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Presentation

Operator

Good afternoon, and thank you for joining the Archer Aviation Incorporated Q4 '23 Financial Results Conference Call. My name is Kate, and I will be the moderator for today's call. [Operator Instructions]. I would now like to turn the call over to your host, Andy Missan, Chief Legal Officer. You may proceed.

Andrew P. Missan

Chief Legal Officer & Secretary

Thank you, operator. Good afternoon, everyone, and thank you for joining us today to review Archer's Fourth Quarter and Full Fiscal Year 2023 Operating and Financial Results. My name is Andy Missan, Chief Legal Officer of Archer. On the call today are Adam Goldstein, our Founder and CEO; Mark Mesler, our CFO; and Tom Muniz, our COO.

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 under the caption Risk Factors.

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. During this call, we will discuss both GAAP and non-GAAP financial measures. A reconciliation of certain 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 D. Goldstein

Founder, CEO & Director

Archer has taken a unique and focused path towards certification, scaling manufacturing and commercialization. I'm going to take you through why our approach in each of these areas gives me confidence that we will be positioned to go live in 2025.

First and most importantly, we have designed our aircraft since Day One for certification. Now that our team's focus is shifting to the last major phase of Midnight's type certification program, which the FAA calls the "Implementation Phase", we believe that our approach has derisked our path to certification and will allow us to move through to certification before anyone else in the industry.

As you saw from our announcement earlier today, approximately 80% of Midnight's subsystems and components are sourced from leading aerospace suppliers with certification heritage, meaning that they are either already flying on hundreds or thousands of other certified aircraft today, or that they are derived from other designs which have been previously certified. Given that, the FAA is already deeply familiar with these systems and their certification history.

This strategy has enabled us to rapidly mature Midnight's design and testing, allowing us to become what we believe to be the first company in the sector to be simultaneously building three conforming aircraft to be used in piloted flight testing and for-credit FAA compliance findings as part of our FAA Type Certification program.

It is even more clear to us now that had we gone down the fully vertically integrated pathway, we would be facing an order of magnitude higher R&D budget, certification risk, and uncertainty about our ability to scale production and launch meaningful commercial operations. Instead, our teams have continued to execute at a relentless, focused velocity, alongside the best and most experienced suppliers in the aerospace industry with a minimized risk of incurring a costly redesign.

As you have seen in our shareholder letter, we have provided a significant amount of detail around the strategic sourcing of our aircraft subsystems and components, as well as the steps we will be working

through as part of the implementation stage of our certification program. Tom will walk through this in more detail with the goal of providing greater clarity into how we've been able to, and plan to continue to make efficient progress through the FAA certification process.

Equally important is our team's steadfast focus on ensuring we can scale our manufacturing in line with demand. You may not have realized it, but Stellantis was actually the first of the strategic relationships we formed even before United. When I founded Archer, I knew from watching the EV industry that developing the capability to manufacture our aircraft at high volumes was perhaps the #1 enabler of our future success, alongside the design and certification of the aircraft.

We have been doing that with Stellantis since 2020. And together, we're on track to complete the build-out of our high-volume manufacturing facility in Georgia later this year, which will be capable of producing up to 650 aircraft per year. This puts us in position as the only company in the industry with the facilities to produce and deliver aircraft at scale in 2025 and into the later half of this decade.

There's still a lot of hard work to be done to scale manufacturing, but there's no better partner to do that with than Stellantis, who recently announced that they have turned a profit on EVs and are full speed ahead on electrification.

Our commercial team is seeing a high level of demand for eVTOL aircraft globally and potential customers are very excited about what Midnight can deliver. So we are lucky to have multiple viable options, both domestically and abroad, for early commercial launch. Those same customers are now identifying that for the coming years, we are likely to be the only player in the industry selling an aircraft that is FAA certified and that could be produced in high volumes.

As a result, our team has built a strong indicative order book for up to 700 aircraft potentially worth \$3.5 billion, which puts us in a formidable position to have our partners around the world take delivery of Midnight and in turn, start generating significant revenue for Archer as soon as next year.

In the Emirates, we are seeing promising markets for Midnight in both Abu Dhabi and Dubai, as well as an air corridor between the two cities. We have partnered with two of the leading air operators there, Air Chateau and Falcon Aviation. We continue to expect UAE to be an early launch market for us.

We also continue to believe India will be the largest market for flying cars globally, and we are rapidly making progress standing up a JV with our partner InterGlobe Enterprises, India's foremost travel, aviation and hospitality conglomerate, with whom we plan to launch an air taxi service across Delhi, Mumbai and Bengaluru in 2026.

That brings us to the last, but arguably most crucial part of our strategy: Capital efficiency. We are laser-focused on executing a capital-light approach to growing the business. That approach extends across everything we do, from our decision to work with leading aerospace suppliers across 80% of our subsystems and components instead of vertically integrating; and more broadly to how we approach manufacturing and how we deploy aircraft.

