UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM TO

Commission File Number: 001-40170

TERRAN ORBITAL CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware	**98-1572314**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

6800 Broken Sound Parkway NW, Suite 200
Boca Raton, FL 33487
(561) 988-1704

(Address of principal executive offices, including zip code, Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbols	Name of each exchange on which registered
Common stock, par value $0.0001 per share	LLAP	New York Stock Exchange
Preferred Stock Purchase Rights		New York Stock Exchange
Warrants to purchase one share of common stock, each at an exercise price of $11.50 per share	LLAP WS	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☒		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 7, 2024, the registrant had 202,053,138 shares of common stock, $0.0001 par value per share, outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

TERRAN ORBITAL CORPORATION

Condensed Consolidated Balance Sheets (Unaudited)

(In thousands, except share and per share amounts)

	March 31, 2024	December 31, 2023
Assets:		
Cash and cash equivalents	$ 43,701	$ 71,663
Accounts receivable, net of allowance for credit losses of $191 and $182 as of March 31, 2024 and December 31, 2023, respectively	1,642	14,735
Contract assets, net	26,370	21,390
Inventory	34,680	33,348
Prepaid expenses and other current assets	22,129	14,843
Total current assets	**128,522**	**155,979**
Property, plant, and equipment, net	48,356	46,449
Other assets	16,020	17,885
Total assets	**$ 192,898**	**$ 220,313**
Liabilities and shareholders' deficit:		
Current portion of long-term debt	$ 12,839	$ 11,740
Accounts payable	24,791	22,850
Contract liabilities	111,549	103,924
Reserve for anticipated losses on contracts	620	977
Accrued expenses and other current liabilities	35,719	14,408
Total current liabilities	**185,518**	**153,899**
Long-term debt	179,421	171,033
Warrant and derivative liabilities	17,283	34,462
Other liabilities	17,756	18,555
Total liabilities	**399,978**	**377,949**
Commitments and contingencies (Note 12)		
Shareholders' deficit:		
Preferred stock - authorized 50,000,000 shares of $0.0001 par value; zero issued and outstanding as of March 31, 2024 and December 31, 2023	-	-
Common stock - authorized 600,000,000 shares of $0.0001 par value; issued and outstanding shares of 201,279,662 and 199,413,917 as of March 31, 2024 and December 31, 2023, respectively	20	20
Additional paid-in capital	358,981	355,144
Accumulated deficit	(566,255)	(513,011)
Accumulated other comprehensive income	174	211
Total shareholders' deficit	**(207,080)**	**(157,636)**
Total liabilities and shareholders' deficit	**$ 192,898**	**$ 220,313**

The accompanying notes are an integral part of these condensed consolidated financial statements.

TERRAN ORBITAL CORPORATION

Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited)

(In thousands, except share and per share amounts)

	Three Months Ended March 31, 2024	2023
Revenue	$ 27,235	$ 28,198
Cost of sales	33,391	29,597
Gross loss	**(6,156)**	**(1,399)**
Selling, general, and administrative expenses	28,308	32,530
Loss from operations	**(34,464)**	**(33,929)**
Interest expense, net	13,696	10,934
Change in fair value of warrant and derivative liabilities	5,043	9,455
Other (income) expense	(11)	109
Loss before income taxes	**(53,192)**	**(54,427)**
Provision for income taxes	52	18
Net loss	**(53,244)**	**(54,445)**
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustments	(37)	20
Total comprehensive loss	**$ (53,281)**	**$ (54,425)**
Weighted-average shares outstanding		
Basic and diluted	201,442,209	144,062,103
Net loss per share		
Basic and diluted	$ (0.26)	$ (0.38)

The accompanying notes are an integral part of these condensed consolidated financial statements.

TERRAN ORBITAL CORPORATION
Condensed Consolidated Statements of Shareholders' Deficit (Unaudited)
(In thousands, except share amounts)

Three Months Ended March 31, 2024

	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Deficit
Balance as of December 31, 2023	**199,413,917**	**$ 20**	**$ 355,144**	**$ (513,011)**	**$ 211**	**$ (157,636)**
Net loss	-	-	-	(53,244)	-	(53,244)
Other comprehensive loss, net of tax	-	-	-	-	(37)	(37)
Share-based compensation	-	-	3,816	-	-	3,816
Settlement of vested restricted stock units	1,834,805	-	-	-	-	-
Exercise of stock options	30,940	-	21	-	-	21
Balance as of March 31, 2024	**201,279,662**	**$ 20**	**$ 358,981**	**$ (566,255)**	**$ 174**	**$ (207,080)**

Three Months Ended March 31, 2023

	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Deficit
Balance as of December 31, 2022	**142,503,771**	**$ 14**	**$ 269,574**	**$ (361,168)**	**$ 159**	**$ (91,421)**
Net loss	-	-	-	(54,445)	-	(54,445)
Other comprehensive income, net of tax	-	-	-	-	20	20
Share-based compensation	-	-	10,166	-	-	10,166
Settlement of vested restricted stock units	1,665,333	-	-	-	-	-
Exercise of stock options	511,119	-	355	-	-	355
Balance as of March 31, 2023	**144,680,223**	**$ 14**	**$ 280,095**	**$ (415,613)**	**$ 179**	**$ (135,325)**

The accompanying notes are an integral part of these condensed consolidated financial statements

TERRAN ORBITAL CORPORATION
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

	Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities:		
Net loss	$ (53,244)	$ (54,445)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,391	919
Non-cash interest expense	9,581	7,053
Share-based compensation expense	3,816	10,166
Provision for losses on receivables and inventory	511	3
Change in fair value of warrant and derivative liabilities	5,043	9,455
Amortization of operating right-of-use assets	378	279
Other non-cash, net	77	-
Changes in operating assets and liabilities:		
Accounts receivable, net	13,072	1,992
Contract assets	(5,017)	1,423
Inventory	(1,309)	(3,990)
Accounts payable	2,844	1,009
Contract liabilities	7,676	(8,021)
Reserve for anticipated losses on contracts	(357)	(1,723)
Accrued interest	(49)	(88)
Other, net	(8,228)	3,145
Net cash used in operating activities	(22,815)	(32,823)
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(2,498)	(3,162)
Net cash used in investing activities	(2,498)	(3,162)
Cash flows from financing activities:		
Repayment of long-term debt	(2,551)	(518)
Payment of issuance costs	(44)	-
Proceeds from exercise of stock options	21	339
Net cash used in financing activities	(2,574)	(179)
Effect of exchange rate fluctuations on cash and cash equivalents	(75)	30
Net decrease in cash and cash equivalents	(27,962)	(36,134)
Cash and cash equivalents at beginning of period	71,663	93,561
Cash and cash equivalents at end of period	$ 43,701	$ 57,427
Non-cash investing and financing activities:		
Purchases of property, plant, and equipment not yet paid	405	5,265
Issuance costs not yet paid	-	139

The accompanying notes are an integral part of these condensed consolidated financial statements.

Note 1 Organization and Summary of Significant Accounting Policies

Organization and Business

Terran Orbital Corporation, together with its wholly-owned subsidiaries (the "Company"), is a leading manufacturer of satellite products primarily serving the aerospace and defense industries. The Company provides end-to-end satellite solutions by combining satellite design, production, launch planning, mission operations, and on-orbit support to meet the needs of its military, civil, and commercial customers. The Company has a foreign subsidiary based in Torino, Italy.

Beginning on March 28, 2022, the Company's common stock and public warrants began trading on the New York Stock Exchange (the "NYSE") under the symbols "LLAP" and "LLAP WS," respectively.

Basis of Presentation and Significant Accounting Policies

The condensed consolidated financial statements included herein are unaudited, but in the opinion of management, they include all adjustments, consisting of normal recurring adjustments, necessary to summarize fairly the Company's financial position, results of operations, and cash flows for the interim periods presented. The interim results reported in these condensed consolidated financial statements should not be taken as indicative of results that may be expected for future interim periods or the full year. For a more comprehensive understanding of the Company and its interim results, these condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2023 and 2022 included in its Annual Report on Form 10-K, which was filed with the United States ("U.S.") Securities and Exchange Commission (the "SEC") on April 1, 2024 (the "2023 Annual Report"). The condensed consolidated balance sheet as of December 31, 2023 included herein was derived from the audited consolidated financial statements as of that date but does not include all the footnote disclosures from the annual consolidated financial statements.

The condensed consolidated financial statements have been prepared in U.S. dollars in accordance with generally accepted accounting principles in the U.S. ("GAAP") and include the accounts of Terran Orbital Corporation and its subsidiaries. All intercompany transactions have been eliminated. The Company's accounting policies used in the preparation of these condensed consolidated financial statements do not differ from those used for the annual consolidated financial statements, unless otherwise noted. Certain prior period amounts have been reclassified to conform with current period presentation.

The Company evaluates and reports its segment information based on the manner in which its Chief Executive Officer, who is the chief operating decision maker (the "CODM"), evaluates performance and allocates resources. Accordingly, the Company reports its results as a single operating and reportable segment on a consolidated basis.

Going Concern

The condensed consolidated financial statements have been prepared in accordance with GAAP assuming the Company will continue as a going concern. The going concern assumption contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. However, substantial doubt about the Company's ability to continue as a going concern exists.

The Company's primary corporate debt agreements contain a covenant requiring the Company's Consolidated Adjusted EBITDA (as defined in the underlying note agreements), on a trailing twelve month basis, to not be less than $0 by December 31, 2024, which date is the result of the original determination date on June 30, 2024 being extended by two fiscal quarters pursuant to contractual terms (the "EBITDA Financial Covenant"). The commencement of the EBITDA Financial Covenant may be further delayed by one quarter for every additional $25.0 million of net cash proceeds received from qualified equity issuances. If the Company is unable to comply with these financial covenants, the Company's creditors may accelerate the principal and interest on the Company's primary corporate indebtedness to be immediately due and payable. As of March 31, 2024, cash and cash equivalents totaled $43.7 million and debt subject to the EBITDA Financial Covenant totaled $292.6 million with related accrued but unpaid interest of $2.1 million.

There is uncertainty regarding the Company's ability to comply with the EBITDA Financial Covenant for at least twelve months from the issuance of these consolidated financial statements. To address the potential future breach of the EBITDA Financial Covenant, the Company is executing on its business plan to improve operating results. Additionally, the Company is in active discussions with funding sources to have access to additional sources of qualified equity issuances in the event needed to extend the EBITDA Financial Covenant beyond December 31, 2024. Furthermore, the Company could request waivers from existing creditors to waive the EBITDA Financial Covenant to the extent necessary. The Company cannot provide assurances that it will be successful in improving operating results, obtaining new financing, and/or receiving waivers to the EBITDA Financial Covenant. The Company's inability to improve operating results, raise capital through qualified equity issuances, or receive waivers may negatively impact its compliance with the EBITDA Financial Covenant, which may have a material adverse impact on the Company's financial condition.

The condensed consolidated financial statements do not include any adjustments to the amount and classification of assets and liabilities that may be necessary should the Company not continue as a going concern.

Use of Estimates

The preparation of the condensed consolidated financial statements in accordance with GAAP requires the Company to select accounting policies and make estimates that affect amounts reported in the condensed consolidated financial statements and the accompanying notes. The Company's estimates are based on the relevant information available at the end of each period. Actual results could differ materially from these estimates under different assumptions or market conditions.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments with original maturities of three months or less from the time of purchase.

