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Earnings Call

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Presentation

Operator

Good afternoon. Thank you for attending today's Archer Aviation Q3 2023 Financial Results Conference Call. My name is Cole, and I'll be the moderator for today's call. [Operator Instructions]

I'd now like to turn the conference over to our host, Andy Missan. Please go ahead.

Andrew P. Missan

Chief Legal Officer & Secretary

Thank you, Operator. Good afternoon, everyone, and thank you for joining us today to review Archer's third quarter 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?

Adam D. Goldstein

Founder, CEO & Director

Thanks, Andy. I founded Archer just over 5 years ago, and this month our team concluded the maiden flight of our third-generation eVOTL aircraft, Midnight. People often ask how we've been able to make such rapid progress. My goal since Day 1 was to find the most efficient path to commercialize eVTOL. We've been able to get to this point only because of our relentless focus on that goal.

Launching any new industry is difficult, mainly because there's no playbook to do so, and bringing to market the first electric aircraft is incrementally harder. Being at the forefront of the industry means we often are setting the standard for the first time. Archer was the first eVTOL aircraft company to announce it was going public, the first to launch a significant partnership with a major airline, and I believe the first company to build an electric aircraft specifically around a tailored business model. We are writing the playbook for the urban air mobility industry.

Today, I want to talk about the latest chapters in that playbook, including the progress we've made on our aircraft as well as the pieces of our commercialization plan we unveiled this quarter and plan to continue to mature during the fourth quarter and the next year.

On the engineering front, Archer has built and now flown what we believe to be the world's most advanced eVOTL, which delicately balances performance and cost, design for certification, manufacturability and scaled operations from the outset. To date, we have logged flights over 4 years across 3 generations of aircraft, including 2 years of full-scale flight testing with Maker. We incorporated the years of learnings from test-flying Maker into the Midnight program, and we're now able to see the benefits of those efforts take to the sky.

This quarter, we continued rapidly advancing our flight test program and beginning to fly our production-designed aircraft, Midnight. The Midnight aircraft, to our knowledge, is the largest all-electric VTOL in the world, weighing over 6,000 pounds, substantially larger than our competitors' aircraft, which are

closer to 4,000 pounds or less. This is important because we continue to believe the only way to achieve 1,000 pounds of payload is to fly a 6,000-pound, or greater, aircraft. We believe that our competitors will eventually need to scale up to the next size after several redesign cycles in order to support a comparable payload.

The Archer team designed Midnight to that weight under the leadership of our COO and Head of Engineering, Tom Muniz, and our Chief Engineer, Geoff Bower. Tom and Geoff have designed, built, flown 7 different eVOTLs apiece, understand firsthand the complexities of eVOTL trade-offs and the requirements necessary to carry a total payload of 4 passengers and a pilot.

When Midnight took off earlier this month, Archer's COO, Tom Muniz, remarked that after seeing 7 eVOTL first flights, the Midnight first flight was by far the best first flight he's seen. We'll hear from Tom in a moment, and he'll tell you more about why it was the best first flight he's seen, how we got to this point and how we're working hand-in-hand with the FAA to ensure timely certification of Midnight so we can begin commercial service in 2025.

To enable certification, we are ramping up to produce a fleet of 6 Midnight aircraft to use in our [for-credit] testings with the FAA.

With our rapid progress on the aircraft development front, we're seeing significant demand for Midnight, both domestically and abroad. In the U.S., our teams are focused on building out launch networks across a number of America's largest cities. We remain on path to make New York City our first launch market, in partnership with the City of New York, the Economic Development Council, Mayor Adam's office and the Port Authority of New Jersey and New York.

Our aim remains to begin this New York City service with United Airlines, our partner who has placed an up-to-\$1 billion order for up to 200 aircraft. United has already made a \$10 million predelivery payment against the first half of this order, and it's the only airline in the world to make a deposit of this size. I'm grateful to our counterpart, Mike Leskinen, at United, who truly pioneered strategic relationships between traditional airlines and eVTOL OEMs. We are proud to continue working with him as he takes on his new role of EVP and Chief Financial Officer at United. Congratulations, Mike.

Over the coming weeks and months, you can expect to hear more about how New York City is embracing this new form of transportation, and we'll share more details about how we're working across the other major U.S. cities to bring eVTOL to market.

Earlier this year, we announced alongside Governor J.B. Pritzker and the Chicago Mayor's Office that Archer will help the state of Illinois and City of Chicago achieve its goal of 100% clean energy usage over the coming years.

