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Vertical Aerospace Ltd

H1 Earnings Call

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CORPORATE SPEAKERS:

Gillian Levine
Vertical Aerospace Ltd.; IR Lead
Stuart Simpson
Vertical Aerospace Ltd.; Chief Executive Officer
Michael Cervenka
Vertical Aerospace Ltd.; Chief Commercial and Strategy Officer

PARTICIPANTS:

Edison Yu
Deutsche Bank; Analyst
Savanthi Syth
Raymond James & Associates; Analyst
Austin Moeller
Canaccord Genuity; Analyst
Amit Dayal
H.C. Wainwright; Analyst
Jesse Sobelson
D. Boral Capital; Analyst

PRESENTATION:

Operator^ Good morning. (Operator Instructions). At this time, I would like to welcome everyone to the Vertical Aerospace's 2025 First Half-Year Earnings Call. All lines have been placed on mute to prevent any background noise. After the speaker's prepared remarks, there will be a question-and-answer session. (Operator Instructions) Thank you.

Now, I'd now like to turn the call over to Gillian Levine, IR Lead at Vertical Aerospace. You may now begin your conference.

Gillian Levine^ Hello, everyone, and good morning. I'm delighted to welcome you to our H1 update call today.

Before we get started, I would like to remind you that during today's call 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. Any forward-looking statement 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.

We've posted an accompanying slide deck to our Investor Relations Web section of our website at investors.verticalaerospace.com, which contains information and cautionary warnings on forward-looking statements. For more complete discussion about these risks and uncertainties, we have filed our 2025, first half-year financial statements with the SEC this morning.

Please, now let me hand it over to our CEO, Stuart Simpson,

Stuart Simpson^ Good morning, everyone, and thank you for joining us today for Vertical Aerospace's 2025 half-year results. I will give you an update on our progress over the past six months, and I'm joined by our Chief Commercial and Strategy Officer, Michael Cervenka, to talk through one of our key partnerships. But before we get started, I wanted to share something special with you.

(Video Playing)

Stuart Simpson^ As this video shows, this is just another day for the flight test team. 2025 has been a pivotal year for Vertical so far, and I'm pleased to say we are tracking strongly against our strategic objectives. Looking at the 2025 targets we set last November, we have successfully achieved, or remain on track to deliver on each of these key milestones.

We have flown through public airspace operating in full-scale piloted wingborne flights, the first of its kind to take place in Europe. Most recently, we've demonstrated a real-world use case with full-scale piloted airport-to-airport flight, one of the world's first for eVTOLs and at the world's largest military air show.

Once we complete our wingborne flight test, we are on track to achieve the final flight phase piloted transition before year end, and we are on track to finalize the assembly of our third and final VX4 prototype, and fly it before the end of the year, therefore doubling our flight test capacity.

Thereafter, we intend to be flying this final prototype hybrid electric in 2026. Both these piloted transition and hybrid flights in the coming quarters will demonstrate our capability as an exceptional aerospace company with the knowledge of how to certify.

So far this year, we have initiated production of our pre-production aircraft with long-range parts purchasing continuing strong momentum with key partners such as Honeywell, and as of yesterday, Aciturri Aerostructures, of which I will explain more shortly.

We have expanded our partnership with Bristow to accelerate global eVTOL adoption through a ready-to-fly model that reduces barriers to entry, which Michael will touch on later.

We are on track to secure expanded design organization approval from the UK CAA, including flight privileges that will let us issue our own permits to fly, removing the oversight needed for each flight phase so far, and which will be a huge vote of confidence from our regulator in Vertical growing as a mature aerospace company.

And finally, we have strengthened our operating model and shifted our approach to focus on execution, including by significantly enhancing both the management team and our Board. I will touch on each of these milestones today, but I want to start by spending a bit more time on what I believe is one of our strongest differentiators, our battery.

Our leading battery underpins both our eVTOL and hybrid aircraft, and its performance is central to the VX4 success. This year, we are delighted that we completed crucial full-scale build and test on concept battery design, 15.2 meter or 54 battery pack drop test, comparable to fuel tank testing in traditional rotorcraft. Also, a full-scale thermal runaway propagation test was conducted on a VX4 sub-pack, indicating that safe flight and landing is achievable even in the event of a battery fire.

This sets us up well to deliver our battery against our means of compliance with the ARSA SC-VTOL. We are continuing to refine our battery to ensure it is as light but powerful as possible and we are getting ready to produce this certification-ready battery.