In an EV and eVTOL business, scaling manufacturing would typically be one of the largest capital requirements. Our goal has been to focus our use of capital on designing and certifying the aircraft and minimizing the capital we must deploy to achieve volume manufacturing capabilities. That is why last year, we announced our decision to have Stellantis contract manufacture our aircraft for us.

Our plan is for Stellantis to absorb past and future CapEx required to manufacture hundreds of Midnight aircraft per year, and we will jointly collaborate on ensuring we have proper supply chain and approach to manufacturing aircraft at the lowest possible cost. From there, we plan to have a turnkey relationship with Stellantis, who will help us fulfill our needs for aircraft for our direct-to-consumer UAM business as well as our global customer base who wish to order aircraft and ship Midnight aircraft around the world to be deployed commercially.

We are maturing our contract manufacturing plans rapidly, and our goal is to finalize the details later this year, with Stellantis then absorbing the vast majority of the capital expenditures and working capital requirements to manufacture our aircraft at scale. I believe that we are the only eVTOL company in

the world to announce a relationship like this with a top automotive manufacturer, and this gives us significant cash flow advantages compared to competitors who are investing hundreds of millions of dollars in manufacturing off their own balance sheet.

We will continue to share more details on the strategy in the coming quarters, but this puts us in an unprecedented position to commercialize this business very efficiently.

You can see that efficiency in our cash position, which has remained essentially flat over the last few quarters, even through some of the most intense periods of spending as we built out our test labs, production facilities in California, and have been standing up our supply chain and building multiple aircraft.

Mark will walk through that in more detail as well as our forecasted spend, but I do want to highlight that our current spend forecast includes the CapEx and working capital that could potentially shift to Stellantis when we finalize our contract manufacturing arrangement. So that represents a significant potential reduction in spend that we expect to realize in the future.

Between this planned strategic contracting manufacturing relationship with Stellantis, and their continued willingness to invest capital directly into Archer, I'm very pleased by their alignment to ensure we remain well capitalized as we work together to commercialize the business as soon as possible. It was great hosting Stellantis CEO, Carlos Tavares; Chairman of the Board, John Elkann and several other executives from the Stellantis team at Archer's headquarters and integrated test lab and manufacturing facility just last month to further align on our strategy.

I want to now take a moment to thank the FAA for its continued partnership and support of our industry. I flew to Washington, DC to meet the administrator, Michael Whitaker, a couple of weeks ago, and I'm pleased that the administration has chosen to prioritize innovation in advanced air mobility more than ever before.

This has been evident in our interactions with the regulators over the last several months, especially as we've had an opportunity to regularly host the FAA leadership at our California facilities. Notably, the FAA recently awarded Archer our Part 145 Certification, and we're grateful to be one of only two companies globally to reach this milestone, which is a major vote of confidence from the FAA towards Archer's goal of entering into service next year.

Finally, you may have heard me use the term "flying cars" today. As we broaden Archer's reach around the world, we've also started doing a lot of thinking on the industry's nomenclature for our aircraft. Former NASA Executive Mark Moore first coined the term "eVTOL", or electric vertical take-off and landing with his invention of the revolutionary Puffin aircraft in 2009. In turn, he helped launch our industry, and the name has lasted over a decade, but there's no question that it remains a mouthful for newcomers.

Peter Thiel famously quipped that the world wanted flying cars and instead got 140 characters. He wasn't wrong, he was just off by a few years. So we've decided to embrace the term "flying cars" because to make urban air mobility accessible to the general public, we need to bring the future of transportation into today's reality. The fact that flying cars are starting to weave into the fabric of society is a testament to the hard work that everyone here at Archer and our partners and others around the industry are doing.

We're not just innovating within the realm of transportation, we're redefining it, turning the once-dreamt-into reality, one flight at a time.

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

Thomas Paul Muniz
Chief Operating Officer

Thanks, Adam. Over the last several months, we have made tremendous progress across our aircraft program in its entirety, from flight tests to manufacturing and, of course, FAA certification. For today's update, I want to focus on our certification progress and explain in detail what you can expect for the rest of the process and why we believe we can be the first to certify an eVTOL aircraft with the FAA.

Our strategy to partner with top-tier suppliers rather than vertically integrate is now paying off, as our partners have decades of experience certifying their systems and components, thus significantly reducing the risk of our certification program.

As you can see in the shareholder letter we published today, we have added two new charts: An updated progress chart that explains the "implementation" phase of the certification process and our status, as well as an illustration showing the suppliers for our aircraft's main components and systems, with whom we are working to accomplish the remaining certification effort. The details of the FAA Type Certification process are laid out in 150-plus page document called "FAA Order 81104c".