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following as of the dates presented:

(in thousands)	March 31, 2024	December 31, 2023
Current warrant and derivative liabilities[1]	$ 22,222	$ -
Payroll-related accruals	6,249	8,248
Current operating lease liabilities	1,674	1,505
Accrued interest	2,067	2,116
Other current liabilities	3,507	2,539
Accrued expenses and other current liabilities	**$ 35,719**	**$ 14,408**

(1) - Refer to Note 6 "Warrants and Derivatives" for further discussion.

Research and Development

Research and development includes materials, labor, and overhead attributable to the development of new products and solutions and significant improvements to existing products and solutions. Research and development costs are expensed as incurred and recognized in selling, general, and administrative expenses in the condensed consolidated statements of operations and comprehensive loss. Research and development expense was $3.4 million and $7.5 million during the three months ended March 31, 2024 and 2023, respectively.

Concentration of Credit Risks

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable, and contract assets.

The majority of the Company's cash and cash equivalents are held at major financial institutions. Certain account balances exceed the Federal Deposit Insurance Corporation insurance limits of $250,000 per account. As a result, there is a concentration of credit risk related to amounts in excess of the insurance limits. The Company regularly monitors the financial stability of these financial institutions and believes that there is no exposure to any significant credit risk in cash and cash equivalents.

Concentrations of credit risk with respect to accounts receivable and contract assets are limited because a large portion of our balances are related to (i) reputable companies with significant financial resources or (ii) customer programs in which the U.S. Government is the ultimate customer.

A small number of customers and contracts historically have represented a significant portion of the Company's consolidated revenue. Lockheed Martin Corporation ("Lockheed Martin") represented approximately 73% of consolidated revenue during the three months ended March 31, 2024 and 2023. There were no other individual customers who accounted for more than 10% of the Company's revenue during these periods.

The table below presents individual customers who accounted for more than 10% of the Company's combined accounts receivable, net of allowance for credit losses, and contract assets, net of allowance for credit losses, as of the dates presented:

	March 31, 2024	December 31, 2023
Customer A	88%	82%
Customer B	0%	12%
Total	**88%**	**94%**

Recently Issued Accounting Pronouncements

Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, improves reportable segment disclosure requirements primarily by enhancing disclosures about significant segment expenses. The guidance, among other requirements, also enhances interim disclosures, clarifies circumstances in which an entity can disclose multiple segment measures of profit or loss, and provides new segment disclosure requirements for entities with a single reportable segment. The guidance is effective for annual periods beginning after December 15, 2023 and interim periods within annual periods beginning after December 15, 2024. This guidance should be applied retrospectively to all periods presented. Early adoption is permitted. The Company is currently evaluating the impact of this guidance.

ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, focuses on improvements to income tax disclosures, primarily related to the rate reconciliation and income tax paid information. The guidance also includes certain other amendments to improve the effectiveness of income tax disclosures. The guidance is effective for annual periods beginning after December 15, 2024. This guidance should be applied prospectively, with retrospective application also a permitted option. Early adoption is permitted. The Company is currently evaluating the impact of this guidance

Note 2 Revenue and Receivables

The Company applies the following five steps in order to recognize revenue from contracts with customers: (i) identify the contract(s) with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s) in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer.

At contract inception, the Company assesses whether the goods or services promised within the contract represent a performance obligation. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. For contracts with multiple performance obligations, the Company allocates the contract's transaction price to each performance obligation on a relative basis using the best estimate of the stand-alone selling price of each performance obligation, which is estimated using the expected-cost-plus-margin approach. Generally, the Company's contracts with customers are structured such that the customer has the option to purchase additional goods or services. Customer options to purchase additional goods or services do not represent a separate performance obligation as the prices for such options reflect the stand-alone selling prices for the additional goods or services. Contracts are generally priced on a firm-fixed price basis, cost-plus fee basis, or time and materials basis.

The Company recognizes the transaction price allocated to the respective performance obligation as revenue as the performance obligation is satisfied. The majority of the Company's contracts with customers relate to the creation of specialized assets that do not have alternative use and entitle the Company to an enforceable right to payment for performance completed to date. Accordingly, the Company generally measures progress towards the satisfaction of a performance obligation over time using the cost-to-cost input method.

Payments for costs not yet incurred or for costs incurred in anticipation of providing a good or service under a contract with a customer in the future are included in prepaid expenses and other current assets on the condensed consolidated balance sheets.

Estimate-at-Completion ("EAC")

The recognition of revenue over time using the cost-to-cost input method is dependent on the Company's cost estimate-at-completion ("EAC"), which is subject to many variables and requires significant judgment. EAC represents the total estimated cost-at-completion and is comprised of direct material, direct labor and manufacturing overhead applicable to a performance obligation. There is a company-wide standard and periodic EAC process in which the Company reviews the progress and execution of outstanding performance obligations. As part of this process, the Company reviews information including, but not limited to, any outstanding key contract matters, progress towards completion and the related program schedule, identified risks and opportunities and the related changes in estimates of revenues and costs. The risks and opportunities include the Company's judgment about the ability and cost to achieve the schedule (e.g., the number and type of milestone events), technical requirements (e.g., a newly-developed product versus a mature product) and other contract requirements. The Company must make assumptions and estimates regarding labor productivity and availability, the complexity of the work to be performed, the availability of materials, the length of time to complete the performance obligation (e.g., to estimate increases in wages and prices for materials and related support cost allocations), execution by subcontractors, the availability and timing of funding from customers and overhead cost rates, among other variables.

Based on the results of the periodic EAC process, any adjustments to revenue, cost of sales, and the related impact to gross profit are recognized on a cumulative catch-up basis in the period they become known. These adjustments may result from positive program performance, and may result in an increase in gross profit during the performance of individual performance obligations, if it is determined the Company will be successful in mitigating risks surrounding the technical, schedule and cost aspects of those performance obligations or realizing related opportunities. Likewise, these adjustments may result in a decrease in gross profit if it is determined the Company will not be successful in mitigating these risks or realizing related opportunities. A significant change in one or more of these estimates could affect the profitability of one or more of the Company's performance obligations.

Contract modifications often relate to changes in contract specifications and requirements. Contract modifications are considered to exist when the modification either creates new or changes the existing enforceable rights and obligations. Most of the Company's contract modifications are for goods or services that are not distinct from the existing contract due to the significant integration service provided in the context of the contract and are accounted for as if they were part of that existing contract. The effect of a contract modification on the transaction price, and the measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue either as an increase in or a reduction of revenue on a cumulative catch-up basis.

Some of the Company's long-term contracts contain award fees, incentive fees, or other provisions that can either increase or decrease the transaction price. These variable amounts generally are awarded upon achievement of certain performance metrics, program milestones or cost targets and can be based upon customer discretion. Variable consideration is estimated at the most likely amount to which the Company is expected to be entitled. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the Company's anticipated performance and all information (historical, current, and forecasted) that is reasonably available. The unfunded portion of enforceable contracts are accounted for as variable consideration.

For contracts in which the U.S. Government is the ultimate customer, the Company follows U.S. Government procurement and accounting standards in assessing the allowability and the allocability of costs to contracts. Due to the significance of the judgments and estimation processes, it is likely that materially different amounts could be recorded if different assumptions were used or if the underlying circumstances were to change. The Company monitors the consistent application of its critical accounting policies and compliance with contract accounting. Business operations personnel conduct periodic contract status and performance reviews. When adjustments in estimated contract revenues or costs are determined, any material changes from prior estimates are included in earnings in the current period. Also, regular and recurring evaluations of contract cost, scheduling and technical matters are performed by Company personnel who are independent from the business operations personnel performing work under the contract. Costs incurred and allocated to contracts with the U.S. Government are subject to audit by the Defense Contract Audit Agency for compliance with regulatory standards.

Disaggregation of Revenue

Below is a summary of the Company's accounting by type of revenue:

- Mission Support: Mission support services primarily relate to the integrated design, manufacture, and assembly of satellites for customers.
- Launch Support: Launch support services relate to the assistance the Company provides in the process of launching a satellite into space by identifying and securing launch opportunities with launch providers as well as coordinating and managing the activities leading up to the launch event on behalf of customers.
- Operations: Operations relates to the management, operations, and communication of information of satellites that are on-orbit on behalf of a customer.
- Studies, Design and Other: Studies, design and other services primarily relate to professional engineering feasibility studies and preliminary design services for customers.

The following tables present the Company's disaggregated revenue by offering and customer type for the periods presented:

	Three Months Ended March 31,	
(in thousands)	**2024**	**2023**
Mission support	$ 24,171	$ 26,591
Launch support	487	1,087
Operations	1,034	194
Studies, design and other	1,543	326
Revenue	**$ 27,235**	**$ 28,198**

	Three Months Ended March 31,	
(in thousands)	**2024**	**2023**
U.S. Government contracts		
Fixed price	$ 19,800	$ 21,552
Cost-plus fee and other	173	1,688
	19,973	23,240
Foreign government contracts		
Fixed price	2,293	1,478
Commercial contracts		
Fixed price, U.S.	930	1,276
Fixed price, International	1,633	2,154
Cost-plus fee and other, U.S.	732	50
Cost-plus fee and other, International	1,674	-
	4,969	3,480
Revenue	**$ 27,235**	**$ 28,198**

Remaining Performance Obligations

Revenue from remaining performance obligations is calculated as the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period on executed contracts, including both funded (firm orders for which funding is authorized and appropriated) and unfunded portions of such contracts. The unfunded portion of enforceable contracts is accounted for as variable consideration and is reported at the estimated most likely amount to which the Company is expected to be entitled. Remaining performance obligations do not include unexercised contract options and potential orders under indefinite delivery/indefinite quantity contracts.

As of March 31, 2024, the Company had approximately $2.7 billion of remaining performance obligations, of which $2.4 billion is related to the Rivada Agreement (as defined below). The Company estimates that approximately 80% of the remaining performance obligations will be recognized as revenue by December 31, 2025 and the remainder by December 31, 2026.

During February 2023, the Company entered into an agreement with Rivada Space Networks GmbH ("Rivada") providing for the development, production, and operation of 300 satellites, inclusive of 12 in-orbit spares and ground station equipment, for a total purchase price of $2.4 billion (the "Rivada Agreement"). The agreement also includes options for additional satellites, equipment, and services, including an option for the purchase of an additional 300 satellites. Performance under the agreement will be split into a developmental phase, with amounts billed on a time and materials basis, and a firm fixed price production phase. Rivada has an option to terminate the agreement for convenience at any time and for any reason, which would result in a termination fee for work performed up to such termination. In addition, the agreement includes termination provisions for default in the event of missed delivery targets or deadlines, insolvency, or other failures to perform, which could result in the refund of all amounts paid up to such termination. Whether the Company ultimately recognizes revenue and profit on this contract is subject to a number of uncertainties including, among other things, its ability to successfully perform its obligations, increase its manufacturing capacity in order to meet the demands of the program, and deliver operational satellites in a timely manner and Rivada's continuing ability to fund contract performance and maintain its regulatory licenses for its operations. The amount of revenue recognized under the Rivada Agreement during the three months ended March 31, 2024 was $1.7 million. The Company did not recognize revenue under the Rivada Agreement during the three months ended March 31, 2023.

Contract Assets and Contract Liabilities

For each of the Company's contracts with customers, the timing of revenue recognition, customer billings, and cash collections results in a net contract asset or liability at the end of each reporting period.

Fixed-price contracts are typically billed to the customer either using progress payments, whereby amounts are billed monthly as costs are incurred or work is completed, or performance-based payments, which are based upon the achievement of specific, measurable events or accomplishments defined and valued at contract inception. Cost-type contracts are typically billed to the customer on a monthly or semi-monthly basis.

