UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2024

OR

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

Commission file number 001-39668

Archer Aviation Inc.

(Exact name of registrant as specified in its charter)

Delaware	**85-2730902**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
190 West Tasman Drive, San Jose, CA	**95134**
(Address of principal executive offices)	(Zip Code)

(650) 272-3233

Registrant's telephone number, including area code

N/A

(Former name, former address, and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value $0.0001 per share	ACHR	New York Stock Exchange
Warrants, each whole warrant exercisable for one share of Class A common stock at an exercise price of $11.50 per share	ACHR 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 and posted 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, a 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 Act). Yes ☐ No ☒

As of August 2, 2024, the number of shares of the registrant's Class A common stock outstanding was 319,442,565, and the number of shares of the registrant's Class B common stock outstanding was 36,110,992.

Archer Aviation Inc.
Form 10-Q
For the Quarterly Period Ended June 30, 2024

Table of Contents

ARCHER AVIATION INC.

Archer Aviation Inc., a Delaware corporation (prior to the closing of the Business Combination (as defined below), “Legacy Archer”), Atlas Crest Investment Corp., a Delaware Corporation (“Atlas”) and Artemis Acquisition Sub Inc., a Delaware corporation and a direct, wholly-owned subsidiary of Atlas (“Merger Sub”) entered into a merger agreement (the “Business Combination Agreement”) on February 10, 2021, as amended. Pursuant to the terms of the Business Combination Agreement, a business combination of Legacy Archer and Atlas was effected by the merger of Merger Sub with and into Legacy Archer, with Legacy Archer surviving the merger (the “Surviving Entity”) as a wholly-owned subsidiary of Atlas (the “Merger,” and, collectively with the other transactions described in the Business Combination Agreement, the “Business Combination”). Following the consummation of the Merger on September 16, 2021 (the “Closing), Legacy Archer changed its name from Archer Aviation Inc. to Archer Aviation Operating Corp., and Atlas changed its name from Atlas Crest Investment Corp. to Archer Aviation Inc. and it became the successor registrant with the SEC.

As used in this Quarterly Report on Form 10-Q, unless the context requires otherwise, references to “Archer”, the “Company”, “we”, “us”, and “our”, and similar references refer to Archer Aviation Inc. and its wholly-owned subsidiaries, unless the context otherwise requires).

“Archer” and our other registered and common law trade names and trademarks of ours appearing in this Quarterly Report are our property. This Quarterly Report contains additional trade names and trademarks of other companies. We do not intend our use or display of other companies’ trade names or trademarks to imply an endorsement or sponsorship of us by such companies, or any relationship with any of these companies.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (the “Quarterly Report”) contains forward-looking statements. All statements, other than statements of present or historical fact, included or incorporated by reference in this Quarterly Report regarding our future financial performance, as well as our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this Quarterly Report, the words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “future,” “intends,” “may,” “might,” “plan,” “possible,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would,” the negative of such terms and other similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words.

These forward-looking statements are based on information available as of the date of this Quarterly Report, and current expectations, assumptions, hopes, beliefs, intentions and strategies regarding future events. Accordingly, forward-looking statements in this Quarterly Report and in any document incorporated herein by reference 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, our actual results or performance may be materially different from those expressed or implied by these forward-looking statements. Some factors that could cause actual results to differ include those described in Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission (the “SEC”) on February 29, 2024 (the “Annual Report”). Readers are urged to carefully review and consider the various disclosures made in this Quarterly Report, the Annual Report, and other documents we file from time to time with the SEC that disclose risks and uncertainties that may affect our business. Moreover, new risks emerge from time to time. It is not possible for us 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. In light of these risks and uncertainties, the future events and circumstances discussed in this Quarterly Report and the Annual Report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely upon these statements.