Our battery not only differentiates our aircraft, but as we mentioned when we launched Flightpath 2030, it also unlocks a unique business opportunity for Vertical in the medium and long term. The VX4 will only be able to be powered by Vertical's proprietary batteries. This means our customers must return to us for annual or more frequent battery replacements, depending on how they use their aircraft.

This razor-razorblade model results in a long-term, high margin towards 40% and above recurring revenue opportunity for Vertical, and we expect will ultimately result in a 50-50 long-term revenue mix between aircraft and battery sales.

Our pilot line is being built at the Vertical Energy Center, but ultimately, we will be building a gigafactory to accommodate the volume of batteries we'll need to build. We are deep in discussions with various potential sites, and we plan to announce this in the next 12 months.

We are exploring other applications for our leading battery technology, and we hope to have an announcement of this again in the next six to nine months. However, our primary focus is delivering on our pilot battery line and choosing a location for our data factory. We look forward to keeping the market updated on our battery development and the destination of our major facilities.

Turning to our key milestones this year, one of our most impressive achievements to date has been our flying full-scale piloted wingborne this year. We had to submit upwards of 20,000

documents to receive our permit flight from the UK Civil Aviation Authority to begin this flight phase.

As it was our first time conducting piloted flights through public airspace, unlike other jurisdictions, our flight test and our flight test center in the Cotswold's is above urban life, people, schools and homes. The CAA to approve our flight test is to accept, alongside the Company, the joint liability for the VX4 prototype aircraft. The level of regulatory scrutiny for just our prototype aircraft is incredibly high, as compared to other markets, which significantly benefits us in the medium term and derisk a pathway to certification.

We've dedicated years and countless hours walking CAA through VX4, its design, its engineering, its capabilities. This means when we progress through to our pre-production aircraft in 2026, our regulator is already intimately aware our aircraft and how it works.

The CAA has already engaged in a mini-certification of our prototype aircraft for flight tests, which will be concluded by us targeting piloted transition by the end of the year. This all underpins the CAA's knowledge of how to certify our aircraft.

In recent months, we have been conducting additional wingborne flight tests so as to incorporate real-world learnings into our pre-production aircraft. We are also seeing the benefits of our AI strategy being brought to bear, for instance, with our flight test data and our ability to analyze terabytes of data in a more efficient way.

I'm excited to say, over the past six months, we've been joined by Paul Stone. Paul brings over 20 years experience as a test pilot, including 20 years in the Royal Navy, and he's flown over 200 different aircraft. Paul also flew the VX4 during July. This has also meant we have had days where, for the first time, we have multiple piloted test flights on the same day with different pilots, considerably accelerating our learning.

Building on the success of our flight test progress to date, we felt confident in our aircraft to conduct the world's First eVTOL airport-to-airport flight. Thousands of people witnessed the VX4 fly from Cotswold Airport to the Royal International Air Tattoo, the world's largest military air show at RAF Fairford, a Royal Air Force Base also used by the US Air Force. Airport-to-airport flights will be a key use case for eVTOLs, and it was extraordinary to see people's reaction to the VX4 close up.

At the air show, the VX4 was an esteemed company with aircraft from over 20 European, Middle Eastern and North American militaries, and around a quarter of a million people came to the Air Tattoo to watch the VX4 among the B-52s, typhoons and F-35s.

Feedback was overwhelmingly positive for regulators, military partners and the public as through our inaugural demonstration flight, they were able to fully understand the future of our mobility. The market opportunity in defense is significant, and the European defense tech market is growing, powered by the acceleration in European defense spending.

NATO members are increasing defense spending from approximately 2% to 5% of GDP, or an increase from $300 billion to approximately $1 trillion over the next seven to 10 years and Vertical, as the only European eVTOL contender, is uniquely positioned to capture this opportunity.

During the air show, all eyes were on the VX4's defense applications, and particularly our mature hybrid program, which is in its second-generation powertrain. We have developed and successfully tested the control algorithms between our batteries, power generation system and EV use.

We are now focused on building out the team. Eric Samson, who has been a member of the Vertical leadership team for a number of years and has exceptional experience, particularly from Gulfstream, from five separate engineering and certification programs, including the G650, has been appointed VP, Programme-Hybrid. As we have stated, we are targeting our piloted hybrid flight tests in 2026.

