer procurement cycles and regulatory processes. Given this variability, let me be clear about how we're thinking about three things that matter most right now for Merlin.

The first is the balance sheet. As I noted earlier, the May 1st close of our private placement leaves us well-capitalized with no debt. Of course, actual results will depend on the assumptions underlying our operating plan, including certification timelines, program costs, and revenue generation. But based on that plan, we believe Merlin's runway extends beyond our near-term certification and commercial milestones.

For a company at our stage, that matters. It means we can choose the right programs, invest ahead of the revenue curve, and pursue the compounding advantages Matt described without the distraction of what we currently anticipate to be our near-term capital needs.

The second is operating investment and expenses. Our \$14 million in R&D in the first quarter reflects deliberate investment to advance our certification roadmap and support the Condor commercial introduction. We are optimizing for the platform leverage we believe will show up in the speed and cost efficiency of every product vertical that follows Condor. We will continue to invest in R&D to advance our products and platforms, as Matt discussed previously.

The third and most important area of focus is the progression we are making towards our four major initiatives. Development of our Merlin Pilot platform, the introduction of Condor products, certification on our target airframe, and the commercial collaborations Matt referenced.

These are the leading indicators of a business building durable, compounding revenue, and margins. These are the metrics we are driving our business towards.

With that, Matt, back to you.

Matthew George^ Thank you, Ryan. Before we open it up for Q&A, let me leave you with a few summary points.

First, watch how we develop the Merlin Pilot platform. Watch how many aircraft are integrated, how many are operational, and how we believe the certification work on the first airframe can be leveraged across future programs. The compounding I described in the first part of the call is the structural advantage of this business.

Second, watch the vertical products. Condor is the first one, and we expect it to be one of several. Even ahead of scaled commercialization, we believe the product launches are meaningful signals for where we're deploying expertise and capital.

Third, watch certification. We believe certification progress on our initial aircraft is the most, and every milestone we are able to clear will accelerate that path for future verticals.

Lastly, watch the commercial network we're building. We believe the Condor commercial collaborations are just the beginning. Over time, we believe the breadth of the network behind Merlin Pilot is what will differentiate the platform, and it is a priority we intend to invest in over the next several years.

Our team has spent eight years getting Merlin to this moment. We are operating with conviction, with capital, with customers, and with a clear plan. We look forward to building that future with you.

Operator, back to you to take questions.

QUESTIONS AND ANSWERS

Operator^ Thank you. (Operator Instructions). One moment, please. And our first question comes from the line of Suji Desilva with ROTH Capital.

Suji Desilva^ Good morning, Matt. Good morning, Ryan. Congratulations on the first quarter and the public combination.

Maybe I can ask a question specifically about the combination. And now that you have post this, you have better access to capital and currency with the raise you did. Any thoughts now, I know you haven't historically. Any thoughts on what might be available to you inorganically and how you might want to grow sort of the Merlin base of assets strategically?

Matthew George^ Thanks, Suji. As we've said prior, we believe that there's going to be a neo-prime built in this space. As we've seen from the Department of War, even over the past couple of weeks, the DOW and militaries around the world are building new capabilities and relying on new entrants like Merlin to get that done.

So for us, what that means is using M&A and inorganic growth in order to go take our autonomy core and start to do some transactions that allow us to leverage our core autonomy in ways that gets that autonomy out into the hands of customers, partners, via existing products or existing companies and build that neo-prime thesis. And all primes over the past 20 years or 30 years have built now multi-billion dollar bases off of that M&A strategy, leveraging that common core.

So nothing to announce there yet, but it's a really important part of our strategy.

Suji Desilva^ Okay, Matt. Excellent, very helpful. Maybe you can talk specifically about the C-130J IDIQ and what milestones we should be watching for the rest of the year, how this will play out. I know obviously, inheriting the structure is the uncertainty, but any color you could offer there would be helpful?

Matthew George^ Our integration on the C-130J, we believe that that is going to be the first time autonomy flies on an operational Air Force aircraft, a fixed-wing operational Air Force aircraft. So it's going to be a big deal for us and it's going to be a big deal for the U.S. Air Force.

