



Archer Aviation Inc.

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Earnings Call

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Call Participants

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Presentation

Operator

Good afternoon. Thank you for attending the Archer Aviation Q1 2023 Quarterly Results Call. My name is Matt, and I'll be your moderator for today's call. All lines will be muted during the presentation portion of the call for an opportunity for questions and answers at the end. [Operator Instructions] I would now like to pass the conference over to our host, Andrew Missan, Chief Legal Officer of Archer. Please go ahead.

Andrew P. Missan

Chief Legal Officer & Secretary

Thank you. Good afternoon, and welcome to Archer's First Quarter 2023 Conference Call. Joining me today are Adam Goldstein, our Founder and CEO; Tom Muniz, our COO; and Mark Mesler, our CFO. Please note that during today's call, we will be making forward-looking statements. These statements involve risks and uncertainties that may cause actual results to differ materially from those contemplated by the forward-looking statements. For more information about these risks and uncertainties, please refer to our SEC filings, including the risk factors discussed in our most recently filed annual report on Form 10-K. Any forward-looking statements that we make on this call 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.Â

During this call, we may present both GAAP and non-GAAP financial measures. A reconciliation of GAAP to non-GAAP measures is included in our shareholder letter posted on our IR website. And now I'd like to turn the call over to Adam. Adam?

Adam D. Goldstein

Founder, CEO & Director

Thanks, Andy. 2023 is a landmark year for the leaders in our industry. Efforts are shifting to building the conforming aircraft that will be used as part of certification testing in advance of commercialization in 2025. I want to reiterate Archer's strategy, to build an aircraft with the most efficient path to certification and manufacturing at scale. Our aircraft design has focused on optimizing for the UAM business case, a safe, sustainable, quiet aircraft that can perform rapid, short distance back-to-back trips for full passengers plus a pilot. We believe that UAM will initially be the largest market segment for electric aircraft. Our execution has and continues to focus on leveraging our team's industry-leading expertise to make simultaneous progress across all work streams, technology, certification, manufacturing and commercial operations. The substantial progress we've made to date gives us high confidence that we will be in a position to begin commercial operations in 2025 with the ability to rapidly scale.Â

Last quarter, I spoke in detail about our recently announced manufacturing partnership with Stellantis, one of the world's largest automakers whose iconic brands include Jeep, Ram and Maserati. Remember, that agreement with Stellantis involves us joining forces to build our Midnight aircraft as well as Stellantis providing additional capital to Archer to help ensure we get through to commercial operations with scalable manufacturing. Today, I'll share some exciting updates on our joint efforts to stand up those manufacturing capabilities, including progress on our manufacturing facilities in San Jose, California and in Covington, Georgia. Our collaboration with Stellantis goes back to 2020 and is built on our shared goal of developing a sustainable urban air mobility industry, supported by high-volume manufacturing with a focus on quality, efficiency, profitability and above all else, safety. Stellantis initially became an investor in Archer in 2021. And as part of the recent expansion of our strategic relationship in addition to our manufacturing partnership, they have committed up to an additional \$150 million in equity capital for Archer to draw upon at our option between now and the end of 2024. This is a once-in-a-generation opportunity to redefine urban transportation for both Archer and Stellantis.

For Archer, our relationship with Stellantis helps us ensure that we have a robust, scalable manufacturing infrastructure in place at the time of certification. And by leveraging Stellantis' expertise in advance to volume manufacturing, it enables us to do it in a cost-effective and capital-efficient way. For Stellantis, this partnership helps them continue to push the boundaries to provide sustainable freedom of mobility,

whether traveling by road or sky. Choosing Archer as a partner for this new market speaks to their belief that we have the right team and technology to drive the UAM transformation. We believe our strategic relationship with Stellantis is by far the deepest commitment to date by a partner across the eVTOL industry. Our high-volume Covington manufacturing facility is slated to come online in 2024. The first phase of development at Covington spans a 96-acre site adjacent to the Covington Municipal Airport, where we will have the ability to produce up to 650 aircraft per year. The second phase would give us the ability to produce up to 2,300 aircraft per year. The end result would be a massive manufacturing operation that makes the Archer and Stellantis team the largest aerospace manufacturer in the world by number of planes produced annually.