Contract assets

Contract assets relate to instances in which revenue recognized exceeds amounts billed to customers and are reclassified to accounts receivable when the Company has an unconditional right to the consideration and bills the customer. Contract assets are classified as current and non-current based on the estimated timing in which the Company will bill the customer and are not considered to include a significant financing component as the payment terms are intended to protect the customer in the event the Company does not perform on its obligations under the contract.

The Company records an allowance for credit losses against its contract assets for amounts not expected to be recovered. The allowance is recognized at inception and is reassessed each reporting period. The allowance for credit losses on contract assets was not material for the periods presented.

Contract assets from products and services for which the U.S. Government is the ultimate customer was $23.3 million and $19.6 million as of March 31, 2024 and December 31, 2023, respectively.

The following is a summary of contract assets, net, recognized in the condensed consolidated balance sheets as of the dates presented:

(in thousands)	March 31, 2024	December 31, 2023
Contract assets, gross	$ 26,433	$ 21,444
Allowance for credit losses	(63)	(54)
Contract assets, net	**$ 26,370**	**$ 21,390**

As of March 31, 2024 and December 31, 2023, all contract assets were classified as current assets.

There were no material impairments of contract assets during the three months ended March 31, 2024 or 2023.

Contract liabilities

Contract liabilities relate to advance payments and billings in excess of revenue recognized and are recognized into revenue as the Company satisfies the underlying performance obligations. Contract liabilities are classified as current and non-current based on the estimated timing in which the Company will satisfy the underlying performance obligations and are not considered to include a significant financing component as they are generally utilized to procure materials needed to satisfy a performance obligation or are used to ensure the customer meets contractual requirements.

As of March 31, 2024 and December 31, 2023, all contract liabilities were classified as current liabilities.

During the three months ended March 31, 2024 and 2023, the Company recognized revenue of $9.5 million and $21.0 million, respectively, that was previously included in the beginning balance of contract liabilities.

Accounts Receivable

Accounts receivable represent unconditional rights to consideration due from customers in the ordinary course of business and are generally due in one year or less. Accounts receivable are recorded at amortized cost less an allowance for credit losses, which is based on the Company's assessment of the collectability of its accounts receivable. The Company reviews the adequacy of the allowance for credit losses by considering the age of each outstanding invoice and the collection history of each customer. Accounts receivable that are deemed uncollectible are charged against the allowance for credit losses when identified.

Accounts receivable from products and services for which the U.S. Government is the ultimate customer was $33 thousand and $13.3 million as of March 31, 2024 and December 31, 2023, respectively.

The following table presents changes in the allowance for credit losses for the periods presented:

	Three Months Ended March 31,	
(in thousands)	2024	2023
Beginning balance	$ 182	$ 764
Provision for credit losses	9	(23)
Write-offs	-	(700)
Ending balance	**$ 191**	**$ 41**

Reserve for Anticipated Losses on Contracts

When the estimated cost-at-completion exceeds the estimated revenue to be earned for a performance obligation, the Company records a reserve for the anticipated losses in the period the loss is determined. The reserve for anticipated losses on contracts is presented as a current liability in the condensed consolidated balance sheets and as a component of cost of sales in the condensed consolidated statements of operations and comprehensive loss in accordance with Accounting Standards Codification ("ASC") 605-35, *Revenue Recognition – Construction-Type and Production-Type Contracts*.

The Company recorded decreases of $0.4 million and $1.7 million in cost of sales related to the reserve for anticipated losses on contracts during the three months ended March 31, 2024 and 2023, respectively.

Note 3 Inventory

Inventory consists of parts and sub-assemblies that are ultimately consumed in the manufacturing and final assembly of satellites. When an item in inventory has been identified and incorporated into a specific satellite, the cost of the sub-assembly is charged to cost of sales in the condensed consolidated statements of operations and comprehensive loss. Inventory is measured at the lower of cost or net realizable value. The cost of inventory includes direct material, direct labor, and manufacturing overhead and is determined on a first-in-first-out basis. Inventory is presented net of an allowance for losses associated with excess and obsolete items, which is estimated based on the Company's current knowledge with respect to inventory levels, planned production, and customer demand.

The components of inventory as of the dates presented were as follows:

(in thousands)	**March 31, 2024**	**December 31, 2023**
Raw materials	$ 17,917	$ 18,284
Work-in-process	16,763	15,064
Total inventory	**$ 34,680**	**$ 33,348**

Note 4 Property, Plant, and Equipment, net

Property, plant, and equipment, net is stated at historical cost less accumulated depreciation. Cost for company-owned satellite assets includes amounts related to design, construction, launch, and commission. Cost for ground stations includes amounts related to construction and testing. Interest is capitalized on certain qualifying assets that take a substantial period of time to develop for their intended use. Depreciation expense is calculated using the sum-of-the-years' digits or straight-line method over the estimated useful lives of the related assets as follows:

Machinery and equipment	5-7 years
Satellites	3-5 years
Ground station equipment	5-7 years
Office equipment and furniture	5-7 years
Computer equipment and software	3-5 years
Leasehold improvements	Shorter of the estimated useful life or remaining lease term

The determination of the estimated useful life of company-owned satellites involves an analysis that considers design life, random part failure probabilities, expected component degradation and cycle life, predicted fuel consumption and experience with satellite parts, vendors and similar assets.

Depreciation expense is included in cost of sales and selling, general, and administrative expenses in the condensed consolidated statements of operations and comprehensive loss based on whether the underlying asset is used as part of manufacturing overheard or administrative overhead, respectively. Additionally, a portion of depreciation and amortization expense may be capitalized to inventory as part of manufacturing overhead. Depreciation expense was $2.4 million and $0.9 million during the three months ended March 31, 2024 and 2023, respectively.

Repairs and maintenance expenditures are expensed when incurred.

The gross carrying amount, accumulated depreciation, and net carrying amount of property, plant, and equipment, net as of the dates presented were as follows:

(in thousands)	March 31, 2024	December 31, 2023
Machinery and equipment	$ 32,568	$ 28,321
Satellites	2,209	2,209
Ground station equipment	2,095	2,095
Office equipment and furniture	4,216	4,621
Software	1,583	1,582
Leasehold improvements	21,869	21,800
Construction-in-process	10,106	9,210
Property, plant, and equipment, gross	**74,646**	**69,838**
Accumulated depreciation	(26,290)	(23,389)
Property, plant, and equipment, net	**$ 48,356**	**$ 46,449**

Construction-in-process primarily includes machinery, leasehold improvements, and ground station equipment not yet placed into service.

The Company reviews property, plant, and equipment, net for impairment whenever events or changes in business circumstances indicate that the net carrying amount of an asset or asset group may not be fully recoverable. The Company groups assets at the lowest level for which cash flows are separately identified. Recoverability is measured by a comparison of the net carrying amount of the asset group to its expected future undiscounted cash flows. If the expected future undiscounted cash flows of the asset group are less than its net carrying amount, an impairment loss is recognized based on the amount by which the net carrying amount exceeds the fair value less costs to sell. The calculation of the fair value less costs to sell of an asset group is based on assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates, reflecting varying degrees of perceived risk.

There were no material impairments of property, plant, and equipment during the three months ended March 31, 2024 and 2023.

Note 5 Debt

Long-term debt (including accrued interest to be paid-in-kind) as of the presented periods was comprised of the following:

(in thousands)

Description	Issued	Maturity	Interest Rate	Interest Payable	March 31, 2024	December 31, 2023
Francisco Partners Facility	November 2021	April 2026	9.25%	Quarterly	$120,023	$120,023
Lockheed Martin Rollover Debt	March 2021	April 2026	9.25%	Quarterly	25,000	25,000
Beach Point Rollover Debt	March 2021	April 2026	11.25%	Quarterly	32,541	32,380
Convertible Notes due 2027	October 2022	October 2027	10.00%	Quarterly	115,041	112,251
PIPE Investment Obligation	March 2022	December 2025	N/A	N/A	15,000	16,875
Equipment financings(1)					2,182	2,287
Finance leases(2)					6,873	4,988
Unamortized deferred issuance costs					(2,530)	(2,664)
Unamortized discount on debt					(121,870)	(128,367)
Total debt					**192,260**	**182,773**
Current portion of long-term debt					12,839	11,740
Long-term debt					**$179,421**	**$171,033**

(1) - Consists of equipment financing debt agreements with maturities through September 2030, annual interest rates ranging from 6.25% to 20.05%, and requiring monthly payments of interest and principal.
(2) - Refer to Note 14 “Leases” for further discussion.

There were no significant changes in the Company's long-term debt during the three months ended March 31, 2024.

In April 2024, the Company paid $1.875 million of principal related to the PIPE Investment Obligation, which was outstanding as of March 31, 2024.

Note 6 Warrants and Derivatives

Warrants and derivatives consist of freestanding financial instruments and embedded derivatives requiring bifurcation issued in connection with the Company's debt and equity financing transactions. The Company does not have any derivatives designated as hedging instruments.

The Company evaluates whether each warrant or derivative represents a liability-classified financial instrument within the scope of ASC 480, *Distinguishing Liabilities from Equity*, or either a liability-classified or equity-classified financial instrument within the scope of ASC 815, *Derivatives and Hedging*.

Warrants and derivatives classified as liabilities are recognized at fair value in the condensed consolidated balance sheets and are remeasured at fair value as of each reporting period with changes in fair value recorded in the condensed consolidated statements of operations and comprehensive loss. Warrants and derivatives classified as equity are recognized at fair value, or relative fair value if issued with other financial instruments, in additional paid-in capital in the condensed consolidated balance sheets and are not subsequently remeasured.

Liability-classified Warrants and Derivatives

The fair values of liability-classified warrants and derivatives recorded in warrant and derivative liabilities on the condensed consolidated balance sheets as of the presented periods were as follows:

(in thousands, except share and per share amounts)	**Number of Issuable Shares as of March 31, 2024**	**Issuance**	**Maturity**	**Exercise/Conversion Price**	**March 31, 2024**	**December 31, 2023**
Public Warrants	19,221,960	March 2021	March 2027	$ 11.50	$ 3,076	$ 1,346
Private Placement Warrants	78,000	March 2021	March 2027	11.50	12	5
FP Combination Warrants	8,291,704	March 2022	March 2027	10.00	-	21,476
2027 Warrants	17,253,279	October 2022	October 2027	2.898	11,465	9,842
Conversion Option Derivative	39,696,788	October 2022	October 2027	2.898	2,730	1,793
Warrant and derivative liabilities	**84,541,731**				**$ 17,283**	**$ 34,462**

During the three months ended March 31, 2024, the Company received notice from the holders of the FP Combination Warrants of their intent to exercise their right to redeem the FP Combination Warrants for $25 million in cash on March 25, 2025. Accordingly, the Company reclassified the fair value of the FP Combination Warrants as of March 31, 2024 from warrant and derivative liabilities to accrued expenses and other current liabilities on the condensed consolidated balance sheets.

The changes in liability-classified warrants and derivatives included in accrued expenses and other current liabilities on the condensed consolidated balance sheets during the three months ended March 31, 2024 were as follows:

(in thousands)	Current Warrant and Derivative Liabilities	Warrant and Derivative Liabilities	Total
Balance as of December 31, 2023	**$ -**	**$ 34,462**	**$ 34,462**
Change in fair value of warrant and derivative liabilities	-	5,043	5,043
Reclassification of warrant and derivative liabilities to current warrant and derivative liabilities	22,222	(22,222)	-
Balance as of March 31, 2024	**$ 22,222**	**$ 17,283**	**$ 39,505**

There were no significant changes in the Company's liability-classified warrants and derivatives during the three months ended March 31, 2023, except for changes in fair value.