In Miami, I first met Mayor Suarez over 2 years ago, and I remain incredibly excited about what all-electric air taxis will look like in south Florida, in partnership with him and the state.

In Georgia, where we are bringing up our high-volume manufacturing facility with our partner, Stellantis, we have an unparalleled opportunity to help decongest Atlanta, one of the biggest metros in the country.

And we just spent several days in North Texas with Governor Greg Abbott, Ross Perot, Jr., and former President, George W. Bush, to discuss how urban air mobility will fundamentally evolve the fabric of cities like Dallas, Houston and Fort Worth.

Finally, right here at home, I'm grateful for the leadership of Governor Newsom and the legislators who have now signed SB 800 into law, establishing the Advanced Air Mobility and Aviation Electrification Committee to assess, among other things, pathways for feasible implementation of electrification goals for the aviation industry. This is critical to enable us to reach our goal of launching our service in 2025 and being available across the San Francisco Bay area and Los Angeles, by the L.A. Olympics in 2028.

Internationally, I am seeing strong demand for Archer's aircraft all across the globe, from heads of state, civil aviation authorities and economic development agencies.

There are several factors we look at when we think about working with a new region. We want to focus on markets that are large and growing, where we can help attack a fundamental problem with congestion and time savings in that country. We look for top-level government and regulatory support to align stakeholders at all levels [indiscernible]. And we look for support from like-minded commercial partners in the region that can help us navigate the right way to do business in the country.

Last month, I had the honor of announcing our first international market, which meets all these criteria and more: the UAE. Home to the burgeoning cities of Dubai and Abu Dhabi and, more importantly, a steadfast commitment to innovation and clean transportation. We, of course, have been deeply familiar with the UAE for years, counting Mubadala, Abu Dhabi's sovereign wealth fund, as an investor since we went public in 2021.

A few weeks ago, we deepened our collaboration with the UAE, as we announced with the Abu Dhabi Investment Office, ADIO, a government entity responsible for economic development across the country, plans for ADIO to provide incentives for us to launch electric air taxis and build out an international hub in the country. I had the pleasure of traveling to Abu Dhabi to sign this agreement with His Excellency Badr Al-Olama, ADIO's Director General, alongside His Highness Sheik Hamdan bin Mohammed bin Zayed Al Nahyan, some of the UAE's most prominent innovators across multiple transportation sectors.

This planned strategic initiative is multifaceted to increase plans to launch air taxi services across Dubai and Abu Dhabi as well as an opportunity to bring R&D to the country.

We recently hosted UAE's civil aviation authority, the General Civil Aviation Authority, GCAA, here in California, where they were able to see Midnight and our manufacturing facility. We're proud to have their strong support to certified Midnight, alongside the FAA, to enable commercial entry as soon as possible as well as the partnership of Falcon Aviation, one of the country's leading rotorcraft operators, and GAL-AMMROC, an MRO leader across the country, both [indiscernible] we announced MOUs with.

In celebration of the strategic initiative to bring Archer to the UAE, we have worked with our long-time investor, Mubadala, Abu Dhabi's sovereign wealth fund, to showcase our Midnight aircraft to the region for the first time at next week's Dubai Airshow as well as the Conference on Aviation and Alternative Fuels, hosted by the GCAA, the following week in Dubai.

On the heels of the UAE initiative, I'm excited about our announcement earlier today that Archer and InterGlobe Enterprises, India's foremost air travel and hospitality conglomerate, plan to launch an electric air taxi service together across India in 2026. Earlier this week in New Delhi, my team held a signing ceremony with Rahul Bhatia, the Group Managing Director of InterGlobe, to announce our plans to work with InterGlobe to bring safe, sustainable and low-noise electric air taxi services to some of the most highly populated cities in the world.

As part of the initiative, we will work with InterGlobe to set up an entity and will work with select in-country business partners to operate Archer's aircraft, enhance and build vertiport infrastructure and train pilots and other personnel needed for these operations. InterGlobe and Archer also anticipate the purchase of up to 200 of our Midnight aircraft as we bring up operations.

India is an incredibly important market for eVOTL, and it has the potential to be one of the largest in the world, with Delhi, Bengaluru and Mumbai being our initial focus, where congestion costs cities over \$22 billion annually. In these cities, traffic congestion contributes to 20% to 25% at the outdoor pollution, and I hope that Archer can be a part of reducing that over the next decade.

I founded Archer to help give back time to millions of people and to make cities smarter, better, cleaner, more efficient places to live. Now that Midnight is flying and we are well along the pathway to commercialization, it's clear that major cities around the world have the same goals as Archer does, and we're excited to work with them to bring electric air taxis to market.