We have announced PDR in the past two or three months. The next milestone to watch out for is our completion of CDR, which is one of the two big milestones, PDR being one and CDR being the other.

Nothing to announce there yet, but that is the next big milestone to watch out for, particularly as we bring the system closer and closer to getting onto the airplane. So, nothing to announce there yet, but definitely watch this space.

Suji Desilva^ I appreciate you laying that out, Matt. And then on the call, you teased us, you know, congratulations on Condor and the new product, obviously very exciting.

You teased us about a roadmap of products, this being the first one. I know you don't want to pre-announce anything, but can you give a sense of the vectors we should think about for roadmaps of products? What framework do you think about when you think about your product roadmap from Condor forward?

Matthew George^ This goes back to us developing the core brain and the core software that can be used in a wide variety of applications. So when we announce a product, it is taking that core brain and applying it to a particular vertical, in this case, using the Merlin Pilot Brain to augment operations on very large multi-crew aircraft.

You can expect from us in the future, clearly, that we can go take that brain and start to put it into different operational use cases. But as I talked about in my comments, we're also going to do that in a way where we always announce partners and collaborators within the ecosystem to take what we're building and really turbocharge it out in the market.

So today, on Condor, we announced the first partner under the Condor program, which is World Star Aviation, one of the largest lessors of cargo aircraft in the world. So you can expect similar motions from us in the future, where we go take that core Merlin Pilot brain, put it into a particular product category, and then make sure that we're bringing partners along on that journey with us.

And then as we announce progress over the course of the coming months and years, we'll continue to announce progress on each one of those product verticals as we build that diversified product line towards that neo-prime overall thesis for Merlin.

Suji Desilva^ Very helpful to kind of see where you're headed with this. And then lastly, and then I'll pass it on.

Certification, obviously very important here, you gave us some color on the timeline to the next steps. Just can you help us understand what opens up for Merlin as a business post-achieving certification versus the current status, just to help understand what it unlocks for you guys?
Thanks.

Matthew George^ Yes, for us, certification is going to be really important. Nobody in the world has yet certified takeoff to touchdown autonomy. As we talked about on the call, we believe we

will be the first in the world to certify takeoff to touchdown autonomy in our partnership with the New Zealand Civil Aviation Authority and their relationship with U.S. Federal Aviation Administration.

So for us, that certification unlocks a ton of stuff, but also, and more importantly, builds out the technical maturity, the team maturity, and everything else that we need to go continue to win large contracts, like our \$105 million contract in the C-130J. And it's also enabled us to be in a position where we can announce things like Condor.

So at the end of the day, certification is a really important part of our story, but you can view it as kind of an indicator of technical maturity, even in addition to the straight certification milestone.

So once again, nothing to sort of pre-announce here, but definitely watch this space, as we announce more.

Suji Desilva^ Very helpful color, Matt. Thanks, and thanks, Ryan. Thanks, guys.

Ryan Carrithers^ Thanks, Suji.

Operator^ Thank you. And our next question comes from the line of Austin Moeller with Canaccord Genuity.

Austin Moeller^ Hi, good morning. So just my first question, is there any capability to test the autonomy platform on aircraft as part of the SMART program or other aspects of the FAA infrastructure investments to digitally de-conflict airspace?

Matthew George^ Yes, we're investing particularly in those areas pretty heavily. As I'm sure you've seen in the news, there's been a lot of stuff out there over the past couple of months and couple of years where human error has unfortunately led to a bunch of accidents.

So with our Condor release, one of the things that we're excited about working on and getting out into the market is tools that help pilots operate aircraft more safely and more efficiently.

So in the past, we've done work on things like ACAS X, which is MIT and Lincoln Labs sort of collaboration with Merlin around how to do airspace de-confliction around TCAS and ACAS. And we're going to continue to announce features there as we roll the Condor product line out on to target customer aircraft in order to make those aircraft safer.