Equity-classified Warrants and Derivatives

As of March 31, 2024, the Company's equity-classified warrants and derivatives were comprised of the following:

(in thousands, except share and per share amounts)	Number of Issuable Shares	Issuance	Maturity	Exercise Price
Combination Warrants	2,763,902	March 2022	March 2027	$ 10.00
RDO Warrants	29,000,000	May 2023	November 2028	1.43
Placement Agent Warrants	2,030,000	May 2023	May 2028	1.60
CMPO Warrants	23,214,290	September 2023	September 2028	1.50
CMPO Placement Agent Warrants	1,625,000	September 2023	September 2028	1.75
Total equity-classified warrants and derivatives	**58,633,192**			

There were no significant changes to the Company's equity-classified warrants and derivatives during the three months ended March 31, 2024 and 2023.

Note 7 Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market, or if none exists, the most advantageous market, for the specific asset or liability at the measurement date (the exit price). The fair value is based on assumptions that market participants would use when pricing the asset or liability. A fair value measurement is assigned a level within the fair value hierarchy depending on the source of the inputs utilized in estimating the fair value measurement as follows:

•Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

•Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly.

•Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

The carrying amounts of cash and cash equivalents, accounts receivable, contract assets, contract liabilities, and accounts payable approximate their fair values due to the short-term maturities of these financial instruments.

Fair Value of Common Stock

The fair value of Terran Orbital Corporation's common stock was based on the quoted market price as of each relevant valuation date.

Warrants and Derivatives

The fair values of certain warrants and derivatives were estimated using the Black-Scholes option-pricing model, which uses the following significant inputs and assumptions for each security as of the valuation date: (i) the price per share of common stock, (ii) the exercise price, (iii) the risk-free interest rate, (iv) the dividend yield, (v) the contractual term, and (vi) the estimated volatility. The resulting fair values represent Level 3 fair value measurements.

The fair values of certain warrants and derivatives were estimated using models similar to that of the Black-Scholes option-pricing model and included additional assumptions, such as the estimated counterparty credit spread based on an estimated credit rating of CCC and below.

The fair value of the Public Warrants was based on their quoted market price as of each valuation date and represents a Level 1 fair value measurement. As the Private Placement Warrants are substantially similar to the Public Warrants, their fair value was based on the quoted market price of the Public Warrants as of each valuation date and represents a Level 2 fair value measurement.

The fair value of the Conversion Option Derivative was estimated as the difference in the fair value of the Convertible Notes due 2027 inclusive of the conversion option and the fair value of the Convertible Notes due 2027 exclusive of the conversion option. The fair value inclusive of the conversion option was estimated using a lattice model with the following significant inputs and assumptions: (i) time to maturity, (ii) coupon rate, (iii) discount rate based on an estimated credit rating of CCC and below, (iv) risk-free interest rate, (v) contractual features such as prepayment options, call premiums and default provisions, (vi) price per share of common stock, (vii) dividend yield, and (viii) estimated volatility. The fair value exclusive of the conversion option was estimated using a discounted cash flow method using a discount rate based on an estimated credit rating of CCC and below plus a risk-free interest rate. The resulting fair values represent Level 3 fair value measurements.

Long-term Debt

The following table presents the total net carrying amount and estimated fair value of the Company's long-term debt instruments, excluding finance leases, as of the dates presented:

(in thousands)	March 31, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 185,387	$ 288,671	$ 177,785	$ 285,918

As of March 31, 2024 and December 31, 2023, the fair value of the Company's long-term debt, except as otherwise described, was estimated using a lattice model with the following significant inputs and assumptions: (i) time to maturity, (ii) coupon rate, (iii) discount rate based on an estimated credit rating of CCC and below, (iv) risk-free interest rate, and (v) contractual features such as prepayment options, call premiums and default provisions. The fair value related to Convertible Notes due 2027 was exclusive of the conversion option and estimated as described above. The fair value of long-term debt related to the PIPE Investment Obligation was estimated using a discounted cash flow method applied to the remaining quarterly payments using a discount rate based on a risk-free rate derived from constant maturity yields plus a credit risk derived from an estimated credit rating of CCC and below. The resulting fair values represent Level 3 fair value measurements.

Note 8 Shareholders' Deficit

Common Stock

The Company is authorized to issue up to 600 million shares of common stock with a par value of $0.0001 per share. Each share of common stock entitles the shareholder to one vote.

Preferred Stock

The Company is authorized to issue up to 50 million shares of preferred stock with a par value of $0.0001 per share. There were no shares of preferred stock issued and outstanding as of March 31, 2024 or December 31, 2023.

Rights Agreement

On March 4, 2024, the Company entered into a Rights Agreement (the "Rights Agreement"), as amended on April 18, 2024, in order to protect the Company and its shareholders from coercive or otherwise unfair takeover tactics. The Rights Agreement imposes a significant penalty upon any person or group that acquires 15% or more of the Company's outstanding common stock, including through derivatives agreements, without the approval of the Company. The Rights Agreement should not interfere with any merger or other business combination approved by the Company.

In connection with the Rights Agreement, the Company declared a dividend of one preferred share purchase right ("Right") for each outstanding share of the Company's common stock. The dividend is payable to shareholders of record on March 14, 2024. In addition, one Right will automatically attach to each share of the Company's common stock until the date in which the Rights become exercisable, redeemed, or expired.

The Rights will initially trade with, and will be inseparable from, the Company's common stock. Each Right will allow its holder to purchase from the Company one one-thousandth of a share of Series A Junior Participating Preferred Stock, par value $0.0001 per share ("Preferred Shares"), for $5.35, subject to adjustment under certain conditions, once the Rights become exercisable. This portion of a share of Preferred Stock would give the holder thereof approximately the same dividend, voting, and liquidation rights as would one share of the Company's common stock. Prior to exercise, the Right does not give its holder any dividend, voting, or liquidation rights. The Rights will expire in one year but may be extended for an additional two years, subject to shareholder approval.

Note 9 Share-Based Compensation

Share-based compensation expense totaled $3.8 million and $10.2 million during the three months ended March 31, 2024 and 2023, respectively.

During the three months ended March 31, 2024, the Company granted approximately 2.5 million restricted stock units ("RSUs") with a weighted average grant date fair value of $1.11 per unit based on the public market price of the Company's common stock as of the date of grant. A majority of these RSUs will vest over a four-year period.

Note 10 Net Loss Per Share

Basic net loss per share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period. Equity-classified warrants that are exercisable for nominal consideration are included in basic weighted-average shares outstanding at the time of issuance.

Diluted net loss per share gives effect to all securities having a dilutive effect on net loss, weighted-average shares of common stock outstanding, or both. The effect from potential dilutive securities included, but was not limited to: (i) incremental shares of common stock calculated using the if-converted method for the Convertible Notes due 2027 and Conversion Option Derivative, and the PIPE Investment Obligation; (ii) incremental shares of common stock calculated using the treasury stock method for warrants and share-based compensation awards; and (iii) the corresponding impact to net loss associated with the preceding considerations.

The RDO Warrants and CMPO Warrants, as described in the table in Note 6 "Warrants and Derivatives," each meet the definition of a participating security because they are entitled to participate in distributions by the Company while in the form of a warrant; however, the RDO Warrants and CMPO Warrants are not required to share in the net losses of the Company. Accordingly, these participating securities do not have an impact on basic net loss per share in periods of net loss and with no distributions.

For purposes of the diluted net loss per share computation, all potentially dilutive securities were excluded because their effect would be anti-dilutive or their exercise price was "out-of-the-money." As a result, diluted net loss per share was equal to basic net loss per share for each period presented.

The table below represents the anti-dilutive securities that could potentially be dilutive in the future for the periods presented:

	As of March 31,	
(in shares of common stock)	**2024**	**2023**
Stock options	949,151	1,148,129
Restricted stock units	21,493,923	17,617,600
FP Combination Warrants	8,291,704	8,291,704
Combination Warrants	2,763,902	2,763,902
Public Warrants	19,221,960	19,221,960
Private Placement Warrants	78,000	78,000
2027 Warrants	17,253,279	17,253,279
RDO Warrants	29,000,000	—
Placement Agent Warrants	2,030,000	—
CMPO Warrants	23,214,290	—
CMPO Placement Agent Warrants	1,625,000	—
PIPE Investment Obligation	8,587,786	12,228,261
Conversion Option Derivative	39,696,788	35,956,013

The computations of basic and diluted net loss per share for the periods presented were as follows:

	Three Months Ended March 31,	
(in thousands, except per share and share amounts)	**2024**	**2023**
Numerator:		
Net loss	$ (53,244)	$ (54,445)
Denominator:		
Weighted-average shares outstanding - basic and diluted	201,442,209	144,062,103
Net loss per share - basic and diluted	**$ (0.26)**	**$ (0.38)**

Note 11 Income Taxes

Provision for income taxes for the three months ended March 31, 2024 was $52 thousand, resulting in an effective tax rate for the period of -0.1%. The Company had a minimal effective tax rate as a result of the continued generation of net operating losses (“NOLs”) offset by a full valuation allowance recorded on such NOLs as the Company determined it is more-likely-than-not that its NOLs will not be utilized. The remainder of the provision for income taxes was primarily related to taxable income from the Company’s foreign subsidiary.

Provision for income taxes for the three months ended March 31, 2023 was $18 thousand, resulting in an effective tax rate for the period of 0.0%. The Company had a minimal effective tax rate as a result of the continued generation of NOLs offset by a full valuation allowance recorded on such NOLs as the Company determined it is more-likely-than-not that its NOLs will not be utilized. The remainder of the provision for income taxes was primarily related to taxable income from the Company’s foreign subsidiary.

Note 12 Commitments and Contingencies

Litigation and Other Legal Matters

From time to time, the Company is subject to claims and lawsuits in the ordinary course of business, such as contractual disputes and employment matters. The Company is also subject to regulatory and governmental examinations, information requests and subpoenas, inquiries, investigations, and threatened legal actions and proceedings. The Company records accruals for losses that are probable and reasonably estimable. These accruals are based on a variety of factors such as judgment, probability of loss, and opinions of internal and external legal counsel. Legal costs in connection with claims and lawsuits in the ordinary course of business are expensed as incurred.

Class Action

In February 2023, a putative class action complaint was filed in the United States District Court for the Southern District of New York (the "Court"), Case No. 1:23-cv-01394. The litigation was instituted by Jeffrey Mullen on behalf of himself and all others similarly situated. In July 2023, an amended complaint was filed by Jeffrey Mullen, Robert Irwin, Justin Carnahan and Thomas Bennett, each on behalf of himself and all others similarly situated, naming the Company, its Chief Executive Officer, and the members of Legacy Terran Orbital's Board of Directors as defendants. The amended class action complaint (as amended, the "Complaint") asserts claims for violations of Section 11(A) of the Securities Exchange Act of 1933 and Section 158 of the Delaware General Corporation Law, and breach of fiduciary duties, resulting from the Company's alleged failure to timely transfer shares of common stock to current and former employee shareholders in connection with its prior transaction to become a public company and alleges materially false and misleading statements made in the Company's Form S-4 Registration Statement and Proxy Prospectus primarily relating to the process for exchanging shares in connection with its prior transaction to become a public company. The Complaint seeks an award of damages, an award of reasonable costs and expenses at trial, including counsel and expert fees, and an award of such other relief as deemed appropriate by the Court. The Company intends to defend this action vigorously and filed a motion to dismiss with the Court on December 18, 2023. On February 2, 2024, the Company filed a response brief to the plaintiff's opposition to the motion to dismiss. The motion to dismiss is currently pending with the court.