With that, I'll hand it over to Tom to talk about the latest progress with Midnight.

Thomas Paul Muniz
Chief Operating Officer

Thanks, Adam. My team and I were thrilled to see Midnight take to the skies for the first time a few weeks ago. This was the seventh full-scale eVOTL first flight that I've helped lead, and I can confidently say that it was the most special one yet, for several reasons.

First, Midnight is the only flight program which the team and I have intentionally designed to certify and bring to market. After spending almost 15 years of my career in this space, almost all of those focused purely on R&D, I'm proud to say that we are now closer than ever to bringing a certified aircraft to market.

Second, Midnight is the largest eVOTL for which I've led a program, with a max gross rate of over 6,000 pounds and a wingspan of almost 50 feet.

And lastly, our team did an exceptional job of pulling together to make it happen, and they delivered a safe and flawlessly executed flight.

Midnight's first flight was an important milestone, and it was just one of many big wins we have had recently as we continue executing our design certification and commercialization strategy, building on almost 2 years of flight testing experience and data from our Maker aircraft.

Our strategic plan to use Maker as a technical and certification test bed continues to pay dividends. We intentionally designed Midnight to share the same configuration as Maker so that we'd benefit directly from all of the previous aircraft performance learnings and data. This enables us to model and simulate Midnight's flight behavior more accurately.

Given that foresight, we've been able to apply a tremendous amount of efficiencies from Maker's flight test program directly to Midnight. This, in turn, truncates and actually accelerates our feedback loops as we advance Midnight through its flight test program.

Over the coming months, we will drive Midnight through the [full slide envelope], first without a pilot on board, and then we expect to begin piloted flight testing mid next year.

Our suppliers continue to accelerate manufacturing of parts for our piloted-conforming Midnight aircraft. We'll begin the final assembly integration of the piloted aircraft early next year so that we can start flight testing in the middle of the year. We plan to have the majority of the systems on the first piloted aircraft as well as the aerodynamic shape conform to the type design. We continue to be on path to building a fleet of 6 aircraft that we can use in company testing and, most importantly, full-credit testing with the FAA.

When I started our R&D program for Maker and Midnight, we made an incredibly important product decision to partner with leading suppliers to provide many of the key systems and components on our aircraft, rather than vertically integrate everything. I made this decision based on 15 years of experience across 7 VOTLs, with a strong belief that this path of leveraging the best partners in the industry will significantly reduce our certification scope and, in turn, provide the fastest path to market, but also provides an aircraft with exceptional performance and operating economics.

By leveraging key products with certification heritage from companies such as Honeywell, Garmin and Safran, we take advantage of many years of prior work by our partners and also leverage the decades of experience their teams have as we collaborate to bring Midnight to market.

Because of this unique strategy, my team at Archer can maintain laser focus on system integration testing and certification. It also means that on the manufacturing side, our supplier partners deliver turnkey conforming hardware directly to our final assembly facilities and certification test labs. Again, this dramatically reduces scope and costs and simplifies our certification path.

As we have discussed before, the one area we did intentionally choose to develop in-house is our powertrain. This past quarter, we have continued to progress the maturation of our designs and production capabilities. We are beginning to transition from prototype-style manufacturing to pilot production, and the team is working tirelessly to commission equipment to support our battery and engine production.

In the same vein of partnering for a faster, lower-risk path to market, this week we announced a first-of-its-kind partnership with BETA to accelerate an interoperable charging system across the electric aviation

industry. The goal of this collaboration is to spur the widespread rollout of an interoperable electric charging network that follows the standards outlined by GAMA and supports the broad electrification of vehicles. Notably, this GAMA-endorsed standard is harmonized with Europe's standard, [indiscernible].

These charging systems are already in use at 14 locations across the Eastern U.S., and development work is underway to install them at another 55 locations along the East and Gulf Coasts as well as at Archer's flight test facilities in California.

On the certification front, I'm excited to share that earlier this week we met with a broad group at the FAA to review the latest airworthiness criteria in our certification basis. This discussion was the culmination of the FAA's work to finalize our proposed airworthiness criteria, which was published in the Federal Register last year. This is a pivotal moment, as we and our partners at the FAA now have a clearer blueprint for the finalized airworthiness criteria that we will utilize in order to get our [indiscernible] certificate for Midnight.

As a reminder, we are 1 of only 2 eVOTL companies for whom the FAA has published draft airworthiness criteria in the Federal Register, and my understanding is that the FAA is now on the cusp of publishing our final rule.