I'd like to remind you that our aircraft does not require any material changes to accommodate our hybrid powertrain. We will use the same VX4 eVTOL aircraft, remove half the batteries and accommodate a gas turbine, extending the range up to 1,000 miles or 1,600 kilometers, and payload up to 1,200 kilos, or over 2,600 pounds.

We had the foresight to design our aircraft for versatility, allowing us to adapt our existing aircraft rather than design a new one. This was due to design decisions made years ago to ensure our airframe cabin capacity was industry leading.

Uniquely for this type of aircraft in sector, VX4 is flexible enough to accommodate four business passengers or six passengers in economy-style seating, each in standard helicopter-sized seats. And we expect to have leading luggage capacity with one check-in bag, one carry-on bag and one rucksack, up to 70 pounds per person, all with same airframe and with a bulwark between passengers and the pilot, creating additional levels of safety and security for passengers. We're able to deliver the best-in-class eVTOL aircraft due to the strength of our global Tier 1 aerospace supply chain, we're committing now to long lead procurement with our key suppliers locking in both security and competitive pricing for critical components.

Yesterday, we announced our long-term partnership with Aciturri Aeorstructures to supply the airframe for the VX4 eVTOL and hybrid aircraft, including the wing, empennage pylons and fuselage of both the pre-production and certified VX4 that will enter into service.

Aciturri brings nearly 50 years of experience in commercial aircraft programs, including the design and manufacturing of major airframe components for Airbus, Boeing and Embraer, including the A320 737 and Embraer KC-390, as well as experience of developing airframes for eVTOLs, including EVE. We are now looking forward to combining the expertise of our engineering team with Aciturri's proven track record in high-quality aerospace manufacturing.

This builds on our expanded partnership with Honeywell, which we announced earlier this year, which covers flight control and aircraft management systems for our production aircraft through 2035. Through our expanded collaboration, Honeywell will work with Vertical to certify some of the critical systems on the VX4, including its Anthem flight deck.

We expect further news on our airframe, composites and other key areas of the VX4 to be announced in coming weeks and months, as we continue to solidify our supply chain. By committing now to supplying the VX4 pre-production and entry into service aircraft, our partners are demonstrating deep alignment with our long-term production and certification roadmaps. These partners understand the scale of what we're building, and they're investing alongside us. Just to remind you, all of this underpins the assembly our first pre-production aircraft in December 2026.

I'd now like to hand over to our Chief Commercial Officer, Michael Cervenka, to go into more detail about our recent partnership with Bristol.

Michael Cervenka^ Thanks, Stuart. Our partners support Vertical every step of the way. Vertical is developing, building and selling the leading eVTOL in the sector, and we're backed by the industry's leading pre order book of blue chip names such as American Airlines, Avolon and Japan Airlines.

This quarter, we deepened our commercial relationship with Bristow by revenue, the world's largest helicopter operator. I've had the privilege of working closely with Bristow over many years, and I am continually impressed by the expertise, pragmatism and thoughtful vision and leadership of Dave Stepanek and his team.

Bristow has over 75 years unrivaled experience in Vertical lift, leading the way with an absolute focus on safety. It has been the first-of-type operator for many brand-new helicopters, and operates in 18 countries across six continents with all the prerequisite air operator certificates Part 145 and 147 maintenance and maintenance training approvals. Bristow already has Over 900 pilots and a similar number of engineers.

Not only did Bristow double its pre-order from 50 to 100 aircraft, but we have developed a strategic partnership to accelerate global eVTOL adoption by combining Vertical's category leading aircraft with Bristow's vertical lift operational and safety track record and experience.

We are developing a scalable capital light eVTOL operations platform for those seeking to operate the VX4. This partnership will offer to Vertical's current and prospective customers a ready-to-fly model providing turnkey aircraft and operation solutions, including trained pilots, maintenance and insurance.

We will be able to provide a fully integrated solution to launch services without our customers building operational infrastructure from scratch, allowing them to focus on passenger experience,

sales and network integration. This is a first for the eVTOL industry, which we believe will lower the barriers to entry for future customers.

This operating model is a key and well-established part of aviation already, for example, across the regional airline industry. Standing up all the elements needed for customers to benefit from eVTOLs is a marathon, not a sprint, but this joint offering from Vertical and Bristow will allow VX4 customers to focus on customer experience, ticket sales and network integration, while Bristow and Vertical jointly manage aircraft operations on their behalf. This is about making eVTOL operations simpler and ensuring that by 2030, the VX4 is the international eVTOL of choice.