But also, of course, we're working closely with global regulators on how we integrate those safety features into the national airspace around the world so that we can make those preventable accidents just that preventable rather than inevitable.

Austin Moeller^ Okay. And are there any specific funding line items you see within the fiscal year '27 defense budget, which is requesting \$71 billion for unmanned systems and autonomy that could be directly applicable to Merlin as they're conducting the testing on the C-130J and other platforms?

Matthew George^ Yes, we do. So as it's been out there, the Defense Autonomous Warfare Group has a \$53 billion top line ask in the president's budget. That's still all working out through reconciliation and the budget cycle.

But there's plenty of stuff in there that's directly applicable to what we're building here at Merlin and ultimately is tens of billions of dollars more for autonomy for the Department of War that otherwise wasn't there.

We're excited about the C-130J because we believe it's one of the closest shovel-ready programs to get autonomy out onto operational Air Force aircraft. Clearly nothing we're going to pre-announce there, but the tailwinds are certainly there and we're accelerating that effort given those tailwinds.

Austin Moeller^ Excellent. Looking forward to it. Thank you.

Operator^ Thank you. And our next question comes from the line of Anton Rinnert with TD Cowen.

Anton Rinnert^ Hey, good morning. Thanks for taking my question and congrats on the first quarter.

I'm just curious, how are you thinking about M&A now that you have some cash on the balance sheet or some more cash on the balance sheet? Are there any gaps that you might be looking to fill?

Matthew George^ For M&A, we are building what we believe is the leading takeoff to touchdown autonomy system in the world. So when we're looking at M&A, we're looking at opportunities where we can leverage that core autonomy into platforms, programs, existing contracts where that autonomy can meaningfully accelerate capabilities for customers and provide asymmetric value to our investors and also to what we're building at Merlin.

So nothing to pre-announce there yet, but M&A is certainly top of mind for us as we build what we believe will be a pretty important neo-prime focused around autonomy.

Clearly, there's lots of stuff going on in the defense tech space. We think that focus is really important. So we're going to be building Merlin really as a neo-prime, but focused just on autonomy and on autonomy, particularly at least at first in the air domain where we can leverage what we have built to deliver asymmetric value for our customers, but also for our investors.

Anton Rinnert^ Got it. Thank you. And then maybe just quickly, could you maybe provide an update on how you think about pricing of Condor and Merlin Pilot platform as a whole? Are these [writing] discussions still ongoing? Any color there would be helpful.

Matthew George^ The discussions are certainly ongoing. High level, we believe in a two-part pricing model for things like Condor. First, we're selling the physical hardware that goes into the aircraft that enables the aircraft to fly autonomously.

We believe that that hardware can be sold at relatively low margins to enable the eventual software deployment, which is, of course, very high margin. And we think that that software deployment needs to be priced in a way where there are shared savings and shared value with our customers.

So, if you're able to leverage the software as a customer in order to save on operating costs or to increase aircraft utilization and efficiency, we believe that the customers should see savings from that. And then Merlin will take a portion of those savings in a true partnership with our customers versus this being a net new above-and-beyond base operating expense for our customers.

So that's exciting. It changes the way our customers do business, but also enables a long-term software sale in the aerospace and defense market that really hasn't existed before, while also dramatically expanding the capabilities of the aircraft for our customers.

So ongoing discussions, but we're pretty pumped about it.

Anton Rinnert^ Great. Thanks for the call.

Operator^ Thank you. I'm showing no further questions. So with that, I'll hand the call back over to CEO, Matt George for closing remarks.

Matthew George^ Great. Thank you so much.

Last thing I'll say is we appreciate each and every one of you being on this journey with us. Building Merlin and building what we think is going to be a very important company and a generational company in the space is really the opportunity, at least for us, of a lifetime. And we appreciate you all being on the journey with us.

Please reach out if you have any questions and really appreciate everyone's time here today learning more about Merlin and what we've been working on this quarter. Thank you.

Operator^ Ladies and gentlemen, thank you for participating. This does conclude today's program and you may now disconnect.