Stockholder Rights Agreement

On March 6, 2024, Andrew Jones filed a putative class action complaint against the Company and its Board of Directors in the Delaware Court of Chancery. The complaint objects to the Company's implementation of the Rights Agreement, specifically a provision in the Rights Agreement which aggregates share ownership in situations where parties are "acting in concert." The plaintiff alleges breaches of fiduciary duty and seeks to have the acting in concert provision enjoined and declared unenforceable. In April 2024, the Company amended the Rights Agreement to remove references to the defined concept of "acting in concert" that the plaintiff is seeking to declare unenforceable. The Company subsequently filed a stipulation and proposed order, which is subject to approval by the Delaware Court of Chancery, whereby the plaintiff has agreed to dismiss the claims as moot.

Commercial Agreements

In connection with the transaction to become a public company, the Company entered into commercial agreements to purchase an aggregate amount of $20 million of goods and services over three years from two affiliates of an investor, which became effective upon the closing of the transaction to become a public. As of March 31, 2024, approximately $9.9 million of the purchase obligations remained outstanding under these commercial agreements.

Note 13 Related Party Transactions

Lockheed Martin

Lockheed Martin, directly and through its wholly-owned subsidiary Astrolink International, LLC ("Astrolink"), is a significant holder of debt and equity instruments of the Company.

On June 26, 2017, the Company entered into a strategic cooperation agreement with Lockheed Martin (the "Strategic Cooperation Agreement"), as amended, pursuant to which the parties agreed to (i) collaborate on the development, production and sale of satellites for use in U.S. Government spacecraft and spacecraft procurements and (ii) establish a cooperation framework to enable the parties to enter into projects, research and development agreements and other collaborative business arrangements and "teaming activities."

On October 31, 2022, the Company and Lockheed Martin terminated the Strategic Cooperation Agreement, as amended, and entered into a new Strategic Cooperation Agreement (the "2022 SCA"), pursuant to which the parties have agreed to continue to share business development opportunities and work collaboratively on small satellite and other aerospace and defense opportunities and ventures. Unless earlier terminated, the 2022 SCA has a term of 13 years and will terminate in 2035. During the term of the 2022 SCA, Lockheed Martin will be entitled to appoint a director to the Company's board of directors and to appoint a separate board observer. As part of the 2022 SCA, the Company has also agreed that it will not make any public announcement with respect to, or seek approval by the board of directors of, any sale transaction or Fundamental Change (as defined in certain financing agreements) with respect to the Company, or any other extraordinary transaction involving the Company, with any other person regarding any of the foregoing, without giving prior notice to Lockheed Martin and to include Lockheed Martin in any such sale process, in each case, subject to the fiduciary duties of the board of directors and management of the Company.

Revenue

The Company recognized revenue from Lockheed Martin of $19.9 million and $20.5 million during the three months ended March 31, 2024 and 2023, respectively. In addition, the Company had accounts receivable due from Lockheed Martin of $1.0 million and $9.6 million as of March 31, 2024 and December 31, 2023, respectively, and contract assets from contracts with Lockheed Martin of $23.6 million and $20.1 million as of March 31, 2024 and December 31, 2023, respectively. The Company had contract liabilities from contracts with Lockheed Martin of $93.0 million and $89.1 million as of March 31, 2024 and December 31, 2023, respectively.

As of March 31, 2024 and December 31, 2023, programs associated with Lockheed Martin represented approximately 7% and 8% of the Company's remaining performance obligations, respectively.

Expenses

During the three months ended March 31, 2024 and 2023, the Company incurred approximately $0.5 million and $3 million of expenses in connection with engineering and research and development support provided by Lockheed Martin, respectively.

Transactions with Chairman and CEO

The Company leases office space in a building owned by its Chairman and CEO with a lease term of April 1, 2021 to March 31, 2026. The Company has a one-time right to extend the lease for a period of five additional years. The lease payments under this lease were approximately $61 thousand and $59 thousand during the three months ended March 31, 2024 and 2023, respectively.

PIPE Investment Obligation

An affiliate of a director and shareholder of the Company invested $30 million in connection with the transaction to become a public company (the “Insider PIPE Investment”) in March 2022. The subscription agreement for the Insider PIPE Investment included a provision that obligates the Company to pay the affiliate a quarterly fee of $1.875 million for sixteen quarters beginning with the period ending March 31, 2022 (the “PIPE Investment Obligation”). The first four quarterly payments were to be paid in cash and the remaining payments are to be paid, at the Company's option, in cash or common stock of the Company, subject to subordination to and compliance with the Company's debt facilities and other contractual arrangements. Refer to Note 5 “Debt” for further discussion.

Note 14 Leases

As part of normal operations, the Company leases real estate and equipment from various counterparties with lease terms and maturities extending through 2032.

The following table presents the amounts reported in the Company's condensed consolidated balance sheets related to operating and finance leases as of the dates presented:

(in thousands)	**Classification**	**March 31, 2024**	**December 31, 2023**
Right-of-use assets:			
Operating	Other assets	$ 11,713	$ 12,098
Finance	Property, plant, and equipment, net	8,425	5,873
Total right-of-use assets		**$ 20,138**	**$ 17,971**
Lease liabilities			
Operating	Accrued expenses and other current liabilities	$ 1,674	$ 1,505
Finance	Current portion of long-term debt	3,017	1,929
Operating	Other liabilities	17,449	17,964
Finance	Long-term debt	3,856	3,059
Total lease liabilities		**$ 25,996**	**$ 24,457**

The following is a summary of the Company's lease cost for the periods presented:

Lease cost (*in thousands*)	**Three Months Ended March 31, 2024**	**2023**
Operating lease cost	$ 1,806	$ 1,767
Finance lease cost		
Amortization of right-of-use assets	632	31
Interest on lease liabilities	133	8
Variable lease costs	407	267
Total lease cost	**$ 2,978**	**$ 2,073**

The following is a summary of the cash flows and supplemental information associated with the Company's leases for the periods presented:

Other information (*in thousands*)	**Three Months Ended March 31, 2024**	**2023**
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 1,766	$ 1,849
Operating cash flows from finance leases	133	8
Financing cash flows from finance leases	490	22
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	-	17
Finance leases	2,230	503

Lease payments prior to commencement are classified in the condensed consolidated statements of cash flows based on the expected classification of the lease upon commencement and are excluded from the table above. Payments prior to the commencement of finance leases totaled $81 thousand and $459 thousand during the three months ended March 31, 2024 and 2023, respectively.

In February 2023, the Company executed an operating lease for manufacturing and assembly space with an original lease term of 124 months, which is expected to commence in 2024. The total future minimum lease payments under this lease are approximately $34.5 million.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

INTRODUCTION

The following discussion and analysis should be read in conjunction with our condensed consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q, as well as our audited consolidated financial statements and the related notes as of and for the years ended December 31, 2023 and 2022 included in our Annual Report on Form 10-K, which was filed with the United States ("U.S.") Securities and Exchange Commission (the "SEC") on April 1, 2024 (the "2023 Annual Report"). This section is intended to (i) provide material information relevant to the assessment of our results of operations and cash flows; (ii) enhance the understanding of our financial condition, changes in financial condition, and results of operations; and (iii) discuss material events and uncertainties known to management that are reasonably likely to cause reported financial information not to be necessarily indicative of future performance or of future financial condition.

The following discussion and analysis contains forward-looking statements about our business, operations, and financial performance based on current plans and estimates involving risks, uncertainties, and assumptions, which could differ materially from actual results. Factors that could cause such differences are discussed in our 2023 Annual Report. Additionally, our historical results are not necessarily indicative of the results that may be expected for any period in the future.

OVERVIEW

Terran Orbital Corporation, together with its wholly-owned subsidiaries (collectively, the "Company," "we," "our," "us," and "Terran Orbital"), is a leading manufacturer of satellite products primarily serving the aerospace and defense industries. We provide end-to-end satellite solutions by combining satellite design, production, launch planning, mission operations, and on-orbit support to meet the needs of our military, civil, and commercial customers. We have a foreign subsidiary based in Torino, Italy.

BASIS OF PRESENTATION

All financial information presented in this section has been prepared in U.S. dollars in accordance with generally accepted accounting principles in the U.S. ("GAAP"), excluding our Non-GAAP measures, and includes the accounts of Terran Orbital Corporation and its subsidiaries. All intercompany transactions have been eliminated.

We evaluate and report our segment information based on the manner in which our Chief Executive Officer, who is the chief operating decision maker (the "CODM"), evaluates performance and allocates resources. We report our results as a single operating and reportable segment on a consolidated basis.

FACTORS AFFECTING OPERATING RESULTS

Our financial success is based on our ability to deliver high quality products and services on a timely basis and at a cost-effective price for our customers. With the majority of our contracts with customers reflecting firm fixed pricing structures, our gross profit is dependent on the efficient and effective execution of our contracts. Our ability to maximize gross profit may be impacted by, but not limited to, unanticipated cost overruns, disruptions in our supply chains, and learning curve and non-recurring engineering costs related to our contracts with customers. Furthermore, our overall profitability may be impacted by our internal research and development initiatives associated with developing new and innovative technology, including the expansion of our offerings to include additional satellite bus designs, payload solutions, satellite subassemblies and components, and other defense-related products.

From time to time, we may strategically enter into contracts with low or negative margins relative to other contracts or that are at risk of cost overruns. This may occur due to strategic decisions built around positioning ourselves for future contracts or to enhance our product and service offerings. However, in some instances, loss contracts may occur from unforeseen cost overruns which are not recoverable from the customer. We establish loss reserves on contracts in which the cost estimate-at-completion ("EAC") exceeds the estimated revenue. The loss reserves are recorded in the period in which a loss is determined. Our reference to adjustments to EAC in the context of describing our results of operations relates to net changes during the period in our aggregate program contract values and estimated costs at completion and include the net impact of contract terminations, cost overruns, and loss reserves.

In recent years, we have expanded our headcount and production facilities in order to position ourselves to be awarded, and have the capacity to execute on larger contracts with recurring revenue opportunities. These growth initiatives are principally located in Irvine, California near our existing facilities. Our existing portfolio of contracts includes multiple-satellite constellations as well as several technology demonstrations, prototypes, and studies with the potential for option exercises or follow-on contracts for multiple-satellite constellations. Accordingly, we are incurring a heightened level of operating expenses in advance of larger customer awards. These opportunities are subject to numerous uncertainties, including but not limited to: the customer may withdraw the opportunity, we may not submit a proposal, or we may not win a contract award or the full value of the award.

We may experience variability in the profitability of our contracts in the future and such future variability may occur at levels and frequencies different from historical experience. Such variability in profitability may be due to strategic decisions, cost overruns or other circumstances within or outside of our control. Accordingly, our historical experience with profitability on our contracts is not indicative or predictive of future experience.