Please let me hand back to Stuart.

Stuart Simpson^ Thank you, Michael. In addition to the progress we've made with strategic Tier 1 suppliers and partners, we have also continued to strengthen our leadership both from the leadership team and the Board.

Starting with our leadership team. As we announced last month, we have expanded our leadership team with the appointment of Mark Higson as COO.

In keeping with our aerospace heritage, Mark was trained as an aerospace engineer and brings four decades of leading complex global organizations to Vertical. He began his career at BAE and more recently served as an advisor to McKinsey and advanced portfolio companies. Mark's strong operational expertise has become increasingly valuable, as he has worked to drive the engineering team forward.

Alongside Mark, Steve Velacott has joined as the VP of Airworthiness and Head of our Design Organization. Steve spent three decades at Leonardo Helicopters, working closely with EASA on certifying rotorcraft and brings incredible certification experience, as we accelerate towards our stated certification date.

In the executive team alone, not including the wider company, our team has been involved in certifying dozens of aircraft and propulsion systems. What we know deeply is how to certify, which is why we are confident in our target certification date of 2028.

Further sporting Vertical is our recently bolstered Board of Directors, and Lord Andrew Parker is our latest appointment. Formerly Director General of MI5 and Lord Chamberlain, Head of the Royal Household. Lord Parker has unparalleled access and insights into UK government, as well as having substantial experience on the Board of one of the UK largest defense companies,

He has already offered strong guidance as we consider the first locations for our manufacturing facilities and looking ahead, his deep understanding of government contracts and national security needs will prove invaluable as we strengthen our hybrid strategy and defense offering.

Earlier this year, we also appointed Kris Haber, JK Brown, Carsten Stendevad, who are proving great, unlocks to new sources of capital. These appointments are already adding value as we enter the critical pre-certification phase, resulting in improved technical insight, additional capital market access, and finally, unparalleled knowledge and routes into the UK, European and global defense markets.

We are confident in our clearly defined route certification underpinning Flightpath 2030, due to our momentum and progress to date, but also due to our improved capital position. In July, we launched a successful follow-on raise, raising a gross table of approximately $70 million and taking the total raise in 2025 to nearly $160 million.

This most recent raise included strong participation from both existing and new investors, and it gives us operational agility of strengthening our position as the leading eVTOL OEM for capital efficiency.

Our current capital position enables us to complete our 2025 flight test campaign, including piloted transition flight, complete the build of our third prototype aircraft, or final prototype aircraft, which will double our flight-testing capability. This aircraft, as I've already said, will be flown both eVTOL and then hybrid, Begin the assembly of our next aircraft, our pre-production or certification aircraft, and continue to expand our certification aircraft supply chain, critical step in accelerating our path towards commercialization at scale.

Our guidance for this year remains unchanged, with $110 million to $125 million net cash used in operating activities. And our cash runway takes us into the middle of 2026 with our cash and cash equivalents as of today, approximately $139 million.

To sum up, our capital efficiency for leading flight test progress is unparalleled. We have the strongest partners in supply chain, blue chip customer backing, and the largest, most scalable aircraft in the sector, uniquely being certified to the highest levels of safety in aviation.

And as we have explained, our leading large airframe is being built by Tier 1 Aciturri, and accommodates our hybrid variant also. We are building toward a future where electric flight is real, safe and scalable. We're not just checking boxes. We are delivering against a clear road map with team technology and partnerships that are second to none. Our momentum is strong, and I remain confident in our ability to certify the VX4 by our stated timeline.

To provide more details on our progress and what we will accomplish over the coming months and years to bring the VX4 to market in 2028 and what comes beyond, we will be hosting a capital markets event in person in New York on the 17th of September. Please stay tuned for further details on this in the coming days. Thank you for your continued support. We look forward seeing you in New York next month.

With that, I'll hand it over to our Operator for Q&A.

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QUESTION & ANSWER:

Stuart Simpson^ We are now opening the floor for question-and-answer session. (Operator Instructions) Your first question comes from the line of Edison Yu of Deutsche Bank. Your line is now open.

Edison Yu^ Hey, thank you for taking our questions. Wanted to follow up on the comments you made about defense. Obviously, the macro trends are very favorable in Europe. Can you give us a flavor of what kind of missions or use cases that you're in discussions about taking part in?