While we have made tremendous progress collaborating with the FAA in many areas of our needs of compliance and certification plans over the past year, much of the progress has been provisional, pending our final rule publication in the Federal Register. This is why we have not given precise numbers for the exact status of the percentage of MOCs or [indiscernible], as we feel that it doesn't accurately and transparently reflect the status.

Our team has carefully analyzed the updated airworthiness criteria, and I'm happy to report that, so far, we don't anticipate any changes which would require a change to the Midnight design in order to comply.

I want to give a special thanks to the policy team at the FAA for working tirelessly through this complex process to get us to this point.

As a notable example of our other recent progress with the FAA, we recently completed a critical week-long full-credit review with the FAA of all aspects of our software certification, including the plan for certification for our flight control software. We passed this formal audit with flying colors [indiscernible] findings across all of the data review.

Lastly, we're thrilled that the Senate has confirmed a new permanent FAA administrator, Michael Whitaker, who comes from the eVOTL industry. While there are many critical priorities for him to address, we were pleased to see his public comments supporting the prior administration's goal of getting initial eVOTL aircraft into service in 2025.

And now I'll turn it over to Mark.

Mark Mesler
Chief Financial Officer

Thanks, Tom. As we advance to our goal of beginning commercial operations in 2025, not only am I excited about the technical and commercial progress Archer is making, I am pleased to see proof points that our overarching strategy of creating the most efficient and capital-light path to market is taking shape.

2 concrete examples that our strategy is working manifest themselves in the construction of our high-volume factory in Covington, Georgia, and our operating expense structure compared to the industry. Let me provide further color on each of these proof points.

Recall that we are building our high-volume manufacturing facility on approximately 100 acres in Covington, Georgia. As part of our capital-light path to market, and as Tom discussed, we are leveraging the mature aerospace industry supplier base to develop and build most of our components for Midnight, and we are only developing key differentiating technologies in-house; primarily, our powertrain. We'll essentially be performing final assembly and test work at our Georgia factory, similar to the automotive industry manufacturing process.

Phase 1 of the factory when completed next summer will be roughly a 302,000-square foot factory, with a capacity to assemble and test up to 650 aircraft per year. Our construction cost for this phase of the factory will be about \$65 million.

Other announced manufacturing plans in the industry, we believe that we have the highest factory unit output from a smaller factory footprint than others. Further, our factory construction cost is a fraction of others that have been announced. This data validates our capital-light development and manufacturing strategy.

Last quarter, I discussed in detail how our current operating expense structure includes quarterly nonrecurring investments alongside some key suppliers to support the development and manufacturing setup of many of our Midnight components. That framework allows us to execute a lower operating cost development model by avoiding the ongoing structural spending of headcount to develop those other individual technologies.

Further, we do not have to build out manufacturing capability, capacity and headcount to manufacture the components that we are sourcing from mature aerospace supply base. The factory metrics that we are achieving with construction cost, size and output of our Georgia factory are an outcome of that strategy.

Finally, we believe this strategy also derisks our certification efforts and time to market should we have developed those technologies internally.

Our quarterly 2023 spending profile is made up of our core expenses for ongoing operations in addition to nonrecurring investments with vendors to establish our supply base. Our total non-GAAP operating expenses for the first 3 quarters of 2023 were approximately \$225 million. Included in those expenses were about \$45 million of nonrecurring investments and spending at vendors. Backing those nonrecurring amounts out yields about \$180 million of normalized core expenses to operate the business; on average, about a \$60 million per quarter run rate. That level of spending is our core structural operating spending that will persist into 2024 and we'll see nonrecurring investments start to tail off in 2024.

Taking stock of everything Archer has achieved over the past 5 years across technology development, culminating in the Midnight flight test campaign, our certification progress that has put us in a leadership position in the industry and building our factory in Georgia, we are achieving this with a lower expense structure than other leaders in the industry.

Now let's get to our financial performance for Q3 of '23. On a GAAP basis, total operating expenses for Q3 '23 were \$46.2 million, which were at the middle of our Q3 '23 estimates. These expenses included \$59.1 million of noncash credit for certain RSU grants that were forfeited per our prior estimates for the quarter. That noncash credit was partially offset by \$31.7 million of stock-based compensation expenses and \$4.4 million of foreign expenses for our warrants issued to Stellantis.

We achieved a net loss of \$51.6 million for the quarter.

Non-GAAP operating expenses for the quarter were \$66.9 million, which were below the lower end of our estimates range of \$75 million to \$85 million due to the timing of vendor-related expenses. The \$66.9 million included approximately \$10 million of nonrecurring vendor spending.