On this call, I'm going to try to distill that process down, providing further clarity about the FAA's process. In this document, the FAA breaks up the Type Certification process into four main phases: Conceptual Design, Requirements Definition, Compliance Planning and Implementation.

We have previously focused on the requirements definition and compliance planning phases of the FAA certification process, but we are now shifting into the final phase of FAA certification called "Implementation".

Putting this in plain language, much of the past work has been centered around establishing the regulations that apply to our aircraft and making plans for how we will show that our design complies with these regulations. In the implementation phase, we execute against these plans: building conforming hardware, performing tests, analyses, inspections and audits, gathering all of the required data to show the FAA that our aircraft is safe and compliant.

If you look at the top of our certification progress chart, you can see how the FAA breaks down the implementation phase into three steps: Compliance Data Generation, Compliance Substantiation and Compliance Finding. Below, you can see a plain language translation of each of these. It starts with writing test plans and building conforming hardware, then using these test plans and hardware to do "for credit" testing, then interpreting and summarizing the data and submitting it to the FAA for them to review and determine that the design complies with the requirements.

These basic steps apply at the component, system and aircraft level, building up a comprehensive set of data from thousands of tests, inspections and analyses.

As you can see in our chart, we've intentionally worked with some of the most experienced aerospace suppliers in the world to source the vast majority of the subsystems and components on our aircraft, rather than build them ourselves. These suppliers, in turn, are all working alongside us to write the test plans, build the conforming hardware, perform the "for credit" tests and ultimately send data to the FAA for them to review and find that our aircraft complies. So with this strategy, we get an extraordinary amount of leverage that we wouldn't have had, if we had chosen to vertically integrate across all of these subsystems.

Beyond the fact that these suppliers are performing certification work for and with us, as you can see in this chart, most of the components and systems are based on designs with "certification heritage", which Adam explained means that they are either already flying on hundreds or thousands of other certified aircraft today, or that they are derived from other designs which have been previously certified. This is a reflection of our strategy to focus on certification from day one and choose the most efficient path to commercialize our aircraft.

Within the main area of the chart, you can see where we are in the process for each specific system, including the two systems where we have already started receiving "for credit" compliance findings from the FAA: the flight control system from Safran and Lord, and the environmental control system from Honeywell.

At the bottom of the chart, you can see that we now have three conforming aircraft in various states of manufacturing of our total planned fleet of six piloted conforming aircraft we intend to build for use in testing as part of the implementation phase. My team specifically chose and aligned the detailed configuration of each of these aircraft to our detailed flight test plan, with each aircraft having a specific set of objectives and test data to gather across the various systems.

We plan to have several Type Inspection Authorizations, or TIAs, to use these aircraft to incrementally make our way through the "flight test for credit" portion at the end of the certification process.

The takeaway from these charts is that we are making substantial progress on our certification program as we tackle the remaining efforts. We are introducing a lot of new detailed information here, and over the coming quarters we plan to update and expand the information to reflect our progress. As we move through the implementation phase of certification, here's what you can expect from here until type certification.

First and most importantly, a ramp-up in our "for credit" certification testing and compliance finding activities, starting with Midnight's core components and subsystems. This is where our strategy will pay off in spades, because as I mentioned before, the majority of our key components and subsystems are not designed from scratch, but rather come from our supplier partners who have decades of certification heritage. And we can leverage their experience, knowledge and capabilities to make these activities as streamlined as possible.

Second, we will initiate piloted company flight testing to gather the requisite data to provide the FAA in support of the TIAs or type inspection authorization. This is the penultimate milestone that gates FAA pilots flying our aircraft, so that they can perform for-credit flight testing, the last step in the certification program. We remain on track for our first piloted Midnight flight later this year.

In addition, I want to call out one very exciting milestone that the team achieved recently, and Adam mentioned earlier, which is getting our Part 145 Certification from the FAA, making us one of only two eVTOL companies globally to have achieved that feat. This achievement only further shows our incredibly close and collaborative working relationship with the FAA as well as our commitment to stringent safety and operational standards. This is a critical step allowing us to operate a repair and maintenance station, and it will be important on the path to building our Part 135 operating certificate and preparing to initiate commercial operations.

Let's now transition to flight test updates. Our Midnight aircraft has completed a significant portion of its flight test program as well as a collaborative downwash and out-wash flight testing campaign with the FAA and NASA. Throughout this phase, we rapidly progressed through a broad array of increasingly complex flight maneuvers and research missions, generating large volumes of valuable data to inform the remainder of our flight program with Midnight.

I found it especially rewarding for my teams to work hand-in-hand with both the FAA and NASA during which we collaboratively gathered critical data about the impact of our aircraft's downwash and out-wash footprint during takeoff and landing. To my knowledge, the FAA and NASA only worked with one other OEM on this important work for the industry.