Stuart Simpson^ Yes, of course. Morning. Edison, thanks for the question. As you say, the macro trends are really incredible. I think this has been one of the successes of the Trump presidency, getting NATO and Europe to put their hands in the pocket and increase defense spending over the next seven years from around $300 billion to $1 trillion. And that's a staggering, staggering amount of money and an incredible achievement, given the background against people have been asking for this for many, many years.

In terms of the missions, as you can imagine, the military are extraordinarily excited by the capability of the aircraft. Silent take-off and landing with no noise signature and effectively no heat signature is phenomenal in terms of what that kind of opens up.

Then with the hybrid being able to turn that on and fly a range of up to 1,000 miles, 1,600 kilometers, with a payload of 1,200 kilos, or about 2,700 pounds, you open up, whether it's logistics moving, we can get eight full-sized marines put all their kit in the aircraft, I don't think anyone else comes close to that level of capability.

So, I think the missions are innumerable. It's an incredible opportunity. And I just remind you, we flew this aircraft in front of the most influential military people in the world, when we flew into and out of the largest military air show in the world recently. So, we are front and center for this. We're in a great position to take advantage of it.

Edison Yu^ Got it. And then switching gears just to the rest of the year, obviously, you got, you got quite a few things -- quite a few streams going on the next six to nine months. How are you feeling about the full transition -- pilot, full transition in the second half? What do you think are the biggest hurdles, if any, to achieving that?

Stuart Simpson^ Great. We've been clear, and I've been clear since I launched Flightpath 2030 that we'd be doing full transition in Q4 this year. We are still absolutely on track for that. The engineering is going brilliantly.

At the minute, what we have is a huge truck with a big pipe on it that's driving up and down a runway at high speed, with our tilt actuators on the front, covered in sensors, producing huge amounts of data that we take back compared to our model, and then we prove that our model of our aircraft is correct, and we provide that to our regulator.

And just to bring this really into sharp focus, we have done everything bar maybe a 20 to 32nd period on the transition, and then the slow down to landing. What I mean by that is we've taken off vertically. We've flown around up to 30 knots. We've also flown horizontally, like a conventional aircraft, and slowed down to 70 knots, just above stall speed. We're only proving out what happens in this period between 30 knots and 70 knots when you're flying on the whim. That's the bit of data we're gathering. We provide it to the regulator, and then we'll be up and running and flying.

And I see that as a huge unlock, because that has proved the concept of our aircraft. We have done everything with it, then full transitions done that we are literally then into the shrink wrap and certification of product. And as you know, we're building our first certification aircraft that'll be ready for testing the end of next year. So hopefully that makes sense, Edison.

Edison Yu^ Yes, totally. And last one from me. You mentioned the Investor Day coming up. Can you give us a maybe a tease about what kind of topics you may address? Will you be updating some of the financials that you had previously disclosed? Any color that would be great.

Stuart Simpson^ Yes, of course. And this has been a remarkable 12 months for us. If you look back to putting it -- I was putting out Flightpath 2030 for the first time, I think we're still the only company in this space that has really put out precise financial figures through this year 28 -- 2030 and beyond. So much has changed that we felt it was worth going back and updating the market on those, specifically on the hybrid opportunity in terms of volumes, revenues and margin, but also expanding a little bit about batteries. I think people are still struggling to understand how that plays in.

And to remind everyone, batteries will be over 50% of our revenue about five to seven years after entering service at a 40% margin. That's a phenomenal business model to have the razor-razorblade model. So, we will bring some more details around that.

We'll also be very transparent on the cost of certification. I've been saying this for the past year. We talk about it in Q4 this year. So, we will be doing that. We'll be talking about the sources of funding and the uses of them as we drive through certification.

We'll also provide some detail around our manufacturing plans. And I'm really pleased to say we'll have a couple of keynote speakers, one of which will be Lord Parker, who will be talking around what is the geopolitical environment, particularly around the defense opportunity for us.

Edison Yu^ Thank you very much.

Stuart Simpson^ Thanks, Edison. Really appreciate it.

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Operator^ Our next question comes from the line of Savi Syth of Raymond James, your line is now open.

Savanthi Syth^ Hey, good morning. If I might, I just -- on the -- you had mentioned, I think there the next aircraft could be pre-production or certification conforming, but then you also mentioned, you're building a certification conforming aircraft next year and up for -- and we'll be ready for testing by the end of next year. Just curious if I heard that, and where you are in the -- in kind of completing that PDR and CDR and the drivers of kind of the position on kind of what you build next after Aircraft Three?