Until our Covington facility is online, we're leveraging our integrated test lab and manufacturing facility located right here in San Jose, just around the corner from our headquarters to build our conforming aircraft. This facility can manufacture [Indiscernible], it can be used for incremental manufacturing capacity as we are ramping up Covington. All of this early work on manufacturing infrastructure is geared towards supporting a robust commercial launch in 2024. Quarter, we announced our plans to launch UAM operations in another city, a key milestone in our go-to-market strategy. We announced the City of Chicago as our next airport to city center route. The announcement was in close coordination with the City of Chicago, the Chicago Department of Aviation, the State of Illinois and ComEd, the utility in Chicago, which is indicative of their view that this is an incredible step forward for Chicago and will be a showcase for the future of sustainable travel.

We are seeing high levels of interest from other municipalities all over the country for UAM solutions that can address both traffic issues and sustainability commitments. The Chicago announcement continues the expansion of our existing partnership with United, following our announcement of a Manhattan to Newark route last year. These 2 routes represent important steps in building out our trunking brand strategy as we enter our foundational markets, meaning that we start with the highest traffic, highest demand routes and will expand our UAM network outward over time. The great news is that our approach aligns nicely to the UAM concept of Operations 2.0, the FAA and NASA announced last week. As we've talked about commercialization over the past several quarters, we focused on the civilian use cases for our Midnight aircraft, but we've also been working closely with the Department of Defense on several programs and have been in talks about significantly expanding our relationship. As our Midnight aircraft progresses towards commercialization, based on this performance specifications, including its payload, the Department of Defense has expressed strong interest in using the aircraft for nonkinetic use cases such as rescue operations and for supply chain logistics.

In support of these efforts, just yesterday, we announced the formation of a government services advisory board with six appointees. These six highly decorated and distinguished military leaders represent the United States Air Force, Navy and Army. We are extremely fortunate to have this significant level of leadership and experience on board and supporting Archer. This advisory Board will further build on our expertise and perspective of U.S. federal government programs and procurement strategies to allow us to more fully engage with U.S. government agencies to explore additional opportunities to commercialize eVTOL aircraft. Before I turn it over to Tom to give more detailed updates on our technology and certification progress, I'd like to note that Archer will be participating prominently in the Paris Air Show in June as the featured eVTOL aircraft manufacturer.

The Paris Air Show is the premier global aviation event of the year, featuring the world's most impressive aircraft while serving as a platform for the aviation industry to come together and provide thought leadership on the direction of the industry. As such, our Midnight aircraft will be making its European review and several of our executives will be speaking on panels that are focused on sharing our vision for the commercialization of our industry. If you're coming to the Paris Air Show, I want to invite you to stop by Archer's location to meet our team and see Midnight for yourself. It's truly a memorable experience. I'll now turn it over to Tom.

Thomas Paul Muniz
Chief Operating Officer

Thanks, Adam. These last couple of months have been very exciting for the team as we've had some key milestones on our path to bringing Midnight into service in 2025. Most importantly, I'm very excited to announce that production of our first Midnight aircraft is now complete. Just last week, the aircraft was delivered to our flight test facility in Salinas and reassembled. You can see a picture of the aircraft in Salinas on the cover of our shareholder letter. This is right on schedule and means we are on track to begin flight testing of this aircraft this summer once it completes all its necessary ground tests. This is a huge milestone for us and the industry. We plan to fly this Midnight aircraft extensively throughout the second half of this year, paving the way for piloted flight testing of the fleet of conforming the night aircraft we are building to support 4 credit flight testing with the FAA. We remain on track to begin pilot operations in early 2024.Â

As we've discussed before, our team of leading engineers have been hard at work over the past couple of years, developing Midnight's proprietary electric propulsion system. We believe that the advanced performance and safety of Midnight's batteries and electric engines, coupled with its design for high-rate manufacturing is a key differentiator and advantage for Archer. Our strategy of realistic innovation led us to optimize the design of our batteries and electric engines to facilitate a more streamlined certification process and support our plan to ramp up manufacturing to allow us to deliver hundreds of aircraft per year shortly after getting certification. The past few months have seen this strategy deliver dividends as the team has made great strides on the engineering certification and manufacturing of these key systems.Â