Part I - Financial Information

Item 1. Financial Statements

Archer Aviation Inc.
Consolidated Condensed Balance Sheets
(In millions, except share and per share data; unaudited)

	June 30, 2024	December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	$ 360.4	$ 464.6
Restricted cash	6.7	6.9
Prepaid expenses	5.4	7.9
Other current assets	2.5	0.8
Total current assets	375.0	480.2
Property and equipment, net	92.9	57.6
Intangible assets, net	0.4	0.4
Right-of-use assets	8.0	8.9
Other long-term assets	7.7	7.2
Total assets	$ 484.0	$ 554.3
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 25.1	$ 14.3
Current portion of lease liabilities	3.3	2.8
Accrued expenses and other current liabilities	55.2	96.9
Total current liabilities	83.6	114.0
Notes payable	32.7	7.2
Lease liabilities, net of current portion	11.5	13.2
Warrant liabilities	9.6	39.9
Other long-term liabilities	12.6	12.9
Total liabilities	150.0	187.2
Commitments and contingencies (Note 7)		
Stockholders' equity		
Preferred stock, $0.0001 par value; 10,000,000 shares authorized; no shares issued and outstanding as of June 30, 2024 and December 31, 2023	—	—
Class A common stock, $0.0001 par value; 700,000,000 shares authorized; 298,571,164 and 265,617,341 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	—	—
Class B common stock, $0.0001 par value; 300,000,000 shares authorized; 37,216,756 and 38,165,615 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	—	—
Additional paid-in capital	1,706.3	1,515.9
Accumulated deficit	(1,372.2)	(1,148.8)
Accumulated other comprehensive loss	(0.1)	—
Total stockholders' equity	334.0	367.1
Total liabilities and stockholders' equity	$ 484.0	$ 554.3

See accompanying notes to consolidated condensed financial statements.

Archer Aviation Inc.
Consolidated Condensed Statements of Operations
(In millions, except share and per share data; unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Operating expenses				
Research and development	$ 89.8	$ 63.3	$ 173.3	$ 129.1
General and administrative	31.4	118.1	90.1	162.2
Other warrant expense	—	—	—	2.1
Total operating expenses	121.2	181.4	263.4	293.4
Loss from operations	(121.2)	(181.4)	(263.4)	(293.4)
Other income (expense), net	9.3	(6.6)	29.9	(9.3)
Interest income, net	5.1	4.1	10.4	5.7
Loss before income taxes	(106.8)	(183.9)	(223.1)	(297.0)
Income tax expense	(0.1)	(0.2)	(0.3)	(0.2)
Net loss	$ (106.9)	$ (184.1)	$ (223.4)	$ (297.2)
Net loss per share, basic and diluted	$ (0.32)	$ (0.73)	$ (0.68)	$ (1.19)
Weighted-average shares outstanding, basic and diluted	334,072,229	251,018,612	327,164,413	249,156,920

See accompanying notes to consolidated condensed financial statements.

Archer Aviation Inc.
Consolidated Condensed Statements of Comprehensive Loss
(In millions; unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net loss	$ (106.9)	$ (184.1)	$ (223.4)	$ (297.2)
Other comprehensive income (loss):				
Unrealized gain on available-for-sale securities, net of tax	—	0.1	—	0.8
Foreign currency translation loss	(0.1)	—	(0.1)	—
Total other comprehensive income (loss)	(0.1)	0.1	(0.1)	0.8
Comprehensive loss	$ (107.0)	$ (184.0)	$ (223.5)	$ (296.4)

See accompanying notes to consolidated condensed financial statements.

Archer Aviation Inc.
Consolidated Condensed Statements of Stockholders' Equity
(In millions, except share data; unaudited)