Stuart Simpson^ Yes, of course. So just to confirm Savi, you're absolutely right. So first, thanks for the question.

Aircraft Three is a quite an exact copy of Aircraft Two will fly in electric, decommission, put the hybrid in. It'll be flying as a hybrid next year. The aircraft we build after that will be our first certification-compliant aircraft. We'll have locked in the supply chain. It'll reflect the certification aircraft.

So this, we don't have non-conforming, conforming. We have built out our prototype. We've proved the concept, when we do full-piloted transition. We'll double our engineering learnings from it with the Aircraft Three, and the next one we build December next year will be our first certification-ready aircraft that we then we'll be flying and proving that out with the regulator.

But remember, we start from a point where we've already proved the concept of the aircraft works because of all the regulator involvement we've had over the past three years. So this, I'm so excited to get to December next year, because that will be the first aircraft that people will really be able to see how this looks -- a huge next 18 months.

Savanthi Syth^ Looking forward to that. If I might also, just on the long-term, parts purchases, how much of -- between what you've announced so far, just how much of the build of materials has been secured to date? And then I was curious if there are any kind of non-recurring engineering costs associated with this, or is that something your partners will cover and when that might come if they don't cover it?

Stuart Simpson^ Yes, of course. So, today, just to remind you, we've signed $1 billion deal with Honeywell for everything the pilot C fields, touches and all the software behind how the aircraft is controlled. So that's a huge amount, and it's difficult to say what proportion. But if you think of what that means, we have put the foundations in for the aircraft, locked in with a company that knows how to certify.

The next contract we announced with Aciturri, that is effectively all of the physical aircraft. So those are the two major bits of the aircraft. We also have locked in Honeywell, providing tilt actuators, one of the more complex mechanical bits on the aircraft.

So there's a huge amount already done, locked in as a supply chain for the certification aircraft. There's a lot more you'll see coming down the pipe over the next six months. Those will be some of the things you will see between now and December, as we tie in more, and we'll provide a bit more clarity of that when we get to the capital market today.

In terms of non-recurring expenditure, that is something you will see stepping up over the next 12 to 18 months. As you know, we're incredibly capital-efficient. We've done all of this when we fly full-scale piloted. We'll have done it significantly less than $1 billion than anyone else, but to a far higher standard, because we've done it with regulatory oversight every single step of the way.

Now, as we lock in supply chain, we then get into having to pay some non-recurring expenditure, whether it's engineering or we start laying out for the production tooling. And that's where we got some choices to make around hard tooling, soft tooling, et cetera, that we'll look at over the coming 12 to 18 months, but that will drive a bit of first step up in spend over the next 18 months, Savi.

Savanthi Syth^ Very helpful. Thank you.

Stuart Simpson^ Thanks, Savi.

Operator^ Your next, your next question comes from the line of Austin Moeller of Canaccord Genuity. Your line is still open.

Austin Moeller^ Hi there, Stuart and Michael. So just my first question here, if we think about the aircraft that you're going to build after Aircraft Three, presumably, all of those that you're using for TC testing with the CAA will have an electric powertrain and the hybrid powertrain aircraft would have to go through a separate, parallel certification process?

Stuart Simpson^ Yes, morning. Morning, Austin. Many thanks for the question. So, you're absolutely correct. The aircraft that we build in December next year is a full electric aircraft, and then we'll build out another four or five of them that will just prove out this certification aircraft works will prove out our manufacturing capabilities around it as well.

I think, just to be clear on the hybrid, because our hybrid is effectively the same aircraft, we take out a couple of batteries, install the hybrid in it. We've got plenty of space for that. We can still fit all of the people we need to in it. We've got the largest airframe in the industry. And we will be flying the hybrid next summer, full-scale, piloted to prove the concept.

That means it's an incredibly fast follower through the certification process, so all electric still on track for 2028, and we expect the hybrid to be a very fast follower through into 2029. That's how we're seeing this play out, Austin. Hopefully that brings bit of color around it.

Austin Moeller^ And would that hybrid powertrain be introduced with a supplemental type certificate? Or is that not how the process works with the CAA?

Stuart Simpson^ So, yes, you do have to certify that product. But remember, all we're really doing, it's a modification to the current aircraft. So, everything else is there, the flight control system, the airframe, all of that is there. We're just dropping in another propulsion system.