It was my honor to host a senior FAA leadership team at our headquarters just last month as part of my team's ongoing efforts with theirs. Our work together here is paramount to unlocking access to additional aviation infrastructure across our country, as we begin shifting additional efforts towards ramping up commercial operations as soon as next year and throughout the decade.

Also, last month, we completed upgrading Midnight's battery system to include some of the latest high-voltage battery packs directly off our manufacturing line in our California facilities. We recently announced a deal with NASA to collaborate on the technology for and validate the safety levels of these batteries. I've already been quite pleased with the batteries' performance to date, which has enabled us to make significant progress as we advance our program towards full, wing-born transition flight in the coming months.

In parallel with these efforts, our flight test team has had their most productive and busy quarter yet, flying more than 50 times. I'm proud of how rapidly they've been able to ramp up the flight test program, and we intend to soon be able to fly as much as 10 to 15 times per day, getting closer to our commercial mission tempo while proceeding through the critical implementation phase of FAA certification.

Alongside our flight test program, as I mentioned earlier, our manufacturing team has begun simultaneous construction on our first three piloted conforming Midnight aircraft as part of our plan to build a total of

six conforming aircraft for use in our certification testing program. We have designed key components and systems with these aircraft to conform to the intended type design for FAA certification.

I believe we are the first in the industry to announce that we are taking such a step, and it signals the level of confidence we have in our design. We will utilize these conforming aircraft at first for piloted flight testing, and then subsequently leverage them in "for-credit" testing with the FAA.

The full fleet of six flight test aircraft that we will be building here in California will support our certification flight test campaign in its entirety, before we fully transition our aircraft assembly activities to our factory in Georgia just outside of Atlanta.

Our manufacturing team, which includes dozens of full-time employees from our long-time partner Stellantis, with experts from brands such as Jeep, Ram and Maserati, remains on track to complete the construction of the first phase of our high rate volume manufacturing facility. As a reminder, this first phase is a build-out of roughly 350,000 square feet of our approximately 100-acre site, designed to support the annual production of up to 650 aircraft in just the first phase.

The reason we were able to build such a highly efficient and productive factory so quickly and affordably goes back to one of the most important pieces of our strategy: to partner with the best in the industry who can help take on significant portions of the manufacturing burden for us. These supplier partners, who include the most well-known brands in aviation, such as Honeywell, Safran, Garmin and FACC are currently spooling up multiple parallel manufacturing lines to build and ship parts for us to Georgia.

For example, FACC, which makes carbon composite parts for some of the largest aircraft OEMs in the world, will be leveraging its network of infrastructure across Europe to manufacture composite structures for Midnight and ship them directly to our Covington factory for final assembly. If we had vertically integrated this component, on the other hand, we would have been forced to install large, expensive autoclaves and entire robotic manufacturing lines from scratch in order to start constructing aircraft, instead of leveraging existing talents and CapEx that this leading aerospace supplier has used across many certification programs.

I feel especially thankful for the strategy we chose, especially at this inflection point in our journey. Again, as far as I can tell, nobody in the industry will have even a fraction of the manufacturing capacity as our Georgia facility ramps, which helps accentuate what a powerful partner Stellantis has been in helping us execute on this strategy.

Our construction teams in Georgia are in the later stages of pouring the foundation for the facility and have begun grading the taxiway connector that will give us convenient and direct access to the Covington municipal airport runway, which we will leverage for high-rate flight test operations. This facility will be home to our first and largest factory that will support our initial global operational ramp while making very efficient use of our capital through initial revenue generation from commercial operations starting as soon as next year.

And with that, I'll turn it over to Mark.

Mark Mesler

Chief Financial Officer

Thanks, Tom. Bringing together all the key achievements that Adam and Tom just discussed, it is clear we have made tremendous progress across the key areas that will enable Archer to achieve commercialization: certification, scaled manufacturing and commercial partnerships. It is great to see all the pieces starting to come together.

Before I get into our financial performance, I'd like to briefly remind you of some key details of our business model and how it will work as we reach commercialization; specifically, the impact of our expanding indicative order book. Recall that Archer's go-to-market strategy is a hybrid approach where we are both selling aircraft to operators through what we call Archer Direct, akin to an OEM model, and using our aircraft to operate a direct-to-consumer aerial ride-sharing service on specific routes, or what we call Archer Air.

This hybrid approach allows us to take advantage of direct sales opportunities early on in our business to generate significant revenues, while the aerial ridesharing piece of the business builds out.

Over the last year, we have achieved a lot of traction in building an indicative order book for the direct sale of our aircraft to our partners. As we have outlined in our shareholder letter, we currently have arrangements in place to potentially deliver up to 700 aircraft following certification. With an estimated average selling price of \$5 million a piece, we have the potential to recognize up to \$3.5 billion in revenue from that order book.