Let's drill down on the battery front. We've now completed critical testing of Midnight's batteries at the cell and pack level. Our proprietary battery packs are built with industry standard cylindrical cells, which we believe have the highest levels of safety and reliability across the industry. Their safety and reliability has been validated through hundreds of thousands of hours of extensive testing by the team over the past few months in preparation for Midnight flight testing. Cylindrical cells have key safety advantages over alternative form factors like pouch cells, such as built-in current interrupt devices and dedicated vent paths, which facilitate the design of safe, efficient and lightweight battery packs, which meet the most stringent aerospace safety requirements. For these reasons, we believe that currently, cylindrical cells are the best technology for aerospace applications. At the pack level, our battery packs have also completed environmental testing, including shock and vibration testing required by the FAA for certification. The data from these tests gives us high confidence as we move forward towards four credit testing with FAA. The validation data also gives us confidence to proceed with preparations for manufacturing scale-up of Midnight's battery packs at our San Jose manufacturing facility.Â

This progress on battery testing and manufacturing also maps to the progress we are making on the certification front. The detailed testing and data that I just mentioned has facilitated lots of progress and collaboration with FAA. Over just the past couple of months, our battery team has had several in-person meetings with the FAA technical team in both Washington, D.C. and on site at our facilities. In these meetings, the combined team has reviewed detailed design and validation data in preparation for finalizing our subject-specific certification plan for this area, which has now been formally submitted to the FAA for approval. Batteries are just one example of many where we continue to make progress with the FAA on certification. We have now submitted 15 of our 18 subject-specific certification plans to the FAA. As a reminder, SSCP provide precise detail on each of the specific tests and analyses that will be completed during the implementation phase of the project, in which we will demonstrate to the FAA that Midnight meets all relevant FAA requirements necessary to receive type certification.Â

We have also submitted our project-specific certification plan or PSCP. This is the overall guiding document for the entire project that leverages all SSCPs to provide complete coverage for all global certification requirements. We remain focused on ensuring our progress with the FAA supports our timeline of performing for credit testing with our conforming aircraft next year. Let's now shift to our manufacturing build-out an area where we continue to lead the industry. It's a very exciting time for the team as our San Jose manufacturing and lab facility is now coming online, and we are underway with the construction of our high-volume facility in Georgia. Our San Jose, California facility has 3 main components: test labs, powertrain manufacturing and aircraft final assembly. For testing, the facility contains roughly a dozen specially designed laboratories to conduct specific component and system testing to support both engineering validation and for credit certification testing of all the systems on the Midnight aircraft.

This facility also has a significant amount of space allocated to powertrain manufacturing with partially automated assembly lines for our proprietary battery packs and electric engines.Â

As we speak, lab and manufacturing equipment such as robots for our battery pack production line are being installed and commissioned. Lastly, there's an aircraft final assembly area that can support the production of tens of aircraft per year. This is where we will assemble the initial fleet of conforming Midnight aircraft later this year that will be used in 4 credit certification testing next year. In parallel, our team has been hard at work alongside a large very experienced team from Stellantis on the production system development for our high-volume facility in Georgia. If you walk around the Archer office here in San Jose, you'll see many Stellantis employees with invaluable experience from their brands like Jeep, working side-by-side with Archer team. The material flow and layout of that facility, along with the detailed building mechanical, electrical and plumbing design is now mature and construction is on track for occupancy in 2024 and on track to support our production ramp for commercialization in 2025.Â

When it comes to manufacturing, we are confident that we are the most advanced eVTOL company in the world, due in large part to our strategy to focus not just on design for certification, but also on designing for mass manufacturing. No other eVTOL company has even announced that they've selected a site for a high-volume facility. I just want to take a moment to thank the tremendous effort both our team and the Stellantis team has put in. There is no replacement for hard work and the teams continue to step up every day as we ready for commercialization. And with that, I'll hand it over to Mark to discuss the financials for the quarter.