RECENT DEVELOPMENTS

The comparability of our results of operations has been impacted by the following events:

Rivada Agreement

During February 2023, we entered into an agreement with Rivada Space Networks GmbH (“Rivada”) providing for the development, production, and operation of 300 satellites, inclusive of 12 in-orbit spares and ground station equipment, for a total purchase price of approximately $2.4 billion (the “Rivada Agreement”). The agreement also includes options for additional satellites, equipment, and services, including an option for the purchase of an additional 300 satellites. Performance under the agreement will be split into a developmental phase, with amounts billed on a time and materials basis, and a firm fixed price production phase. Rivada has an option to terminate the agreement for convenience at any time and for any reason, which would result in a termination fee for work performed up to such termination. In addition, the agreement includes termination provisions for default in the event of missed delivery targets or deadlines, insolvency, or other failures to perform, which could result in the refund of all amounts paid up to such termination. Whether we ultimately recognize revenue and profit on this contract is subject to a number of uncertainties including, among other things, our ability to successfully perform our obligations, increase our manufacturing capacity, and deliver operational satellites in a timely manner and Rivada’s continuing ability to fund contract performance and maintain its regulatory licenses for its operations. We recognized $1.7 million of revenue under the Rivada Agreement during the three months ended March 31, 2024. We did not recognize revenue under the Rivada Agreement during the three months ended March 31, 2023.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2024 Compared to March 31, 2023

The following table presents our consolidated results of operations for the periods presented:

	Three Months Ended March 31,		
(in thousands)	**2024**	**2023**	**$ Change**
Revenue	$ 27,235	$ 28,198	$ (963)
Cost of sales	33,391	29,597	3,794
Gross loss	(6,156)	(1,399)	(4,757)
Selling, general, and administrative expenses	28,308	32,530	(4,222)
Loss from operations	**(34,464)**	**(33,929)**	**(535)**
Interest expense, net	13,696	10,934	2,762
Change in fair value of warrant and derivative liabilities	5,043	9,455	(4,412)
Other (income) expense	(11)	109	(120)
Loss before income taxes	**(53,192)**	**(54,427)**	**1,235**
Provision for income taxes	52	18	34
Net loss	**$ (53,244)**	**$ (54,445)**	**$ 1,201**

Revenue

The decrease in revenue was driven by unfavorable EAC adjustments primarily on a single program due to challenges with a subcontractor, partially offset by an increase in revenue due to the continued and increased level of progress made in satisfying our customer contracts.

During the three months ended March 31, 2024 and 2023, revenue included an estimated $13.1 million negative impact and $0.8 million positive impact, respectively, related to EAC adjustments on our firm fixed price contracts. While we believe our estimates as of

March 31, 2024 consider all relevant and known information, such as supply chain and related production challenges, additional adjustments to our estimates could occur and have an impact on our revenue in future reporting periods.

Cost of Sales

The increase in cost of sales was primarily due to the following:

- an increase of $2.9 million in labor, materials, third-party services, overhead (exclusive of allocated share-based compensation and depreciation), launch costs, and other direct costs incurred in satisfying our customer contracts;
- an increase of $1.4 million related to reserves for anticipated losses on contracts as we recorded a decrease in reserves of $0.4 million during 2024 compared to a decrease of $1.7 million during 2023 due to the termination of an unfavorable contract; and
- an increase of $1.3 million in depreciation and amortization as a result of increased production capacity and production levels.

These increases were partially offset by a decrease of $2.3 million in share-based compensation expense as certain awards granted in connection with becoming a public company were fully expensed during the first quarter of 2023.

During the three months ended March 31, 2024 and 2023, cost of sales included an estimated $0.5 million negative impact and a $0.8 million positive impact, respectively, related to EAC adjustments on our firm fixed price contracts. While we believe our estimates as of March 31, 2024 consider all relevant and known information, such as supply chain and related production challenges, additional adjustments to our estimates could occur and have an impact on our cost of sales in future reporting periods.

Selling, General, and Administrative Expenses

The decrease in selling, general, and administrative expenses was primarily due to a decrease of $4.0 million in share-based compensation expense as certain awards granted in connection with becoming a public company were fully expensed during the first quarter of 2023, and a decrease of $3.6 million in research and development activities, exclusive of allocated share-based compensation and depreciation. These decreases were partially offset by an increase of $3.0 million in administrative labor and benefits, net of allocated overhead, due to the increase in headcount on a comparative basis.

Interest Expense, net

The increase in interest expense, net was due to an increase in amortization related to discount on debt of $2.2 million and an increase in contractual interest of $0.4 million.

Change in Fair Value of Warrant and Derivative Liabilities

During the three months ended March 31, 2024 and 2023, the loss on change in fair value was primarily due to an increase in the market price of our common stock and warrants, which drove the increase in the fair value of our warrants and derivatives during the relevant periods.

Provision for Income Taxes

Provision for income taxes for the three months ended March 31, 2024 was $52 thousand, resulting in an effective tax rate for the period of -0.1%. We had a minimal effective tax rate as a result of the continued generation of net operating losses (“NOLs”) offset by a full valuation allowance recorded on such NOLs as we determined it is more-likely-than-not that our NOLs will not be utilized. The remainder of the provision for income taxes was primarily related to taxable income from our foreign subsidiary.

Provision for income taxes for the three months ended March 31, 2023 was $18 thousand, resulting in an effective tax rate for the period of 0.0%. We had a minimal effective tax rate as a result of the continued generation of NOLs offset by a full valuation allowance recorded on such NOLs as we determined it is more-likely-than-not that our NOLs will not be utilized. The remainder of the provision for income taxes was primarily related to taxable income from our foreign subsidiary.

NON-GAAP MEASURES

To provide investors with additional information in connection with our results as determined in accordance with GAAP, we disclose the non-GAAP financial measures Adjusted Gross Profit and Adjusted EBITDA. These non-GAAP measures may be different from non-GAAP measures made by other companies. These measures may exclude items that are significant in understanding and assessing our financial results. Therefore, these measures should not be considered in isolation or as an alternative to net income or other measures of financial performance or liquidity under GAAP.

Adjusted Gross Profit

We define Adjusted Gross Profit as gross profit or loss adjusted for (i) share-based compensation expense included in cost of sales and (ii) depreciation and amortization included in cost of sales.

We believe that the presentation of Adjusted Gross Profit is appropriate to provide additional information to investors about our gross profit or loss adjusted for certain non-cash items. Further, we believe Adjusted Gross Profit provides a meaningful measure of operating profitability because we use it for evaluating our business performance, making budgeting decisions, and comparing our performance against that of other peer companies using similar measures.

There are material limitations to using Adjusted Gross Profit. Adjusted Gross Profit does not take into account all items which directly affect our gross profit or loss. These limitations are best addressed by considering the economic effects of the excluded items independently and by considering Adjusted Gross Profit in conjunction with gross profit or loss as calculated in accordance with GAAP.

The following table reconciles Adjusted Gross Profit to gross profit or loss (the most comparable GAAP measure) for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,		
(in thousands)	**2024**	**2023**	**$ Change**
Gross loss	**$ (6,156)**	**$ (1,399)**	**$ (4,757)**
Share-based compensation expense	941	3,245	(2,304)
Depreciation and amortization	1,791	466	1,325
Adjusted gross (loss) profit	**$ (3,424)**	**$ 2,312**	**$ (5,736)**

The decrease in Adjusted Gross Profit was largely due to the estimated impact from EAC adjustments, which had a negative impact of $13.6 million during the three months ended March 31, 2024 compared to a positive impact of $1.5 million during the three months ended March 31, 2023. While we believe our estimates as of March 31, 2024 consider all relevant and known information, such as supply chain and related production challenges, additional adjustments to our estimates could occur and have an impact on our Adjusted Gross Profit in future reporting periods.

Adjusted EBITDA

We define Adjusted EBITDA as net income or loss adjusted for (i) interest, (ii) taxes, (iii) depreciation and amortization, (iv) share-based compensation expense, (v) loss on extinguishment of debt, (vi) change in fair value of warrant and derivative liabilities, and (vii) other non-recurring and/or non-cash items.

We believe that the presentation of Adjusted EBITDA is appropriate to provide additional information to investors about our operating profitability adjusted for certain non-cash items, non-routine items that we do not expect to continue at the same level in the future, as well as other items that are not core to our operations. Further, we believe Adjusted EBITDA provides a meaningful measure of operating profitability because we use it for evaluating our business performance, making budgeting decisions, and comparing our performance against that of other peer companies using similar measures.

There are material limitations to using Adjusted EBITDA. Adjusted EBITDA does not take into account certain significant items, including depreciation and amortization, interest, taxes, and other adjustments which directly affect our net income or loss. These limitations are best addressed by considering the economic effects of the excluded items independently and by considering Adjusted EBITDA in conjunction with net income or loss as calculated in accordance with GAAP.

The following table reconciles Adjusted EBITDA to net loss (the most comparable GAAP measure) for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,		
(in thousands)	**2024**	**2023**	**$ Change**
Net loss	**$ (53,244)**	**$ (54,445)**	**$ 1,201**
Interest expense, net	13,696	10,934	2,762
Provision for income taxes	52	18	34
Depreciation and amortization	2,391	919	1,472
Share-based compensation expense	3,816	10,166	(6,350)
Change in fair value of warrant and derivative liabilities	5,043	9,455	(4,412)
Other, net[(a)]	11	401	(390)
Adjusted EBITDA	**$ (28,235)**	**$ (22,552)**	**$ (5,683)**

(a) - Represents other expense and other charges and items. Non-recurring legal and accounting fees related to our financing transactions are included herein.

The decrease in Adjusted EBITDA was primarily due to an decrease in Adjusted Gross Profit. Refer to the discussions above under “Results of Operations” for further details.

KEY PERFORMANCE INDICATORS

We view growth in backlog as a key measure of our business growth. Backlog represents the estimated dollar value of executed contracts and exercised contract options, including both funded (firm orders for which funding is authorized and appropriated) and unfunded portions of such contracts, for which work has not been performed (also known as the remaining performance obligations on a contract). The unfunded portion of enforceable contracts is accounted for as variable consideration and is reported at our estimate of the most likely amount to which the Company is expected to be entitled. Backlog does not include unexercised contract options and potential orders under indefinite delivery/indefinite quantity contracts. Although backlog reflects business associated with contracts that are considered to be firm, terminations, amendments or contract cancellations may occur, which could result in a reduction in our total backlog.

Our backlog totaled $2.7 billion as of March 31, 2024 and December 31, 2023, both of which included $2.4 billion related to the Rivada Agreement.

As of March 31, 2024, the Rivada Agreement represented 88% of our backlog and programs associated with Lockheed Martin represented 7% of our backlog.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

We have historically funded our operations primarily through the issuance of debt and equity securities. Our short-term liquidity requirements include initiatives related to (i) expansion of existing facilities and upgrade of equipment in order to increase operational capacity, (ii) recruitment of additional employees to meet operational needs, (iii) upgrade of information technology, and (iv) research and development initiatives. Our long-term liquidity requirements include initiatives related to (i) design and development of payload solutions, (ii) expansion of advanced manufacturing and assembly facilities and capabilities, and (iii) development of new satellite components, infrastructure, and software. The timing and amount of spend on these initiatives may be materially delayed, reduced, or cancelled as a result of the level of our financial resources and available financing opportunities. Additionally, our liquidity requirements include the repayment of debt and other payment obligations incurred in the process of becoming a public company and other financing transactions. Our sources of liquidity include cash generated from operations, potential proceeds from the exercise of warrants, and potential proceeds from the issuance of debt and/or equity securities.

Certain warrants issued to affiliates of Francisco Partners provide the right to require us to exchange such warrants (in full but not in part) for $25 million in cash on March 25, 2025. During the three months ended March 31, 2024, we received notice from Francisco Partners of their intent to exercise said rights, which will require us to make a $25 million cash payment on March 25, 2025 and will reduce the amount of cash available at such time to fund our operations and execute our business plan. The amount of such future cash payment could have a material adverse effect on our financial position and cash flows at such time. Further, in the event that we are unable to make the cash redemption payment on March 25, 2025, such failure for us to pay would constitute an event of default under our outstanding debt instruments, which, if not cured or waived could result in the acceleration of all outstanding indebtedness under such debt instruments. Other than such warrants, no investors have the unconditional right to sell back shares or other securities to us or have any forward purchase agreements with us.