So, in terms of the step to go from the full electric to the hybrid, it's way less than I think people expect or understand, because we take the current aircraft we have. So, we're incredibly lucky by having the right design fundamentals, the right size aircraft and airframe from day one. We can drop in hybrid and off we go. It's a great position to be in.

Austin Moeller^ Okay. And just one more question, if we think about the cash burn and into this first half of 2026, so you have GBP 104 million right now, does that enable you to build Aircraft Three and then build the next aircraft that you're referring to? Or does that sort of get partially through the construction process and get the long leads going with the supply chain?

Stuart Simpson^ So, we, as I said earlier, to Edison's question, will bring a lot more clarity to the financials over the next one, two and three years at the Capital Market Day. As we stand here today, we have money through to the middle of next year, and we can do everything I've talked about.

So, we can, and already have initiated production of first aircraft for type certification testing. We'll build out Aircraft Three. We'll fly it full-scale, piloted, electric, we'll decommission, put the hybrid in. So, we've developed that hybrid all within the cash envelope. We'll install it in the aircraft within the cash envelope, and be flying it. So yes, we've got all the money to keep driving forward as fast as possible on that.

Austin Moeller^ Okay, great. I look forward to hearing more in September.

Stuart Simpson^ Yes, thanks for the question, Austin.

Operator^ Next question comes from the line of Amit Dayal of H.C. Wainwright. Your line is now open.

Amit Dayal^ Thank you. Good morning everyone. Stuart, just with respect to this Aciturri partnership, does this imply that your own CapEx needs, from a manufacturing builder perspective, will be lower than maybe what the street has been anticipating?

Stuart Simpson^ So first of all, morning, and thank you for the question. In terms of the specific CapEx needs through to certification, whether that's around manufacturing facilities, tooling, et cetera, that is one of the things we're going to be talking about when we do the Capital Market

Day. So, I don't want to get into the details of that now, but we will address it on 17th of September.

I think what I would say is this deal with Aciturri is incredibly exciting for us as a business. They've got outstanding capability. We understand their culture and our culture, how they come together, to really move at a pace people haven't seen in aerospace. We're both incredibly dynamic, passionate, fast-moving companies, so we're so excited to be partnering with them for the build of our aircraft.

Amit Dayal^ Understood. And with respect to the defense opportunity, what kind of milestones or what needs to happen within the EU, I guess, within that sector, for you to potentially start building an order book for these aircrafts?

Stuart Simpson^ Yes, good question. I think the fundamental thing, if I break it into a couple of things, first off, we signed off the hybrid, or I signed this off 18 months ago. So this isn't a hope and a prayer. This powertrain was working on the bench last summer. The single hardest thing to do is get the control algorithm to work between the power unit and the battery and our EPUs. We have broken the back on that. We know it works. This is why I was very happy to announce it.

What we're doing now is replacing one power unit with a different one. So, we have done the difficult stuff. We then install it in an aircraft and fly it in public. And to bring this to the consciousness of military, we flew a very public display of the aircraft in front of all the world's military into the world's biggest military air show a few weeks ago. So, an incredible opportunity.

Now that's generated a huge amount of discussion. We'd already got a lot going on with British military. This has opened up many other opportunities by putting us in the spotlight of over 25 different militaries that were there at the Royal International Air Tattoo . So, we are in great shape.

I wish I could say more about it now, but things are going very, very well. We've got the right airframe, we've got the right powertrain. We've got capability that no one else could match in terms of range and payload, and I think importantly, a certification date that is faster than most people think, because we build on our certification of the electric aircraft.

Amit Dayal^ Thank you, Stuart. That's all I have.

Stuart Simpson^ Thank you, Amit.

Operator^ Your next question comes from the line of Jesse Sobelson of D. Boral Capital. Your line is still open.

Jesse Sobelson^ Hi, everyone. It's Jesse Sobelson at D. Boral Capital. Thanks for taking the questions here. Not to belabor the points on the hybrid too much, but I was curious, how do you

see the hybrid complementing the fully electric VX4 with the broader market strategy? What exactly is the goal there, when it comes to market, following the fully electric model?

Stuart Simpson^ So I think the first thing is, I've said the -- this already, we are so lucky that our airframe doesn't have to be adjusted, so we can bring this to market very quickly.