Mark Mesler

Chief Financial Officer

Thanks, Tom. While Adam and Tom highlighted the great progress we are making on our efforts to commercialize in 2025, it is important to note that we are doing so in a financially disciplined manner. To commercialize this industry in any meaningful way, we must not only receive type certification of our aircraft, but also have a mature supply base and manufacturing capabilities that will allow us to launch this industry and capture the forecasted demand for sustainable urban air mobility. I would like to recognize the tremendous work and support we are getting from our foundational suppliers. They are moving and innovating at a pace that is allowing us to track to our commercialization efforts in 2025. We cannot achieve that goal without their hard work and commitment to this new industry and Archer. As we continue to progress our manufacturing operations and mature our commercialization efforts, we also remain focused on maintaining a healthy cash runway. We get questions every quarter about the liquidity necessary to get to commercialization. And we've been very consistent with communicating our comfort around being sufficiently capitalized to get there.Â

We ended Q1 '23 with \$450 million of cash and short-term investments on our balance sheet. Additionally, as we discussed in detail last quarter, Stellantis has committed \$150 million of equity capital that we can draw upon between now and the end of 2024 in 3 tranches as we need it based on us achieving certain milestones, giving us a total of around \$600 million. We structured that agreement in order to give us flexibility as to when we take the investment in an effort to minimize potential dilution to our shareholder base. It is also worth revisiting the fact that we previously announced an LOI with Synovus, our banking partner in Georgia, to finance our factory build in Covington, Georgia and the equipment that we will deploy there. Our intent is that we will enter into a financing facility with Synovus later this year that will cover nearly all of the cost of construction of the Covington facility, minimizing the near-term impact to our cash. We will keep you posted as that progresses.Â

As you can see, we are being very thoughtful about how we manage our liquidity and potential shareholder dilution. Recall that we also have a 200-unit aircraft purchase agreement with United with an option for them to take another 100 aircraft. To date, they have provided a \$10 million predelivery payment for the first 100 aircraft. As we progress further through the aircraft certification program, we expect that we will agree upon and receive additional predelivery payments from United. Beyond these previously announced arrangements, Stellantis and United remain committed to helping Archer get to commercial operations in 2025. We are very fortunate to have the continued support of these 2 strategic partners and investors. As I have discussed in the past, we have taken and continue to take proactive

measures to manage our cash flow and optimize our expenses to achieve our program milestones and company goals. Through our rigorous budgeting and forecasting process, we are constantly reviewing our financial requirements to support our path to commercialization and making necessary adjustments to ensure that we are maximizing our resources and operating efficiently. We are committed to delivering on the promise of bringing UAM to market at scale in a thoughtful, financially disciplined manner. We are confident we have the right strategy to do so.Â

Now on to our financial performance for Q1 '23. Our non-GAAP total operating expenses were \$80 million, right at the midpoint of our estimates range. This led to an adjusted EBITDA loss of \$79 million. The preponderance of our operating expenses continue to be investments in headcount and engineering development expenses to build and test our Midnight aircraft. We are also making investments in nonrecurring expenses at vendors for the build-out of our supply base to manufacture conforming components for Midnight over the long term as well as investing in the parts for our development testing in 6 conforming aircraft that we will begin building later this year and will be used for in-credit testing with the FAA as part of our certification program.Â

The investments in nonrecurring costs in parts were approximately \$16 million for the quarter. As I've discussed last quarter, these costs generally should not persist beyond 2023. On a GAAP basis, total operating expenses for Q1 '23 were \$112 million, which included \$25.7 million of stock-based compensation and \$6.3 million of warrant expenses for our warrants issued to United and Stellantis. These results were slightly below the midpoint of our estimate range of \$115 million. We exited the quarter with \$450 million of cash, cash equivalents and short-term investments on our balance sheet. We used \$77 million in cash for the quarter, primarily to invest in the \$80 million of non-GAAP operating expenses and \$11.4 million of capital expenses, partially offset by working capital timing. The investments we are making now are laying the foundation necessary to yield long-term value for Archer's shareholders, including continued development of Midnight, establishing our long-term supply base for conforming parts for Midnight, parts for our 6 conforming aircraft that we will use in 4 credit testing with the FAA, our San Jose, California integrated test lab and manufacturing facility, and our Covington, Georgia facility.Â Our ending cash balance, coupled with the potential \$150 million in equity capital from Stellantis I previously discussed, provides us with potential liquidity of \$600 million to get through to commercialization in 2025. Finally, let's take a look at our Q2 '23 estimates for spending, which are consistent with our Q1 '23 levels. We anticipate total GAAP operating expense of \$110 million to \$120 million, which includes expected stock-based compensation and warrant expense of approximately \$35 million. Total non-GAAP operating expenses will be between \$75 million and \$85 million. We had a very active investor outreach calendar in Q1 '23, attending events in both the U.S. and Europe. We will continue our outreach in Q2 '23, and we'll be participating in many conferences and non-deal roadshows with the financial community, educating investors on our sector and Archer's strategy. We've provided a detailed calendar on our IR website and our shareholder letter. And with that, operator, we will open it up for questions.