	Common Stock				Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Class A		Class B					
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2023	265,617,341	$ —	38,165,615	$ —	$ 1,515.9	$ (1,148.8)	$ —	$ 367.1
Conversion of Class B common stock to Class A common stock	200,000	—	(200,000)	—	—	—	—	—
Issuance of restricted stock units and restricted stock expense	4,873,123	—	—	—	34.0	—	—	34.0
Exercise of stock options	186,529	—	66,760	—	—	—	—	—
Issuance of warrants and warrant expense	—	—	—	—	48.9	—	—	48.9
Exercise of warrants	4,503,845	—	—	—	—	—	—	—
Common stock issued under at-the-market program	6,569,896	—	—	—	33.9	—	—	33.9
Stock-based compensation	—	—	—	—	11.8	—	—	11.8
Net loss	—	—	—	—	—	(116.5)	—	(116.5)
Balance as of March 31, 2024	281,950,734	$ —	38,032,375	$ —	$ 1,644.5	$ (1,265.3)	$ —	$ 379.2
Conversion of Class B common stock to Class A common stock	882,379	—	(882,379)	—	—	—	—	—
Issuance of restricted stock units and restricted stock expense	3,189,570	—	—	—	6.5	—	—	6.5
Exercise of stock options	262,900	—	66,760	—	—	—	—	—
Issuance of warrants and warrant expense	—	—	—	—	2.0	—	—	2.0
Common stock issued under employee stock purchase plan	812,544	—	—	—	2.3	—	—	2.3
Common stock issued under at-the-market program	11,473,037	—	—	—	39.1	—	—	39.1
Stock-based compensation	—	—	—	—	11.9	—	—	11.9
Net loss	—	—	—	—	—	(106.9)	—	(106.9)
Other comprehensive loss	—	—	—	—	—	—	(0.1)	(0.1)
Balance as of June 30, 2024	298,571,164	$ —	37,216,756	$ —	$ 1,706.3	$ (1,372.2)	$ (0.1)	$ 334.0

See accompanying notes to consolidated condensed financial statements.

Archer Aviation Inc.
Consolidated Condensed Statements of Stockholders' Equity
(In millions, except share data; unaudited)

	Common Stock				Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Class A		Class B					
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2022	177,900,738	$ —	63,738,197	$ —	$ 1,185.0	$ (690.9)	$ (0.8)	$ 493.3
Conversion of Class B common stock to Class A common stock	2,250,000	—	(2,250,000)	—	—	—	—	—
Issuance of restricted stock units and restricted stock expense	2,191,898	—	—	—	18.8	—	—	18.8
Exercise of stock options	316,116	—	233,190	—	0.1	—	—	0.1
Issuance of warrants and warrant expense	—	—	—	—	6.3	—	—	6.3
Common stock withheld related to net share settlement of equity awards	(786,342)	—	—	—	(2.3)	—	—	(2.3)
Stock-based compensation	—	—	—	—	6.3	—	—	6.3
Net loss	—	—	—	—	—	(113.1)	—	(113.1)
Other comprehensive income	—	—	—	—	—	—	0.7	0.7
Balance as of March 31, 2023	181,872,410	$ —	61,721,387	$ —	$ 1,214.2	$ (804.0)	$ (0.1)	$ 410.1
Conversion of Class B common stock to Class A common stock	14,109,310	—	(14,109,310)	—	—	—	—	—
Issuance of restricted stock units and restricted stock expense	1,834,274	—	—	—	16.2	—	—	16.2
Exercise of stock options	306,003	—	233,192	—	0.1	—	—	0.1
Issuance of warrants and warrant expense	—	—	—	—	4.5	—	—	4.5
Common stock withheld related to net share settlement of equity awards	(592,025)	—	—	—	(1.2)	—	—	(1.2)
Common stock issued under employee stock purchase plan	601,105	—	—	—	1.3	—	—	1.3
Common stock issued under stock purchase agreement	6,337,039	—	—	—	21.4	—	—	21.4
Stock-based compensation	—	—	—	—	7.9	—	—	7.9
Net loss	—	—	—	—	—	(184.1)	—	(184.1)
Other comprehensive income	—	—	—	—	—	—	0.1	0.1
Balance as of June 30, 2023	204,468,116	$ —	47,845,269	$ —	$ 1,264.4	$ (988.1)	$ —	$ 276.3

See accompanying notes to consolidated condensed financial statements.