Further, we would expect our indicative order book for direct aircraft sales to continue to grow in 2024 and 2025, as we are likely to be the only OEM in the market with an FAA-certified aircraft that is available for purchase and can be produced in volume. This creates a tremendous opportunity to early on generate significant revenues and cash proceeds for the business. This is a key business model differentiator relative to others in the industry who will only be operating their aircraft in their own UAM networks.

There are clearly many pieces that need to fall into place in order to get to commercialization and lots of hard work ahead, but we are confident we have the team to do it.

Now let's get to our financial performance. We've been very thoughtful in how we manage our liquidity. Over the past four quarters, Archer's unrestricted cash balance has remained relatively flat. In fact, you can see that our cash actually increased slightly from Q3 '23 to Q4 '23. The strength of our liquidity has been supported by the relationship with Stellantis.

Just last year, Stellantis provided us with a \$150 million forward equity purchase agreement that allowed Archer to access that capital at our discretion. This allowed us to opportunistically take advantage of a strong stock price to minimize dilution. We expect that Stellantis will continue to provide this type of liquidity support through commercialization. Given they are positioned as a long-term strategic partner of the company, we expect them to do this on attractive terms and through attractive structures.

We ended FY '23 with approximately \$625 million of liquidity, which included \$464.6 million of cash and cash equivalents on our balance sheet, combined with the remaining approximately \$163 million of debt and equity proceeds available under our various arrangements. We also have another \$6.9 million of restricted cash. Specifically, quarter-over-quarter, cash increased by \$3.2 million from \$461.4 million to \$464.6 million.

In the fourth quarter, cash used in operations in the purchase of property, plant and equipment was \$91.2 million, which was offset by net debt and equity financing activities of approximately \$94 million. Year-over-year, cash decreased by \$66.6 million, from \$531.2 million to \$464.6 million, primarily driven by cash used in operations in the purchase of property, plant and equipment; \$314.1 million, offset by net debt and equity financing activities of \$248.3 million. I would also note that we did receive approximately \$2 million in proceeds from the DoD for the services we rendered as part of our AFWERX contract with them for the year.

Switching to expenses. On a GAAP basis, total operating expenses for Q4 '23 were \$107.3 million, which included \$20.4 million of stock-based compensation and \$4.4 million of warrant expenses. These results were within our prior estimates range of \$100 million to \$110 million. For the full year of FY '23, total GAAP operating expenses were \$446.9 million, which included \$135.1 million of noncash expenses, including stock-based compensation, warrant expense and other items. Our Q4 '23 total non-GAAP operating expenses were \$87.5 million, which was just above the top end of our estimate's range of \$85 million, due to opportunistically accelerating, certain supplier expenses ended the quarter for nonrecurring costs and services as well as for aircraft parts as we started manufacturing our first three conforming aircraft. We incurred approximately \$19 million of nonrecurring costs and material expenses with our suppliers during the quarter, which was up from the \$12 million to \$15 million per quarter that we are experiencing in the first three quarters of 2023. For the full year FY '23, our total non-GAAP operating expenses were \$311.8 million.

Our operating expenses for the year include investments required to achieve the key elements of our commercialization plan. We continue to invest in the design, development, test and certification activities for our Midnight aircraft.

Further, we incurred expenses at several of our supply chain partners to establish capabilities to manufacture the components and systems for our Midnight aircraft. We made investments to build out production facilities in California and in the people and infrastructure and our SG&A functions required to scale our operations. Of the total \$311.8 million in non-GAAP operating expenses for the year, approximately \$60 million of that was for nonrecurring costs and material expenses at our suppliers.

Turning to 2024, we're remaining highly disciplined with our spending to get to commercialization in the most capital-efficient way possible. I'll briefly discuss 2024 and the dynamics that will impact our spending.

In support of the efforts that Adam and Tom have outlined, our spending for the year will focus on:

- Building our fleet of six piloted conforming aircraft of which we have already begun the first three,
- Completing our high-volume manufacturing facility in Covington, Georgia,
- Continuing to invest in supplier capabilities to support our component manufacturing at their sites, and
- Continuing to add to our workforce for critical functions in support of our engineering, certification and flight test efforts, bringing up our scaled manufacturing and investing in our other support and infrastructure teams to enable our planned commercialization.

As Adam mentioned, with the goal of finalizing our arrangements with Stellantis to act as Archer's contract manufacturer, we have the opportunity to, in the future, substantially offset and reduce our cash spend as it relates to capital expenditures. Onetime expenses related to standing up our supply chain, manufacturing headcount, parts and materials and any other cash expenditures related to standing up manufacturing.

With respect to cash receipts, we do anticipate receiving additional proceeds from our DoD contracts throughout the year to work around flight test, aircraft delivery, battery energy storage systems, our flight simulator and pilot training, and autonomy development. Further, we also expect to receive additional predelivery payments from our current aircraft commitments in our new deals that we may execute.