Question and Answer

Operator

[Operator Instructions] As a reminder, if you're using a speaker phone, please remember to pick up your handset before asking your question. You will pause here briefly as questions are registered. The first question is from the line of Bill Peterson with JPMorgan. Your line is now open.

William Chapman Peterson

JPMorgan Chase & Co, Research Division

Yeah, good afternoon and thanks for taking the questions. Nice progress for the quarter. My question is on the government opportunities, the DoD across the branches and maybe other government organizations. Given it sounds like San Jose site really can't build that many units. When you're building high volume in Georgia, I know in the past, you've talked about maybe 50-50 split between aircraft sales and network. How can we -- how should we be thinking about the additional government opportunities within that mix? And especially in the context that maybe building the network maybe may take longer just given lack of infrastructure and obviously awareness and things like that. Just trying to figure out how to think about the go-to-market.

Adam D. Goldstein

Founder, CEO & Director

Thanks, Bill. This is Adam. So we've been working with the DoD for several years. Just trying to put it on context for you. We've had -- we've been working on them across several different programs ranging from acoustics to autonomy. And as we've gotten deeper in with the DoD and really expanded our relationship, we've also seen the DoD really expand the relationship across the whole industry. And so there's been a lot of discussion around use cases and how can we use these vehicles within the DoD. And one of the things that's, I think, been attractive and that we've heard a lot of comments on has been Archer's payload capabilities. And so that has really increased the volume of conversations that we've been having. And so that's really what's been driving a lot of this kind of deepening activity that Archer has put out there. So we decided to form this government advisory board, where we have a range of some of the who's who from the different branches, really deep experienced folks that have worked deep into the budget process to the strategy side across all the different branches.

And we're now kind of figuring out the best strategy on how to go and really pursue the different DoD opportunities. As it relates to our ability to deliver vehicles, one of the things that was super critical to Archer from the very beginning was building a platform that was manufacturable and scalable from day 1. And so we've built a facility that gives us the ability to flex up our production volumes. So in the first phase, we can build up to 650 planes, and there is a second phase to the Georgia Covington facility that will enable us to build up to 2,300 planes per year. So we have plenty of capacity that we can deliver if the demand is there. So I think for now, what we should do is we're going through doing our work. We've put this advisory board together. We're working closely with the DoD and as the opportunities start to materialize, I think will become a lot more clear on the size and timing around them.

William Chapman Peterson

JPMorgan Chase & Co, Research Division

Okay. Thanks for that. And maybe the next question is for Mark. I appreciate that you think as how you look at it today, you have the kind of cash and then taking into account the \$150 million from Stellantis. But just hoping you can kind of just put some numbers around this. Beyond this quarter, actually we think about the OpEx and CapEx trajectory for this year, and I believe you talked about a few onetime items in this year rolling off. Does that basically mean that OpEx should directionally go down on an absolute basis next year as some of these onetime expenses don't occur? Just try to get more comfort around your cash burn.

Mark Mesler

Chief Financial Officer

Yes. Sure, Bill. So if you look at Q1 and how we guided Q2, we landed at the midpoint of our guidance for Q1. Q2, we provided the same guidance on non-GAAP expenses and GAAP expenses. At the end, we did provide that there was roughly \$16 million of nonrecurring costs within Q1. As I said on last quarter, that is a number that's fairly consistent quarter-to-quarter in our current outlook. So yes, as I said, when you look at going to 2024, those nonrecurring costs will not persist. There will be a small uptick in base level spending as we continue to build out the team, et cetera. But you can expect these nonrecurring costs to roll off. So the numbers that I've given you are probably are fairly directionally correct quarter-to-quarter. I don't see a -- while we're not giving forward annual guidance, I don't see us materially changing spending increasing quarter-over-quarter.

William Chapman Peterson

JPMorgan Chase & Co, Research Division

Okay. Thanks. That's good color. Thanks.

Operator

Thank you for your question. Our next question is from the line of Andres Sheppard with Cantor Fitzgerald. Your line is now open.