There can be no assurances that holders of our warrants will elect to exercise for cash any or all of such warrants, and the likelihood that warrant holders will exercise their warrants is dependent upon the market price of our common stock. As of May 13, 2024, the market price of our common stock is less than the exercise price for all warrants. We believe that based on the current trading prices of our common stock it is uncertain whether we will receive cash proceeds from the exercise of warrants in the next twelve months. Accordingly, we have not relied upon, and are not dependent upon, the receipt of the cash proceeds from the exercise of warrants as a source of liquidity to fund our operations in the next twelve months. The exercise of any or all of the warrants outstanding as of March 31, 2024 for cash would result in an increase in our liquidity, with an aggregate maximum amount of proceeds to be received of approximately $464.9 million.

As of March 31, 2024, we had $43.7 million of cash and cash equivalents, which included $2.7 million of cash and cash equivalents held by our foreign subsidiary. We are not presently aware of any restrictions on the repatriation of our foreign cash and cash equivalents; however, the earnings of our foreign subsidiary are essentially considered permanently invested in the foreign subsidiary. If these funds were needed to fund operations or satisfy obligations in the U.S., they could be repatriated and their repatriation into the U.S. may cause us to incur additional foreign withholding taxes. We do not currently intend to repatriate these earnings.

We rely on winning new customer orders, timely execution of programs and, ultimately, collections from customers to provide liquidity and fund our business plan. Our customer contracts are generally structured to result in advance payments to mitigate program and credit risk. The failure to win new orders, execute on programs on schedule or collect from customers in a timely manner would negatively impact our liquidity and increase our need to rely on capital raising activities to provide liquidity. In order to proceed with our strategic business plan, we may need to raise additional funds through the issuance of additional debt, equity, or other commercial arrangements, which may not be available to us when needed or on terms that we deem to be favorable. To the extent we raise additional capital through the sale of equity or convertible securities, the ownership interest of our shareholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of common shareholders. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making acquisitions or capital expenditures or declaring dividends. If we are unable to obtain sufficient financial resources, our business, financial condition and results of operations may be materially and adversely affected. We may be required to delay, limit, reduce or terminate parts of our strategic business plan or future commercialization efforts. There can be no assurance that we will be able to obtain financing on acceptable terms. Furthermore, our ability to meet our debt service obligations and other capital requirements depends on, among other things, our future operating performance, which is subject to future general economic, financial, business, competitive, legislative, regulatory, and other conditions, many of which are beyond our control. Changes in our operating plans, material changes in anticipated sales, increased expenses, acquisitions, or other events may cause us to seek equity and/or debt financing in future periods.

Long-term Debt

As of March 31, 2024, long-term debt was comprised of the following (including accrued interest paid-in-kind):

(in thousands)

Description	**Issued**	**Maturity**	**Interest Rate**	**Interest Payable**	**March 31, 2024**
Francisco Partners Facility	November 2021	April 2026	9.25%	Quarterly	$ 120,023
Lockheed Martin Rollover Debt	March 2021	April 2026	9.25%	Quarterly	25,000
Beach Point Rollover Debt(1)	March 2021	April 2026	11.25%	Quarterly	32,541
Convertible Notes due 2027(2)	October 2022	October 2027	10.00%	Quarterly	115,041
PIPE Investment Obligation(3)	March 2022	December 2025	N/A	N/A	15,000
Equipment Financings(4)					2,182
Finance leases					6,873
Unamortized deferred issuance costs					(2,530)
Unamortized discount on debt					(121,870)
Total debt					**192,260**
Current portion of long-term debt					12,839
Long-term debt					**$ 179,421**

(1) - Incurs annual interest at 11.25%, of which 2.00% is payable-in-kind at our option.
(2) - Interest is payable-in-kind at our option. Principal and interest prior to maturity are convertible into common stock at a conversion price of $2.898 per share at the holder’s option.
(3) - Requires quarterly repayment of $1.875 million, which is payable in cash or common stock at our option, subject to certain restrictions.
(4) - Consists of equipment financing debt agreements with maturities through September 2030, annual interest rates ranging from 6.25% to 20.05%, and requiring monthly payments of principal and interest.
N/A - Not meaningful or applicable.

There were no significant changes in our long-term debt during the three months ended March 31, 2024.

In April 2024, we paid $1.875 million of principal related to the PIPE Investment Obligation, which was outstanding as of March 31, 2024.

Our primary corporate debt agreements contain a liquidity maintenance financial covenant requiring us to have an amount of unrestricted cash and cash equivalents of the greater of $20 million or 15% of certain aggregated funded indebtedness for each fiscal quarter end. In addition, our primary corporate debt agreements contain a covenant requiring our Consolidated Adjusted EBITDA (as defined in the underlying note agreements), on a trailing twelve month basis, to not be less than $0 by December 31, 2024, which date is the result of the original determination date on June 30, 2024 being extended by two fiscal quarters pursuant to contractual terms (the “EBITDA Financial Covenant”). The commencement of the EBITDA Financial Covenant may be further delayed by one quarter for every additional $25.0 million of net cash proceeds received from qualified equity issuances. If we are unable to comply with these financial covenants, our creditors may accelerate the principal and interest on our primary corporate indebtedness to be immediately due and payable. As of March 31, 2024, debt subject to the these financial covenants totaled $292.6 million with related accrued but unpaid interest of $2.1 million.

As of March 31, 2024, we were in compliance with all financial covenants. However, there is uncertainty regarding our ability to comply with the EBITDA Financial Covenant for at least twelve months from the issuance of these condensed consolidated financial statements. To address the potential future breach of the EBITDA Financial Covenant, we are executing on our business plan to improve operating results. Additionally, we are in active discussions with funding sources to have access to additional sources of qualified equity issuances in the event needed to extend the EBITDA Financial Covenant beyond December 31, 2024. Furthermore, we can request waivers from existing creditors to waive the EBITDA Financial Covenant to the extent necessary. We cannot provide assurances that we will be successful in improving operating results, obtaining new financing, and/or receiving waivers to the EBITDA Financial Covenant. Our inability to improve operating results, raise capital through qualified equity issuances, or receive waivers may negatively impact our compliance with the EBITDA Financial Covenant, which may have a material adverse impact on our financial condition. Accordingly, there is substantial doubt about the Company’s ability to continue as a going concern.

Warrants and Derivatives

Liability-classified Warrants and Derivatives

As of March 31, 2024, our liability-classified warrants and derivatives were comprised of the following:

(in thousands, except share and per share amounts)	**Number of Issuable Shares as of March 31, 2024**	**Issuance**	**Maturity**	**Exercise/Conversion Price**	**Fair Value**
Public Warrants	19,221,960	March 2021	March 2027	$ 11.50	$ 3,076
Private Placement Warrants	78,000	March 2021	March 2027	11.50	12
FP Combination Warrants	8,291,704	March 2022	March 2027	10.00	-
2027 Warrants	17,253,279	October 2022	October 2027	2.898	11,465
Conversion Option Derivative[(1)]	39,696,788	October 2022	October 2027	2.898	2,730
Warrant and derivative liabilities	**84,541,731**				**$ 17,283**

(1) - Represents the bifurcated embedded derivative associated with the Convertible Notes due 2027's conversion option.

During the three months ended March 31, 2024, we received notice from the holders of the FP Combination Warrants of their intent to exercise their right to redeem the FP Combination Warrants for $25 million in cash on March 25, 2025. Accordingly, we reclassified the $22.2 million fair value of the FP Combination Warrants as of March 31, 2024 from warrant and derivative liabilities to accrued expenses and other current liabilities on the condensed consolidated balance sheets.

Equity-classified Warrants and Derivatives

As of March 31, 2024, our equity-classified warrants and derivatives were comprised of the following:

(in thousands, except share and per share amounts)	**Number of Issuable Shares**	**Issuance**	**Maturity**	**Exercise Price**
Combination Warrants	2,763,902	March 2022	March 2027	$ 10.00
RDO Warrants	29,000,000	May 2023	November 2028	1.43
Placement Agent Warrants	2,030,000	May 2023	May 2028	1.60
CMPO Warrants	23,214,290	September 2023	September 2028	1.50
CMPO Placement Agent Warrants	1,625,000	September 2023	September 2028	1.75
Total equity-classified warrants and derivatives	**58,633,192**			

There were no significant changes to our equity-classified warrants and derivatives during three months ended March 31, 2024.

Dividends

We intend to retain future earnings, if any, for future operations, expansion, and debt repayment (if any) and there are no current plans to pay any cash dividends for the foreseeable future. In addition, our ability to pay dividends is limited by covenants of our existing and outstanding indebtedness and may be limited by covenants of any future indebtedness. There are no current restrictions in the covenants of our existing and outstanding indebtedness on our wholly-owned subsidiaries from distributing earnings in the form of dividends, loans, or advances and through repayment of loans or advances to Terran Orbital Corporation.

Our existing and outstanding indebtedness allows for the declaration and payment of dividends or prepayment of junior debt obligations in cash subject to certain limitations.

Other Material Cash Requirements

In addition to debt service requirements on our long-term debt and any payment obligations on our warrants and derivatives, we have certain short-term and long-term cash requirements under operating leases and certain other contractual obligations and commitments.

Operating Leases

Refer to Note 14 “Leases” to the condensed consolidated financial statements for further information regarding our operating leases.

Purchase Commitments

Our material cash requirements for purchases of goods or services entered into in the ordinary course of business, including purchase orders and contractual obligations, primarily relate to materials and services required to manufacture, assemble, integrate, and test satellites and satellite buses in connection with satisfying our customer contracts.

Refer to Note 12 “Commitments and Contingencies” to the condensed consolidated financial statements for further information regarding our purchase commitments.

Off-Balance Sheet Arrangements

As of March 31, 2024, we do not have any material off-balance sheet arrangements other than our equity-classified warrants and derivatives, which are discussed above. Our equity-classified warrants and derivatives are both indexed to and classified as equity under GAAP.

Cash Flow Analysis

The following table is a summary of our cash flow activity for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,		
(in thousands)	**2024**	**2023**	**$ Change**
Net cash used in operating activities	$ (22,815)	$ (32,823)	$ 10,008
Net cash used in investing activities	(2,498)	(3,162)	664
Net cash used in financing activities	(2,574)	(179)	(2,395)
Effect of exchange rate fluctuations on cash and cash equivalents	(75)	30	(105)
Net decrease in cash and cash equivalents	**$ (27,962)**	**$ (36,134)**	**$ 8,172**

Cash Flows from Operating Activities

The decrease in net cash used in operating activities was primarily due to an increase in cash received from customers partially offset by an increase in vendor payments in support of our customer programs. The remainder of the activity in net cash used in operating activities is related to changes in assets and liabilities due to the volume and timing of other operating cash receipts and payments with respect to when the transactions are reflected in earnings.

Refer to the discussions above under “Results of Operations” for further details.

Cash Flows from Investing Activities

Net cash used in investing activities remained relatively flat.

Cash Flows from Financing Activities

During the three months ended March 31, 2024, net cash used in financing activities primarily consisted of $2.6 million related to the repayment of long-term debt, inclusive of prepayments on finance leases.

During the three months ended March 31, 2023, net cash used in financing activities was not material.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Refer to the “Critical Accounting Policies and Estimates” section of “Terran Orbital's Management's Discussion and Analysis of Financial Condition and Results of Operations” in our 2023 Annual Report. There were no material changes to these policies and estimates during the three months ended March 31, 2024.