Within that context, for Q1 2024, we anticipate total GAAP operating expenses of about \$100 million to \$120 million, which includes expected stock-based compensation and order expense of approximately \$25 million and thus translating into total non-GAAP operating expenses of \$75 million to \$95 million.

Operator, we will now open it up for questions.

Question and Answer

Operator

[Operator Instructions] The first question is from the line of Savi Syth with Raymond James.

Savanthi Nipunika Prelis-Syth

Raymond James & Associates, Inc., Research Division

Just on the cash burn, Mark, I wonder if you could -- it was helpful to understand what's going to go in, in some of the kind of the tailwinds there as well. But I was curious as you go through the quarters, is that -- do you expect to step up or because you get some of these cash tailwinds, we should think of it as being a little bit more steadier?

Mark Mesler

Chief Financial Officer

I think I'd talk to you through a framework, Savi. So as I outlined, our spending is generally covered in four buckets. We've got people, parts, nonrecurring investments with vendors and CapEx. And given our reliance on Tier 1 suppliers and program maturity, our head count growth should be more modest this year than in the past.

The increase in cost -- in parts related to conforming flight test vehicles and NRE, those are more onetime in nature. And so you should expect to see our quarterly run rate come down in the second half. And when I say run rate, I mean the range that I provided for Q1, you could see that contract in the second half of the year.

Savanthi Nipunika Prelis-Syth

Raymond James & Associates, Inc., Research Division

And if I might, just on the flight testing. Could you provide a little bit more color on just how much of that -- what's the kind of the timing around the year will be? And how much of that will be done on the kind of the current aircraft that you have versus the conforming aircraft? Just want to appreciate some of the magnitude of work you have here in 2024.

Thomas Paul Muniz

Chief Operating Officer

Savi, thanks for the question. It's been a great last few months in flight testing. As we mentioned on the call, we did over 50 flights between now and the last earnings call. We're really happy with that. Some of the days we were flying 5 or more times per day, and we plan to really ramp that up over the coming weeks and months.

In terms of what to expect, we're still in the envelope expansion flight test campaign for Midnight so we're continuing to fly faster and faster through transition. And then our main goal is to get into piloted flight testing later this year, and we're on track to be doing that second half of this year.

Operator

The next question will be from the line of Edison Yu with Deutsche Bank.

Xin Yu

Deutsche Bank AG, Research Division

I had one just on the time line. If you put everything together that you mentioned on cert and flight testing, what's sort of a realistic time line or a range of outcomes you could see for getting to operations?

Thomas Paul Muniz

Chief Operating Officer

Edison, this is Tom. So I think the right way to think about that is just looking at our strategy holistically. So as we really tried to highlight in the materials this quarter, everything we've done has been based around minimizing risk certification. So that's everything from partnering with suppliers to using components with cert heritage, all of that, combined with a very simple aircraft design, enabling us to have as clear a path forward as possible.

Standing here today, I can say I'm really confident in the design maturity of the aircraft and our path forward. There's still a lot of work to do, obviously, to get the aircraft through certification. But the relationship with FAA is super positive and we're making a lot of progress. As to specific timing for certification. I think that's really up to the FAA at this point, but we're doing everything in our power to be ready to commercialize next year.

Xin Yu

Deutsche Bank AG, Research Division

And then a follow-up on the DoD. I know you mentioned you've got some contribution. How do we think about the contribution for this year? And also is the first aircraft still on track to be sent over in early 2024?

Adam D. Goldstein

Founder, CEO & Director

Edison, this is Adam. So as the Midnight flight test program has been successful. We have basically switched into the execution mode with the DoD up for that aircraft, and we're now waiting on a date when we can start that delivery process to begin flight testing with the DoD, so we do continue to expect that to be sometime in the near term.

But in the meantime, we prioritized other efforts with the DoD. So we've started work on autonomy, flight simulators, cross-use of certification of test results and several other topics. And as Mark mentioned in the prepared remarks, we've already started collecting against some of that as well. We haven't given guidance on like a total dollar amount that we expect to get this year, but we do expect that to ramp up throughout the year.

Operator

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

Andres Juan Sheppard-Slinger

Cantor Fitzgerald & Co., Research Division

Congratulations on the quarter. I guess I wanted to ask on the certification of the different components. I'm referring, I guess, in this case, to Slide 3.

So which, by the way, I think is a great slide. My question is, is I'm just trying to understand the perspective behind this, is essentially the thought process that because you are sourcing these components as opposed to manufacturing them that you then anticipate the certification process will be faster or smoother? I'm just trying to I guess, understand the narrative there. If you can maybe explain a little bit further, that would be great.

Thomas Paul Muniz

Chief Operating Officer

Andres, this is Tom. Absolutely. So yes, that's right. It's really us executing on the strategy that we've laid out a couple of years ago. And so by partnering with these experienced aerospace suppliers and choosing subsystems and components that have certification heritage.