Andres Juan Sheppard-Slinger

Cantor Fitzgerald & Co., Research Division

Hey, good afternoon everyone. Congratulations on the quarter and all the announcements, and thanks for taking our questions. Adam, I just wanted to maybe follow up on Bill's first question regarding the relationship with the DoD, I think congrats on that expansion. I was just wondering if maybe you can give us a little color on kind of how that relationship has materialized in the last few years. Maybe a little more color on kind of what's been done and what is perhaps expected to now be done. Thanks.

Adam D. Goldstein

Founder, CEO & Director

Yes, sure. So as we've always stated from the beginning, Archer's goal has been to find the most efficient path to market. That's what we've always been focused on. We've tried to have a very clear line of sight with the smallest amount of distraction as possible. And so we've been working to commercialize the civilian passenger market. We think it's the biggest market and the market that we're kind of totally focused on. There have been opportunities along the way to partner with the DoD on lots of different areas. Autonomy, we've done several different programs on autonomy and acoustics as an example. And so it's been helpful as it's progressed some of the capabilities within the aircraft. But it's also really enabled the DoD's ability to just see broadly or broader into our overall program. So we've been maturing the design now on the commercial side, and we feel very comfortable with where we're at. We feel comfortable with our certification time line. We feel comfortable with our ability to manufacture the vehicles. So from our perspective, it got -- became interesting to start looking at ways to dual track our path to market. And so we become more open to having those conversations.

And then there were several key kind of technical benefits to our vehicle that the DoD was very interested in. One was payload, that's a good example. Another one was the ability to move the vehicles around logistically. So some of the group's step-build vehicles that are much harder to move around logistically versus we've thought through a lot of these different items as it's related to our ability to scale manufacturing and then shift the vehicles all of the world because, obviously, they fly very short distances. So we wouldn't necessarily fly them to their final destination. So when you took all these things together, it really has enabled us to just increase the conversations and the seriousness of the conversations. And so it's become a much more interesting market for us because of the phase that we're in, in the program and because we've become so comfortable with the design and engineering phase with the Midnight vehicle.

Andres Juan Sheppard-Slinger

Cantor Fitzgerald & Co., Research Division

Got it. Okay. That's super helpful. A follow-up question, a bit of a curveball. Wondering if we can maybe get your thoughts on the announcement of Billy Nolen retiring from the FAA. What impact, if at all, might that take on certification? Thanks.

Adam D. Goldstein

Founder, CEO & Director

Sure. So first, we're very thankful for the time that Billy Nolen has given in for service at the FAA and for his leadership there. So we think with Billy Nolen stepping down, there's obviously a period of time now where a new person will come into play. But the good news is that we've seen very widespread support on the regulatory side. So it's not even just in the FAA. And you've had recently Secretary Buttigieg been out to see many of the different eVTOL OEM players. We've seen very broad support on Capitol Hill. And we've seen the whole FAA say that AAM is a top 3 priority. So I mean, there are several companies that continue to make significant traction with the FAA. And Archer is now really heading into this testing phase as a lot of the rulemaking part is kind of nearing the back half of that process. So we feel confident that it will have little to no disruption in terms of our progress. And so we feel comfortable with where that's all at.

Andres Juan Sheppard-Slinger

Cantor Fitzgerald & Co., Research Division

Got it. Very helpful again. Congrats on the quarter. I'll pass it on. Thank you.

Operator

Thank you for your question. The next question is from the line of Edison Yu with Deutsche Bank. Your line is now open.

Xin Yu

Deutsche Bank AG, Research Division

Hey, thanks guys, progress. One follow-up on the defense opportunity. Is there any potential chance that you get some contra R&D or something before deliveries to occur with the DoD on one of those lines?

Adam D. Goldstein

Founder, CEO & Director

Yeah, hey Edison, this is Adam. Yes, that is certainly a possibility. So the accounting nature of the different opportunities that we're looking at, I think differ in terms of the different programs that we're considering. So there's certainly a possibility for that. There also is a possibility for early revenue opportunities as well. And so we look at it as a way to diversify the path to commercialization. And so we think it's a good opportunity, but we'll give more color as those details start to emerge.

Xin Yu

Deutsche Bank AG, Research Division

Well said. And then on Stellantis, I'm curious if you could share perhaps some of the early learnings you discovered. Obviously, they've been doing this for a very long time and very high scale. Are there things that you guys kind of encountered that said, "Oh, this is we wouldn't have known this without Stellantis, something -- any key takeaways you got there?"