ACCOUNTING PRONOUNCEMENTS

Refer to Note 1 “Organization and Summary of Significant Accounting Policies” to the condensed consolidated financial statements for further information about recent accounting pronouncements and adoptions.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report on Form 10-Q may constitute “forward-looking statements” for purposes of the federal securities laws. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. All statements, other than statements of present or historical fact included in this report, regarding Terran Orbital’s future financial performance, as well as Terran Orbital’s business strategy, future operations, financial position, estimated revenues, and losses, projected costs, earning outlooks, prospects, expectations, plans and objectives of management are forward-looking statements. When used in this report, the words “plan,” “believe,” “expect,” “anticipate,” “intend,” “outlook,” “estimate,” “forecast,” “project,” “continue,” “could,” “may,” “might,” “will,” “possible,” “potential,” “predict,” “should,” “would” and other similar words and expressions are intended to identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. These forward-looking statements are based on management’s current expectations, forecasts, assumptions, hopes, beliefs, intentions and strategies regarding future events and are based on currently available information as to the outcome and timing of future events. We caution you that these forward-looking statements are subject to all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond our control, incident to our business.

These forward-looking statements are based on information available as of the date of this report, and current expectations, forecasts and assumptions, and involve a number of risks and uncertainties. There can be no assurance that future developments will be those that have been anticipated. Accordingly, forward-looking statements in this report should not be relied upon as representing our views as of any subsequent date, and we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

As a result of a number of known and unknown risks and uncertainties, Terran Orbital’s actual results or performance may be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to:

- expectations regarding our strategies and future financial performance, including our future business plans or objectives, anticipated cost, timing and level of satellite orders and deliveries thereof, prospective performance and commercial opportunities, the timing of obtaining regulatory approvals, the ability to finance our operations, research and development activities and capital expenditures, reliance on government contracts and a strategic cooperation agreement with a significant customer, retention and expansion of our customer base, product and service offerings, pricing, marketing plans, operating expenses, market trends, revenues, margins, liquidity, cash flows and uses of cash, capital expenditures, and our ability to invest in growth initiatives;

•the timing and execution of our ongoing review of strategic alternatives, including resulting transactions, if any, and any potential impacts on our performance related to such ongoing review of strategic alternatives;

•the ability to implement business plans, forecasts, and other expectations, and to identify and realize additional opportunities;

•risks associated with expansion into new and adjacent markets;

•anticipated timing, cost, financing, and development of our satellite manufacturing capabilities;

•increases in costs, which we may not be able to react to due to the nature of our U.S. Government contracts;

•the potential termination of U.S. Government contracts and subcontracts and the potential inability to recover termination costs;

•our ability to finance our operations, research and development activities, growth initiatives and capital expenditures;

•our expansion plans and opportunities;

•the general domestic and international economic, social and political environment, including the potential impacts of volatile or higher inflation rates, interest rates, tax rates and unemployment rates, higher labor and healthcare costs, recessions and changes in laws, rules and regulations applicable to us, including procurement and import-export control;

•the costs and ultimate outcome of litigation matters, government investigations and other legal proceedings;

•the ability to maintain the listing of our common stock and publicly-traded warrants on the NYSE and the possibility of limited liquidity and trading of such securities;

•geopolitical risk (including as a result of the ongoing conflict between Russia and Ukraine, the conflict between Israel and Hamas, the relationship between China and the U.S. and other actual or anticipated military or political conflicts) and changes in applicable laws or regulations;

•impacts of uncertain global economic conditions, including security threats, including cybersecurity and other industrial and physical security threats, and other disruptions;

•government investigations and audits;

•the possibility that we may be adversely affected by other economic, business, and/or competitive factors;

•substantial doubt about our ability to continue as a going concern;

•our ability to scale-up our manufacturing processes and facilities in order to meet the demands of our programs;

•certain of our existing customers' ability to sufficiently finance their operations and fund future installments of our existing manufacturing contracts;

•certain of our existing customers' ability to maintain required regulatory approvals to conduct their business;

•that we have identified material weaknesses in our internal control over financial reporting which, if not corrected, could affect the reliability of our condensed consolidated financial statements;

•the possibility that the COVID-19 Pandemic, or another major disease, natural disaster, or threat to the physical security of our facilities or employees disrupts our business;

•supply chain disruptions, including delays, increased costs, and supplier quality control challenges;

•our ability to attract and retain qualified employees, including senior management and other key employees, technicians, engineers, and other professionals;

•our ability to achieve profitability and meet expectations regarding cash flow from operations and investments;

•our leverage and our ability to service cash debt payments and comply with debt maintenance covenants, including meeting minimum liquidity and operating profit covenants;

•our ability to access invested cash or cash equivalents upon failure of any financial institution we bank with;

- our ability to access, or ability to access on favorable terms, equity and debt capital markets and other funding sources that will be needed to fund operations and make investments in capital-intensive strategic initiatives including expansion and improvement of our manufacturing facilities and development of new lines of business;
- delays and costs associated with our business initiatives, whether due to changes in demand, lack of funding, design changes, or other conditions or circumstances; and
- the other risk factors disclosed in our filings with the SEC from time to time including, but not limited to, our Annual Report on Form 10-K filed April 1, 2024.

These forward-looking statements are based on our current expectations, plans, forecasts, assumptions, and beliefs concerning future developments and their potential effects. There can be no assurance that the future developments affecting us will be those that we have anticipated and we may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. New risk factors and uncertainties may emerge from time to time and it is not possible to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. You should read this Quarterly Report on Form 10-Q with the understanding that our actual future results may be materially different from the expectations disclosed in the forward-looking statements we make. All forward-looking statements we make are qualified in their entirety by this cautionary statement. The forward-looking statements contained in this Quarterly Report on Form 10-Q are made as of the date of this report, and we do not assume any obligation to update any forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as required by law.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable to smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2024. Based upon their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were not effective as the material weaknesses in our internal control over financial reporting that were previously reported in the 2023 Annual Report continued to exist as of March 31, 2024. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As a result, we performed additional analysis as deemed necessary to ensure that our condensed consolidated financial statements were prepared in accordance with GAAP. Accordingly, management believes that the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q present fairly in all material respects our financial position, results of operations, and cash flows for the periods presented.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the three months ended March 31, 2024 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting, other than changes related to the remediation of material weaknesses as described below.

We are actively working to remediate our previously identified material weaknesses. These remediation measures are ongoing and include (i) hiring additional accounting and IT personnel to bolster our technical reporting, transactional accounting, internal controls, and IT capabilities; (ii) designing and implementing controls to formalize roles and review responsibilities and designing and implementing formal controls over segregation of duties; (iii) designing and implementing formal processes, accounting policies, procedures, and controls supporting our financial close process, including completion of business performance reviews, creating standard balance sheet reconciliation templates, and journal entry controls; and (iv) designing and implementing IT general controls, including controls over change management, the review and update of user access rights and privileges, controls over data backups, and controls over program development efforts. We anticipate to implement additional modules and functionality to our enterprise resource planning system during 2024 that will assist in our remediation efforts.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

See Note 12 “Commitments and Contingencies” to the condensed consolidated financial statements under the heading “Litigation and Other Legal Matters” included in this Quarterly Report on Form 10-Q for legal proceedings and related matters.

ITEM 1A. RISK FACTORS.

There have been no material changes to the risk factors previously disclosed in Part I, Item 1A of the 2023 Annual Report. These risks and uncertainties described in our risk factors have the potential to materially affect our business, results of operations, financial condition, cash flows, projected results and future prospects. These risks are not exclusive and additional risks to which we are subject include the factors mentioned under “Forward-Looking Statements” and the risks described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Quarterly Report on Form 10-Q.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

We have not made any sales of unregistered equity securities that were not previously reported in a Quarterly Report on Form 10-Q or in a Current Report on Form 8-K.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

The exhibits listed on the accompanying Exhibit Index are filed/furnished or incorporated by reference as part of this report.

Exhibits Index

The information required by this Item is set forth on the exhibit index below.

Exhibit Number	Description	Incorporated by Reference Form	Exhibit	Filing Date
2.1†	Agreement and Plan of Merger, dated as of October 28, 2021, by and among the Terran Orbital Corporation, Tailwind Two Acquisition Corp. and Titan Merger Sub, Inc.	8-K	2.1	10/28/2021
2.2	Amendment No. 1 to the Agreement and Plan of Merger, dated as of February 8, 2022, by and among Tailwind Two Acquisition Corp., Titan Merger Sub, Inc., and Terran Orbital Corporation	S-4/A	2.2	2/10/2022
2.3	Amendment No. 2 to the Agreement and Plan of Merger, dated as of March 9, 2022, by and among Tailwind Two Acquisition Corp., Titan Merger Sub, Inc., and Terran Orbital Corporation	8-K	2.1	3/15/2022
3.1	Amended and Restated Certificate of Incorporation	8-K	3.1	5/5/2023
3.2	Bylaws of Terran Orbital Corporation	8-K	3.2	3/28/2022
3.3	Certificate of Designations of Series A Junior Participating Preferred Stock of Terran Orbital Corporation.	8-K	3.1	3/4/2024
4.1	Rights Agreement, dated as of March 4, 2024, between Terran Orbital Corporation and Continental Stock Transfer & Trust Company, as Rights Agent (including the form of Certificate of Designations of Series A Junior Participating Preferred Stock attached thereto as Exhibit A, the form of Right Certificate attached thereto as Exhibit B and the Summary of Rights to Purchase Preferred Shares attached thereto as Exhibit C).	8-K	4.1	3/4/2024
4.2	Amended and Restated Rights Agreement, dated as of April 18, 2024, by and between Terran Orbital Corporation and Continental Stock Transfer & Trust Company, as Rights Agent.	8-K	4.1	4/18/2024
10.1	Settlement Agreement and Release of Claims by and between the Company and Sophis Group, dated February 4, 2024.	8-K	10.1	2/6/2024
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			
101	XBRL Instant Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.			
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document			

* Filed herewith.
** Furnished herewith.
† Schedules and exhibits to this Exhibit omitted pursuant to Item 601(b)(2) of Regulation S-K. The Registrant hereby agrees to furnish supplementally a copy of any omitted schedule or exhibit to the SEC upon request.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TERRAN ORBITAL CORPORATION

Date: May 14, 2024

By: /s/ Mathieu Riffel
Mathieu Riffel
Senior Vice President, Acting Chief Financial Officer and Corporate Controller
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Marc H. Bell, certify that:

1.I have reviewed this Quarterly Report on Form 10-Q of Terran Orbital Corporation;

2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4.The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b)Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c)Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d)Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5.The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a)All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2024

By: /s/ Marc H. Bell
Marc H. Bell
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mathieu Riffel, certify that:

1.I have reviewed this Quarterly Report on Form 10-Q of Terran Orbital Corporation;

2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4.The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b)Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c)Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d)Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5.The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a)All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2024

By: /s/ Mathieu Riffel
Mathieu Riffel
Senior Vice President, Acting Chief Financial Officer and Corporate Controller

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Terran Orbital Corporation (the "Company") on Form 10-Q for the period ending March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Marc H. Bell, Chairman and Chief Executive Officer, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1)The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 14, 2024	By: /s/ Marc H. Bell
	Marc H. Bell
	Chairman and Chief Executive Officer

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 1350 of Title 18 of the United States Code and, accordingly, is not being filed with the U.S. Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Terran Orbital Corporation (the “Company”) on Form 10-Q for the period ending March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mathieu Riffel, Senior Vice President, Acting Chief Financial Officer and Corporate Controller, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1)The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 14, 2024	By: /s/ Mathieu Riffel
	Mathieu Riffel
	Senior Vice President, Acting Chief Financial Officer and Corporate Controller

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 1350 of Title 18 of the United States Code and, accordingly, is not being filed with the U.S. Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).