We incurred an adjusted EBITDA loss of \$64.8 million, a non-GAAP measure which is outlined and reconciled in our shareholder letter.

Our operating expenses continue to be primarily driven by investments in headcount, aircraft parts and materials, [pooling], testing and other nonrecurring supplier costs and supporting infrastructure required to scale our business.

We have approximately \$600 million of available liquidity in the business. That liquidity is made up of the \$461.4 million of cash and cash equivalents and \$7.3 million of restricted cash on our balance sheet at the end of the quarter; Stellantis' \$70 million investment, which we received on October 16; and the remaining \$55 million from the Stellantis equity option previously discussed.

Recall that we have other opportunities for nondilutive cash receipts in the form of predelivery payments from United and other potential future orders from our DoD contract, for which we received our first approximately \$1 million payment in Q3 of '23.

Finally, for Q4 '23, we anticipate total GAAP operating expenses of \$100 million to \$110 million. Total non-GAAP operating expenses for Q4 '23 are anticipated to be between \$75 million to \$85 million, including \$10 million to \$15 million of nonrecurring spending at vendors.

For 2023, this yields \$300 million to \$310 million of non-GAAP operating expenses, which includes \$55 million to \$65 million of nonrecurring spending at vendors.
Operator, we will now open the call up for questions.

Question and Answer

Operator

[Operator Instructions] Our first question is from Bill Peterson, with JPMorgan.

William Chapman Peterson

JPMorgan Chase & Co, Research Division

I noticed in the shareholder letter it looks like you have -- the aircraft is no longer to be completed in the fourth quarter, and manned flight looks like it's been pushed also by a quarter or so. Can you provide some more information on this delay and potentially any implication on the certification timeline?

Thomas Paul Muniz

Chief Operating Officer

Bill, this is Tom. Happy to answer that. So you're referring to the first conforming piloted aircraft, that we talked about on the call and we've talked about in the past. I think what we've said before is we're still on track to fly that aircraft early to mid-next year, with delivery to flight test kind of on the earlier side next year. Still on track to that. So really no substantive change from our end there.

William Chapman Peterson

JPMorgan Chase & Co, Research Division

Okay. I'm just comparing the second quarter to third quarter decks. So just it does look like it's about a quarter delay on both sides.

In any case, I wanted to ask about the Air Force. I think last quarter again you were expecting to deliver an aircraft towards the end of this year or early next year. I might have missed it, but what is the latest expectation to deliver an aircraft to the U.S. Air Force.

Adam D. Goldstein

Founder, CEO & Director

Bill, this is Adam. So we started to execute on the Air Force contract. We received our first payment of nearly \$1 million in this quarter, which was relating to an event simulator that we're building. And so we're still working hard on that delivery, and our goal is still to deliver that aircraft here in the coming months, but I don't have anything new to update you on that.

William Chapman Peterson

JPMorgan Chase & Co, Research Division

Okay. If I could sneak in one more. So you talked about the advantages of working with third parties, like Honeywell and the other ones you mentioned. And a lot -- basically, it seems like all these guys have gone through FAA cert. So as, I guess, a percentage of build materials or some other metric, how many of these third parties have actually gone through certification? Just trying to get a feel for the risks of dealing with third parties versus doing more of this on your own.

Thomas Paul Muniz

Chief Operating Officer

Sure. So the bulk of the suppliers we work with that you're referring to here are the sort of best of the best commercial aerospace suppliers. So like I said earlier on the call, companies like Honeywell, Safran, Garmin. These are groups that have hardware flying in aircraft for all the large commercial airliners that fly today. So we're super confident in their ability to deliver and our strategy there.

And putting it in a little more broader context, what that does for us is let us focus on the system- and aircraft-level work, with them delivering components that come with all the cert heritage, prior test data, et cetera.

Operator

Our next question is from Savi Syth, with Raymond James.

Savanthi Nipunika Prelis-Syth

Raymond James & Associates, Inc., Research Division

I know you've chosen to kind of go with BETA's charging solution, as you announced recently. I was curious what your view is of the pros and cons of BETA's system versus what Joby announced recently and also how difficult it might be to switch between the 2.

Thomas Paul Muniz

Chief Operating Officer

Sure. It's a great question. So we've been working with a broad group of other eVOTL companies on this for the last many months. And the way we thought about it is it's going to be really important to have an infrastructure system that works for all groups and something that's very standard, because that's what's going to get the investment to really deploy across airports across the country and around the world.

We chose to go with a well-established standard in CCS versus a bespoke process, because that's really what we think the whole industry makes sense, including our partnership with GAMA and all the groups there.