Thomas Paul Muniz

Chief Operating Officer

Hey Edison, this is Tom. It's a great question. I would say the reality is we're both learning from each other. So to set the broad context here, Stellantis is really interested and this becoming a big part of their business long term. So as much as we're benefiting from their experience in industrial engineering and automation, they're also learning about the right solutions that make sense for the problems we're trying to solve today. And as we said before, we're taking a very phased approach here where early days.

We're using traditional processes, we're being very thoughtful with where we're deploying capital and automation, trying to balance getting to market, using our resources most effectively. So I don't know if you have any like super great example for you, but hopefully, that sort of overall description is helpful.

Xin Yu

Deutsche Bank AG, Research Division

Sure. And if I could sneak one more in the in the original release that they will be looking to make open market purchases of the stock. I'm curious, is that still in your view, their intention? And what's the outlook?

Adam D. Goldstein

Founder, CEO & Director

We can't comment specifically on any potential activities of Stellantis. However, I will draw attention to the fact that they did file a 13D Form 13D with the SEC two days ago, where they actually indicated their intention or reiterated their intention to make open market purchases of our stock. So that is a document that is required for them to even be able to do that, so.

Xin Yu

Deutsche Bank AG, Research Division

Alright, great. Thanks for the color.

Operator

Thank you for your question. The next question is from the line of Savi Syth with Raymond James. Your line is now open.

Savanthi Nipunika Prelis-Syth

Raymond James & Associates, Inc., Research Division

Hey, good afternoon everyone. Just on the certification front, I was curious looking at kind of based on the comments from other companies and stakeholders made in the kind of the notice of criteria that was in the public register. What are some of the main areas of concern or contention with the kind of FAA certification process of standards? And kind of how do you expect that to impact your process?

Thomas Paul Muniz

Chief Operating Officer

Yes. Hi Savi, this is Tom. Happy to answer that. So maybe just to set the stage, you're referring to comments on our air [Indiscernible] criteria that were published last fall after we got our Stage 21. So these are the high-level rules. Yes. So as you said, there was about a 6-week, 2-month public comment period. FAA got a bunch of comments the last many months, FAA team has been working through those. And everything that we've heard so far is that we shouldn't really expect significant changes, if you think back to about a year ago, our original G-1 from 2117A, 2117B is kind of a similar time frame here, and we saw very few changes. An example was they added a bad strike requirement, but we had already been designing for that. So it wasn't any substantive impact for us. So all the data we have so far is that we shouldn't expect much change, but we haven't gotten the official documents. We expect them soon. So we'll happily share more once we have the data.

Savanthi Nipunika Prelis-Syth

Raymond James & Associates, Inc., Research Division

That's helpful. And just to follow up on that part of it. With the subject-specific certification plans that you've submitted, have any of those been accepted by the FAA?

Thomas Paul Muniz

Chief Operating Officer

No. None of them have been accepted so far, but there are a handful that are pretty close to being accepted. And overall, I would say, really, the thing that matters for us is driving down the risk through the conversations and working sessions with the FAA. And from that perspective, what we've seen so far is a lot of alignment, and I would say, benefit from the simplified approaches that we're taking that's getting us into rooms with these assays subject matter experts that are saying, quite quickly, okay, we understand what you guys are doing. We've seen this before. This is easy to understand. And the trend is that, that's paving the way for us to have an efficient path forward here. So hopefully, that's good color.

Savanthi Nipunika Prelis-Syth

Raymond James & Associates, Inc., Research Division

Yes, that's very helpful. Thanks Tom. And maybe, Mark, just a question on the liquidity front. Is there a certain liquidity level that you're kind of comfortable maintaining especially other potential avenues of funding you might consider in case certification slips?

Adam D. Goldstein

Founder, CEO & Director

Hi Savi, this is Adam. So maybe let me just take a crack at that. I'm the largest shareholder. So I think about it a lot as well. And I think we are in a pretty unique position here, right? We have the flexibility from Stellantis. We have a large order with United. They've already given us some predelivery payments with the potential for additional predelivery payments, plus we raised a lot of capital. So we're just going to be strategic about how we think about capital. We don't need capital today, but we do have optionality here built in. So I think about dilution versus capital as well on a regular basis, and I think we are just in a fortunate position to be able to manage that over a pretty significant period of time.