In terms of complementing it, the first one is the military one that several people have asked about. There are huge opportunities, the geopolitical environment in which we sit now. We are the only European player providing this kind of product. And that European defense spending is going from $300 billion to $1 trillion over the next seven to 10 years, so that it puts us in an absolutely unique position to access that market, because we are the single-only European player. So that is great.

Now I actually also look to the DOD and potential contracts there, I've signaled this before in the past, our first manufacturing facility will be in Europe, highly likely to be in the UK. We're in deep discussions with UK government about where we can locate it. But I've always said the second manufacturing facility is highly likely to be in the US.

Now we've got, I mentioned this earlier, $1 billion deal with Honeywell to supply everything the pilot C fields and touches and everything that controls the aircraft. So, we've got a deep link into US defense companies. We'll be putting our manufacturing facility here. That's highly likely. So, I can see huge complementary opportunity, because we certify VX4 fully electric, and then very quickly follow with a certification hybrid. So, I do think it puts us in a great light.

There is also, on top of all of that, commercial opportunities for the hybrid, which opens up a lot of different types of mission for the product. And maybe with that, if I can just invite Michael to see if (inaudible) he would like to add on that?

Michael Cervenka^ Yes, sure, I'd -- I mean, a really good question. I think there's actually two complementary adjacencies here. What we see with most of our commercial customers today is relatively short-range missions, so things like connecting airports to the surrounding catchment area, tourism, so sightseeing, flying into hotels, luxury destinations, and then some short-range regional connectivities, where you might have geographical constraints that may mean it's difficult to get around on the ground.

If you're flying those shorter missions, so less than 100 miles, the battery solution is perfect. It's really designed for that opportunity. Where hybrid comes in is that ability to fly longer missions without a need for charging stations on the ground, greater endurance and so on, and really those two kind of different use cases.

So, this is not just a defense opportunity. There's absolutely a helicopter displacement opportunity. So, when you look at our hybrid variant, it looks really competitive against intermediate, single, light, twin helicopters. That's about a 400 helicopter a year market that we think we can tap into.

And then, as Stuart said, there's actually a huge spectrum of different defense use cases, ranging from the logistics medevac autoevac, ISR surveillance, et cetera. So, they're really complementary. We don't really see one market cannibalizing the other. Effectively, we get two aircraft for the price of just over one with some really nice adjacent opportunities.

Jesse Sobelson^ Great. That's some really great detail. I appreciate that. And then to switch gears just very quickly here, there's clearly been a lot of success with recent testing. So, I was just curious, based on the wingborne testing completed recently, what have been the most significant technical learnings, and how might those influence the final design or configuration of the certified VX4 when compared to the current prototype?

Stuart Simpson^ I think the thing I'd just remind everyone, the wingborne testing was into public airspace over people and schools and hospitals, et cetera, and that was with joint liability with UK regulator. So, we had to prove to them that this aircraft was capable to fly in public airspace. So, a huge hurdle to get over, really exciting that they let us do that.

In terms of learnings we got, what we learned was that our design is brilliant, and I mean that sincerely, the aircraft performed absolutely perfectly. It was so exciting for us as an engineering business to see all of the hard work that we done, all of modeling we've done, take to the skies in real life and match everything we expected it to do.

So, we are now building the last little bit of evidence, as I said, for these two 30-second moments, where we accelerate from 30 to 70 knots and decelerate from 70 to 30. Everything there looks great. Again, we just got to build the evidence base.

So, what we've learned is we have done a brilliant job. The aircraft concept works. Everything is on track for full transition this year, which then means everything's on track to build the final -- sorry, the first certification-ready aircraft in December next year. So, a hugely, hugely exciting last few months for us.

Jesse Sobelson^ Great. Thanks for taking questions.

Stuart Simpson^ Yes, thanks, Jesse. Really appreciate it.

Operator^ Thank you. I would like to hand the call back to the management for final remarks.

Stuart Simpson^ Great. First, so, I'd just like to thank everyone for joining us on the call today. Really, really appreciate it. Some great questions. So, thank you for joining. I really look forward to seeing you all on September 17th here in New York, when we can bring some more clarity around the financial plan from here through to certification, including revenue opportunity after that, cost to certification, sources of funds for that, and I think we'll have some incredible keynote speakers, including Lord Andrew Parker. So, look forward to seeing you all then. Thanks again for all the questions.

Vertical Aerospace Ltd

H1 Earnings Call

Operator^ Thank you (technical difficulty) today's call. You may now disconnect. Goodbye.