As I mentioned on the call, it's also what the European group has proposed in their [indiscernible] standard. So we think that makes a lot of sense.

I did take a quick look at what Joby had proposed. From our first look at that, it looks to be essentially optimized for their particular aircraft and architecture, for something that's more generally useful and applicable.

So we're still super happy with our path and that we made the right decision on that.

Savanthi Nipunika Prelis-Syth

Raymond James & Associates, Inc., Research Division

I appreciate that. And then just on the certification, I realize just until the FAA kind of accepts the J1, a lot of it might be conditional. But I was curious on Archer's front just where you are in terms of submitting some of your plans.

Thomas Paul Muniz

Chief Operating Officer

Sure. So like you hinted at, the right way to think about this is that it's largely dependent on airworthiness criteria being finalized. And so we're 1 of 2 companies for which draft airworthiness criteria have been published. But our own and, to our belief, nobody else's have been finalized. So until that's complete, there are parts of our MOCs and cert plans that we just can't agree to with the FAA because that higher-level framework needs to be in place. Again, this is true for everybody in the industry.

As we said before, we actually have submitted all of our cert plans. I think that was 1 or 2 quarters ago. But in terms of getting those finalized and where we are, we just don't think it makes sense to share specific percentages because it actually could be somewhat misleading; again, because all of this is contingent on getting those final airworthiness criteria published.

So the good news there is, as I mentioned earlier, we expect the FAA to publish those final rules soon, and that really unlocks our path forward to finalizing MOCs and cert plans over the coming months.

Operator

Our next question is from Andres Sheppard, with Cantor Fitzgerald.

Andres Juan Sheppard-Slinger

Cantor Fitzgerald & Co., Research Division

I wanted to maybe just touch on the India announcement. That looks like to be pretty significant. It looks like it includes an order to finance up to 200 aircraft. And then it looks like you're also exploring some other use cases for it, and you mentioned logistics, cargo as a couple of them. Curious to get your thoughts there. Just trying to better understand kind of how you're approaching that relationship and particularly that market. Obviously, that's a huge market there. Are you intending to maybe use the Archer direct business model here as opposed to the UAM? Just trying to get a better feel for how you're thinking about it.

Adam D. Goldstein

Founder, CEO & Director

Andres, this is Adam. So yes, we are very excited about the partnership that we announced with Rahul Bathia and InterGlobe. InterGlobe is India's largest travel conglomerate, and it's the largest owner of IndiGo, which is the market-leading airline in India and, I believe, the ninth largest airline in the world by passenger volume.

Fun fact, the former Group CEO of InterGlobe is actually Mike Whitaker, the new FAA administrator. So I thought that was interesting.

InterGlobe is a conglomerate, though, that has leadership in aviation, real estate, hospitality. So they really are an ideal partner for us.

When we look at these markets, we're really thinking about markets that have the potential for a very large business, a market where there is regulatory support and markets that have in-country partners and the potential for also in-country financial support. And so India has that, and we have that with InterGlobe specifically. And so we thought that was especially compelling.

If you look at how other large companies have operated internationally, there's some interesting parallels that I think that we can draw. So for example, internationally, we will likely share in the ownership of the operations as well. So InterGlobe has a business partnership with UPS, where InterGlobe is the operator in country. And so I can imagine a similar type of relationship, where Archer and InterGlobe have a partnership and there's shared operations in country.

Andres Juan Sheppard-Slinger

Cantor Fitzgerald & Co., Research Division

Got it. That's super helpful. And thanks for that fun fact; I did not know that myself. Maybe as a follow-up question for you or maybe Tom, regarding the piloted test flights. So it looks like we're targeting mid-2024 to begin those. I'm curious, how do you anticipate that test flight program kind of ramping up? How long would you anticipate that to take until you feel confident enough to enter into service? I'm trying to get a sense of how long will the piloted test flight have to run through until you're confident enough to enter into service. Is that something that will take weeks, months? Just trying to get a better feel for that.

Thomas Paul Muniz

Chief Operating Officer

Absolutely. So the first thing to keep in mind there is we need to prove the aircraft is safe to ourselves. And so we'll do that through an extensive campaign of company flight testing, not just with that first aircraft, but with the suite of 6 aircraft that we're building. And that will take months to go through that testing.

But then back to the fleet of 6 conforming aircraft that we mentioned, 6 is not an arbitrary number there. That's essentially designed based on our detailed certification flight test campaign, where we go through and plan exactly what tests we need to do, what aircraft we will use for those tests and essentially mirror the specific configuration and which systems are conformed on which aircraft to achieve the goals in that test campaign.