Savanthi Nipunika Prelis-Syth

Raymond James & Associates, Inc., Research Division

Thanks sir. Thank you.

Operator

Thank you for your question. The next question is from the line of David Zazula of Barclays. Your line is now open.

David Zazula

Hey, thanks for taking my question. I want to come back to -- and I think others have as well, Bill's original question and just sit on another angle. I just by original understanding of kind of the mission and intent of Archer was to produce aircraft in order to become the greatest and largest operator of air mobility aircraft. Just as I heard, Adam, you described the mission today, maybe I'm just parsing words too much, but it sounded like you were focusing a little bit more on the production side and less on the Archer Air side. So I guess, is that an evolution you're thinking? Are there other opportunities that are -- you're looking at that are better than you had originally thought? Or is it just same as it ever was.

Adam D. Goldstein

Founder, CEO & Director

Thanks, David, for the question. So from the beginning, we've always said we've looked at kind of have a dual strategy of selling some aircraft through Archer direct and also operating some aircraft through the UAM business. And so we've kind of put out a high-level target there of 50-50 from that standpoint. So nothing has changed from that and maybe it's parsing words too much. But what I think the DoD opportunity represents is just more potential upside in the direct side of things. It gives us the ability to sell into the DoD. And if there are great opportunities that we can take advantage of, given our ability to flex up the manufacturing capabilities that we have, we'll certainly take advantage of that. So I think we'll reserve the right to sell more vehicles if we find an interesting opportunity to do that. So I would say at this point, we're not changing our outlook from saying kind of 50-50 split. And the reason we've always said 50-50 split is we think this will be a capital-intensive business where we will generate cash flow on the manufacturing side to help pay for the way the long-term view of building the UAM vision. And so

maybe there's an opportunity to help finance that through broader sales. That's certainly a potential. But I think today, we'll kind of keep that same framework in place of about 50-50 split.

David Zazula

That's very helpful. And then maybe for Tom, noticing that there is one plant nonconforming aircraft, not that I'm wishing ill upon it. But certainly, if there were any test fees or complications with that aircraft, you wouldn't be the first in the industry to see those. So I guess are there contingency plans? Or what would the impact be if something happened to that aircraft through the testing process, how would that ultimately impact your certification time line?

Thomas Paul Muniz

Chief Operating Officer

Yes., Hi David, happy to answer that. So the first Midnight aircraft that's entering flight test here in the next couple of months. The strategy of that vehicle is to reduce risk and accelerate our path to market with piloted conforming aircraft. So we see it as a great opportunity to gather data, do the type of testing we're going to need to do for credit later as early as possible to learn and reduce risk. So we take a very rigorous approach to flight testing. Today, we don't talk about it much, but we still fly maker on a very regular basis with our very professional flight test team, and that's the same team that's going to be executing flight tests with Midnight going forward. So it's all part of this broader strategy to get to pilot flight early next year, which we remain on track to do and then get into the 4 credit testing working towards our TC. So that's how that fits into the overall arc. And yes, we're basically just executing to the strategy.

David Zazula

I guess as I hear that, it's important, but there are other avenues to perform the test that you're planning? I guess, is that the summary there?

Adam D. Goldstein

Founder, CEO & Director

Hi David, this is Adam. So here's how to think about it. The factory in San Jose is coming online right now. That factory has the ability to build tens of planes. So this first nonconforming plane is only months ahead of the production plans that are also getting built. So we're in the process where we're pooling that factory up right now. So I mean, even in the ultimate worst-case scenario, there's a factory that can build planes like that is building planes right behind that. So we don't really -- we're obviously taking a very rigorous approach to flight testing. But I think from in a very negative framing up the question, there still is a factory there that's ready to produce -- that is producing or will be producing vehicles right after the nonconforming aircraft rolls off the line.

David Zazula

Thanks much, appreciated.

Operator

Thank you for your question. There are no additional questions waiting at this time. So I'll turn the call back over to Adam Goldstein, CEO and Founder, Archer for closing remarks.

Adam D. Goldstein

Founder, CEO & Director

Thank you, everyone, for joining us today on the call. 2023 is really going to be an amazing year, and there are so many catalysts to come. This is one of the most exciting times to be building in aerospace, and we thank you very much for your participation.

Operator

That concludes the conference call. Thank you for your participation. You may now disconnect your lines.

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