We basically have all of the expertise, knowledge, experience from all of these past aircraft programs, helping drive things forward. And we really want to hit that home with the chart that you're referencing, where you can see -- with the exception of the electric propulsion system, which we do in-house -- for the vast majority of other systems, it's us working alongside companies like Safran, Garmin, Honeywell, FACC

and for that reason, we're able to make a lot of progress and have a very clear line of sight to what we need to do.

I think the other combining thing there is we've really designed the aircraft to be as simple as possible. So if you take an example, like imagine you're flying on a commercial airliner today, you look out the window, there's flaps moving or control services moving on the wing, everybody could see those.

Those are sourced from the traditional aerospace suppliers, companies like Honeywell, so while we may not be using the exact actuator that's on an aircraft you're seeing out there today, what we're doing is based on a lot of that same technology with all the same certification expertise. So we think that positions us really well to make our way through this last phase of the certification process efficiently.

Andres Juan Sheppard-Slinger

Cantor Fitzgerald & Co., Research Division

And maybe as a quick follow-up. In regards to the order book that you've disclosed, trying to get a sense, is this something that you anticipate to maybe continue to update into the coming quarters? I guess my real question is, is there a large area of emphasis in continuing to build and grow this order book from the direct business model? Or is the focus still certification manufacturing and more of the UAM. Just trying to get a sense of what should we be thinking about in regards to the order book and as we look forward into 2024 and into next year?

Adam D. Goldstein

Founder, CEO & Director

Andreas, it's Adam. So we wanted to start really kind of highlighting the order book as a way to really show the readiness that the company has in this next phase of actually starting to deliver aircraft. So again, if you step back, it's -- we've built a vehicle that was very straightforward to build, design and what we believe to be certified.

We've partnered with the Tier 1 aerospace suppliers in order to rapidly move through the certification process. We've now been working with Stellantis to stand up a manufacturing plant that has the capacity to deliver significant volumes. And so we are working on the demand side to really deliver against those volumes. And because of our business model, we have the ability to sell plants to help fund a lot of this journey. I think it's really important that we start showing where a lot of the demand is coming from.

And so we've obviously talked a lot about United over the past several years, but we've also ramped up the conversations with some new international partners as well. InterGlobe, which is the parent company to IndiGo and as well as our UAE partners in Air Chateau. So the -- really, what we're trying to showcase is that we're confident in the design, we're confident in the certification progress, we're confident in the manufacturing build and now we're starting to build up the demand side to be able to deliver against all of that.

Operator

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

Mahima Sai Kakani

JPMorgan Chase & Co, Research Division

This is Mahima Kakani on for Bill. It seems like there are certain systems like flight controls and environmental controls that are further along in the testing process. So I'm kind of curious what is pending in terms of Archer's propulsion systems in order for it to really move on to the For Credit testing process that you outlined in the chart?

Thomas Paul Muniz

Chief Operating Officer

Yes, happy to answer that. So you're correct. There are some systems that you mentioned: flight controls, environmental controls, where we're already making compliance findings, or the FAA's making compliance

findings. Other areas are not as far along, and that relates back to where we are with our certification plants. So while we've had several of those accepted, several are still open.

To give you an example, we have a certification plan that talks about flight testing. And the reason that's not closed is because we're still waiting for a issue paper from the FAA that, in reality, affects how the entire industry is going to approach some flight test-related topics. So that's not to say that it won't be done soon, but it's not done right now. So we're not doing For Credit compliance finding work in those areas.

Having said that though, our goal is to get through the whole certification program really efficiently. So we made a plan from the beginning of which areas we wanted to focus on earlier. You mentioned the electric propulsion system. That is where we've been putting a lot of our effort with the FAA to make those plans really clear and progressing there. But overall, just super happy with the progress and happy with where things are going.

Mahima Sai Kakani

JPMorgan Chase & Co, Research Division

And then as a follow-up, can you comment on sort of the breakdown of responsibility between your vendors and Archer and working with the FAA to sign off on these parts as conforming or not conforming? Are there parts that they can sort of take care of on Archer's behalf?

Thomas Paul Muniz

Chief Operating Officer

Yes. That's exactly the idea. So there's two parts to think about. One is the manufacturing of the conforming parts that we need to use to do the testing. So rather than having to stand up all of our own production lines to make things like flight computers or actuators or electronics hardware, et cetera, we're able to leverage the infrastructure, the capabilities, the expertise that our vendors have in each of those areas.

But then it does go beyond that when it comes to certification, because we're able to really partner with these companies, leverage their technical and certification expertise to accomplish the work. So you can think of it much more as a combined team of Archer plus all the experts at all of our supplier partners, working together with the FAA to accomplish the goal. Hopefully, that makes sense.