So hard to pin down exactly how long that will all take, but we have a pretty detailed plan. And yes, we're excited to start flying with a pilot next year.

Operator

Our next question is from Edison Yu, with Deutsche Bank.

Xin Yu

Deutsche Bank AG, Research Division

I just wanted to come back on the 6 aircraft. Can you give a sense of how much time you need to actually build these things? And also, do you need to have 6 all at once? Does 1 go up and then 1 flying and you build another 1? Just how to sequence the 6 aircraft in the timeline.

Thomas Paul Muniz

Chief Operating Officer

Sure. So we've got parts in production for these first aircraft across our supply base today, and not just for the very first 1, but in some cases parts for the second and third. Those aircraft then -- those parts arrive at our facility here in San Jose to be assembled together, and that process obviously takes time. So there will be some parallel manufacturing of those aircraft, where we're doing the assembly of first and second, second and third at the same time, et cetera.

But then tying it again back to the flight test plan, the aircraft have very specific objectives. And so we're mirroring the, you can think of it as, maturity or essentially which systems are conformed on each of those aircraft to mirror what we need to accomplish those flight test goals.

So it will take us the majority of next year to produce those 6 aircraft. We don't need them all at once, but they're staggered, essentially, in an optimal way to support our flight test campaign.

Xin Yu

Deutsche Bank AG, Research Division

Understood. And then unrelated to that, more of a financial question, I know you got the first DoD payment. Can you give us a sense of how that ramps up? Is it essentially there's a big payment with the delivery? And how that stream kind of comes in.

Mark Mesler

Chief Financial Officer

Edison, this is Mark. So we are still in the process of working out the specific accounting with some advisers on the accounting treatment and where that actually lands in the P&L geography. But we do anticipate deliverables throughout 2024 and actually in the rest of 2023 and receiving payment for those deliverables.

A lot of it was outlined in our shareholder letter around what the bulk of the work will be focused on with respect to 2024, which we'll be focusing on work with the Air Force on training pilots, specifically using the mobile flight simulator that we have just received our first payment for, assessing flight controls and then really improving the Air Force and the personnel's understanding of the operational capabilities of the aircraft for future use. So a lot of that will be delivered or most of that will be delivered largely next year. Some of that will be delivered later this year as well.

So it will be the revenue or, I should say, the cash received for those will be somewhat prorated, you could think about, over the course of the next 4 to 5 quarters.

Operator

Our next question is from David Zazula, with Barclays.

David Michael Zazula

Barclays Bank PLC, Research Division

I guess, can I ask if you could give any color that you have on the terms of the agreement with BETA? Specifically, is there any revenue stream that would be flowing towards them as part of you using the

charging infrastructure? And then I guess, associated with that, with a multimodal solution, do you feel like you're giving up anything in the way of your recharge time and capability with something that's more broadly able? Or do you feel like you're still in the same ballpark of the numbers you put together 2 years ago?

Thomas Paul Muniz
Chief Operating Officer

Sure. Happy to talk about that. So in terms of the last part of your question, our operational capabilities, just to be super clear, the path we've chosen, aligning with BETA and GAMA and the rest of the industry, absolutely supports our operational goals of turnaround time, fast charging, et cetera.

With regard to the first part of your question and the specific partnership with BETA, we have purchased some equipment for them specifically around the charging and cooling equipment. Their team has done a phenomenal job. They've made a bunch of great investments in that space. And really by partnering with them and the rest of the industry, we're positioned really well to help scale and distribute this aircraft at all these locations around the country and around the world. That's really the driving force behind it.

Does that make sense?

David Michael Zazula
Barclays Bank PLC, Research Division

It does, yes. And then I guess, a broader one, I'm not sure how much you can talk about it, but there's certainly been a lot of news about people that are in the electric vehicle business kind of ramping down expectations, having difficulty with supply chains, having difficulty with the IRA, just a general slowing of that business. Is any of that impacting you and your supply chain or any of the materials that you need to be able to ramp up the Archer aircraft in the timeline you've specified?

Adam D. Goldstein
Founder, CEO & Director

David, this is Adam. So no, we have not seen an impact from the broader EV market slowdown impacting the eVTOL supply chain. I think that's probably because the volumes that we are working with are much smaller and we use different suppliers. So for example, I don't believe anybody, like, in the EV space is using Honeywell or Safran or Garmin, as examples. So we have not seen any impact from that.

David Michael Zazula
Barclays Bank PLC, Research Division

Great. And then if I could just squeeze one more in a little. You had talked about airworthiness and progress there. Is there anything you would talk about specifically in terms of the battery certification plan? I understand your batteries may be a lower risk of certification than some other designs that are out there. But any color you can provide on the battery certification process.