Operator

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

David Michael Zazula

Barclays Bank PLC, Research Division

Maybe for Tom, if I could follow up on Mahima's first question there with respect to the open items still on the electric propulsion. Why do you think it's relatively low risk to continue moving on with the conforming aircraft with still some portions of the certification and test plans still outstanding?

Thomas Paul Muniz

Chief Operating Officer

Yes, it's a great question. So the way to think about that is, again, to take a step back and understand we, from the beginning, made a plan to use these six aircraft in a very targeted way to get very specific data to inform and execute our cert program. So each one has specific goals, and then those goals drive into specific areas that, for example, systems that need to be conformed or aspects like that.

So what you see in us moving forward with these first three aircraft is that we're confident in a large extent of the designs and we're able to move forward and begin doing that For Credit work that we highlight in this chart.

With regard to how -- with regard to Electric propulsion and how we plan to move forward, we plan to have multiple TIAs. So that stands for Type Inspection Authorization. Each one mapping to an aircraft and

specific flight test objectives. So the Electric propulsion system and related aspects are some [that you] just one of the elements or one of the objectives in the overall holistic flight test certification plan.

Adam D. Goldstein
Founder, CEO & Director

David, this is Adam. Just following up here. It doesn't just stop with the suppliers being -- using the Tier 1 suppliers as being the only part of the straightforward lowered risk certification plan. Even within the electric propulsion system, I mean, we chose a system that I think also has a low-risk [fab]. So for example, we chose [cylindrical cells that have [2 day power] cell.

Cylindrical cells have dedicated vent path, they're, we think, pretty straightforward in understanding the different thermal conditions. We chose to build an electric engine from the very beginning. It was very manufacturable. There are lots of choices you make to build high-performance parks that are much more difficult to certify. So all of the choices really go back to that original strategy.

And I think that really should be clear in looking at the chart that we have that we put out that shows us moving rapidly through the stages with the FAA. Again, it's not that this is easy but we are making significant progress. And a lot of that has to do with just the strategy we chose from the beginning. And I think that will continue to pay off here over the next 12 months.

David Michael Zazula
Barclays Bank PLC, Research Division

If I could follow up, you recently hosted some personnel from the FAA on the very senior side. Could you share some of the feedback you got there? And then specifically to the increased attention that senior personnel at the FAA are going to need to pay to Boeing based on the recent events there? Do you feel like that could have any negative ramifications in terms of your certification; really, how critical do you think that is to your certification path in '24 and '25?

Thomas Paul Muniz
Chief Operating Officer

Yes, absolutely. A couple of thoughts on that. One is, just makes me appreciate how from the beginning, we chose to keep our design as simple as possible and not push the envelope and introduce new technologies or new riskier manufacturing processes, 3D printing, et cetera, in anywhere we didn't have to. And so that simplicity, I think it's really appreciated by the FAA because it makes the work easier for all of us.

The second thought that comes to mind is when that leadership team was out here and in many interactions I've had with the FAA, I keep hearing how they appreciate our team's thoughtfulness and experience. I often get comments like, "Well, you guys aren't like a typical aerospace startup, you're a much more experienced, structured, serious team" and I think that trustworthiness that comes across is really valuable.

For example, we did one of several software audits recently and a comment from the FAA expert was, this is one of the best audits that he had seen, and he was so surprised that we had such quality work coming from a new company like ours. So I've just got to give kudos to our team, we have a really experienced group of folks, both internal Archer employees and across the suppliers that I mentioned before.

Adam D. Goldstein
Founder, CEO & Director

David, this is Adam. Just specifically addressing the comments around Boeing. No, we have not seen any type of people getting pulled off our project or a slowdown in work. In fact, it's accelerated and gone the other way.

And just recently, I was in Washington, D.C. to meet with the new administrator and it was actually really encouraging that AAM, Advanced Aero Mobility, had a seat at the table with the administrator amongst

the large OEMs that are building. And so I think there is an emphasis on the space. And as a result, we've gotten, I think, a lot of attention through our cert progress.

Operator

The next question will be from the line of Austin Moeller with Canaccord. It does appear that Austin has disconnected, apologies.[Operator Instructions]

Unknown Executive

Okay, Kate. I think we can call it.

Operator

Absolutely. That will conclude the Q&A session, and I will turn it back over to Adam Goldstein for some closing remarks.

Adam D. Goldstein

Founder, CEO & Director

Thank you for joining the call today. In addition to the entire team of Archer employees and the partners for really the relentless execution and maintaining our leadership position in the industry in helping bringing flying cars to market next year. Very proud of the strategy that we've taken since Day one with FAA tenured suppliers, which has enabled us to leapfrog others in the sector and the entire -- and enter the final stages of the FAA certification process.

I'm very also excited about our capital-efficient approach that has helped us maintain a strong liquidity position as we go into 2024. Thank you very much for being on the call.

Operator

That concludes today's call. Thank you all for your participation, and you may now disconnect [your].

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