Thomas Paul Muniz
Chief Operating Officer

Sure. We're still super happy with our choice to use cylindrical cells. We think that basically provides both a more robust economical system as well as a safer system. So super happy with that. Can't give any updates on the battery certification details because that's still a working area for us and the FAA.

Operator

Our next question is from Austin Moeller, with Canaccord.

Austin Nathan Moeller
Canaccord Genuity Corp., Research Division

So just my first question here. With the announcement of the India agreement, does that essentially bring your backlog if you include United to around 500 aircraft? And should we expect at some point that you'll be able to draw some predelivery payments off that backlog to generate some cash?

Adam D. Goldstein

Founder, CEO & Director

Austin, this is Adam. So we don't quote a backlog from the different agreements that we have. Really, the strategy that we put in place for especially the international side has been to partner with some of the largest providers, the governments, the regulators that will allow us to launch these networks. There certainly is the potential for additional predelivery payments that come forward, but a lot of the market is still developing. And so we've focused very heavily on the partnership side to develop those relationships so we can figure out the most efficient way to really just deploy the vehicles as they come off the manufacturing lines. As we continue to mature those relationships, we will certainly provide updates and keep you up to date.

Austin Nathan Moeller

Canaccord Genuity Corp., Research Division

Okay. Great. That's helpful. And then just if we think about the regulatory side of the equation, what is the latest that you've heard in your conversations with FAA officials on the number of pilots that will be required to be able to operate the aircraft and pilot training relative to what's already permitted with helicopters?

Thomas Paul Muniz

Chief Operating Officer

So we haven't heard any updates on the progress of the SFAR, because I think you're referring to the content in there that referenced potential need to have dual flight controls for some aircraft. Just to make sure you have the right context there, that was not around the commercial operation of these aircraft as much as the training capability for pilots. So we shared our position, along with GAMA and the rest of the industry, on that. The FAA is now in the rule-making process for that. So no update to share and, obviously, can't speak on behalf of the FAA.

Operator

Our next question is from Josh Sullivan, with Benchmark.

Joshua Ward Sullivan

The Benchmark Company, LLC, Research Division

Just on the InterGlobe shared model, how should we think about that flowing through Archer's revenue model? I think it mentions financing for 200 aircraft, but it sounds like there's a shared service aspect to it. Give us a little color on how that might flow through Archer's model when it's executed.

Thomas Paul Muniz

Chief Operating Officer

So there is a -- we've talked about our overall operating model, where we have the ability to sell planes and then we have the ability to operate planes ourselves. In the international markets, it will likely be a mix of shared operations as well as selling planes. So the InterGlobe relationship is still early, and we don't have any additional color to provide there, but there's certainly an opportunity for the ability for us to share in the operations there and really work with them to stand up the entire air taxi division.

Joshua Ward Sullivan

The Benchmark Company, LLC, Research Division

Got it. And maybe one for Mark, just on the nonrecurring costs that you're expecting to tail off in 2024. What should we expect the cadence of that to look like and maybe the magnitude as well?

Mark Mesler

Chief Financial Officer

We talked about it previously. I mean, the cadence is generally after the first half of the year we'll see that -- it will start dropping off at the beginning of the year and then tail off such that -- we said the current pace is that they will drop off by the end of the year. Clearly, that's dependent on timing of execution with our supply chain and partners, et cetera.

But I'd also like to highlight that as those drop off, we will be investing in other areas of the business. Clearly, as we're ramping up manufacturing and quality, we'll be investing into the 6 -- for materials into the 6 conforming aircraft and other areas of the business.

Operator

There are no further questions at this time. So I'll turn the call back to Adam Goldstein for closing remarks.

Adam D. Goldstein

Founder, CEO & Director

Thank you, everyone who's joined the call today as well as the entire Archer team for their relentless execution in what has been another great quarter.

Our production-designed aircraft, Midnight, took flight for the first time, and we're on track to rapidly advance to full wind-born flights over the coming months, paving the way for us to begin for-credit testing with the FAA. Our commercial team is now in full swing, both domestically and abroad, from our U.S. launch cities with United Airlines to our newly announced international launch markets of India and UAE to our industry-leading contract with the U.S. Air Force.

We ended the quarter with nearly \$600 million in liquidity, and I couldn't be more excited about the quarter ahead.

Thank you again to our team and everyone on the call today.

Operator

That concludes today's conference call. Thank you for your participation. You may now disconnect your line.

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