Archer Aviation Inc.
Consolidated Condensed Statements of Cash Flows
(In millions; unaudited)

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Cash flows from operating activities		
Net loss	$ (223.4)	$ (297.2)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization and other	4.9	2.1
Debt discount and issuance cost amortization	—	0.3
Stock-based compensation	63.5	52.2
Change in fair value of warrant liabilities and other warrant costs	(30.3)	15.6
Gain on issuance of common stock	—	(3.6)
Non-cash lease expense	1.4	2.5
Research and development warrant expense	4.1	8.7
Other warrant expense	—	2.1
Technology and dispute resolution agreements expense	5.6	73.0
Accretion and amortization income of short-term investments	—	(2.3)
Changes in operating assets and liabilities:		
Prepaid expenses	2.5	3.2
Other current assets	(1.7)	0.4
Other long-term assets	(1.2)	(1.8)
Accounts payable	8.6	8.2
Accrued expenses and other current liabilities	—	12.8
Operating lease right-of-use assets and lease liabilities, net	(1.8)	3.3
Other long-term liabilities	0.8	(0.3)
Net cash used in operating activities	(167.0)	(120.8)
Cash flows from investing activities		
Proceeds from maturities of short-term investments	—	465.0
Purchase of property and equipment	(38.2)	(19.5)
Net cash provided by (used in) investing activities	(38.2)	445.5
Cash flows from financing activities		
Proceeds from issuance of debt	25.8	—
Repayment of long-term debt	—	(5.0)
Payment of debt issuance costs	(0.3)	—
Payments for taxes related to net share settlement of equity awards	—	(3.5)
Proceeds from shares issued under at-the-market program	73.3	—
Payment of offering costs in connection with at-the-market program	(0.3)	—
Proceeds from shares issued under employee stock purchase plan	2.3	1.3
Proceeds from issuance of common stock	—	25.0
Net cash provided by financing activities	100.8	17.8
Net increase (decrease) in cash, cash equivalents, and restricted cash	(104.4)	342.5
Cash, cash equivalents, and restricted cash, beginning of period	471.5	72.3
Cash, cash equivalents, and restricted cash, end of period	$ 367.1	$ 414.8
Supplemental Cash Flow Information:		
Cash paid for interest	$ 0.7	$ 0.5
Non-cash investing and financing activities:		
Purchases of property and equipment included in accounts payable and accrued expenses	$ 12.1	$ 16.2

See accompanying notes to consolidated condensed financial statements.

Note 1 - Organization and Nature of Business

Organization and Nature of Business

Archer Aviation Inc. (the "Company"), a Delaware corporation, with its headquarters located in San Jose, California, is an aerospace company. The Company is designing and developing electric vertical takeoff and landing ("eVTOL") aircraft for use in urban air mobility ("UAM") networks. The Company's mission is to unlock the skies, freeing everyone to reimagine how they move and spend time.

The Company's Planned Lines of Business

Upon receipt of all necessary certifications and any other government approvals necessary for the Company to manufacture and operate its aircraft, the Company intends to operate two complementary lines of business. The Company's core focus is direct-to-consumer offerings ("Archer UAM") with its secondary focus being business-to-business offerings ("Archer Direct").

Archer UAM

The Company plans to operate its own UAM ecosystem initially in select major cities. The Company's UAM ecosystem will operate using its eVTOL aircraft which is currently in development.

Archer Direct

The Company also plans to selectively sell a certain amount of its eVTOL aircraft along with ancillary products and services to third parties.

Note 2 - Liquidity and Going Concern

Since the Company's formation, the Company has devoted substantial effort and capital resources to the design and development of its planned eVTOL aircraft and UAM network. Funding of these activities has primarily been through the net proceeds received from the issuance of related and third-party debt (Note 6 - Notes Payable), and the sale of preferred and common stock to related and third parties (Note 8 - Preferred and Common Stock). Through June 30, 2024, the Company has incurred cumulative losses from operations, negative cash flows from operating activities, and has an accumulated deficit of $1,372.2 million. As of June 30, 2024, the Company had cash and cash equivalents of $360.4 million, which management believes, together with the gross proceeds of approximately $55.0 million from the sale of Class A common stock to Stellantis N.V. ("Stellantis") received on July 1, 2024 (refer to Note 12 - Subsequent Events), will be sufficient to fund the Company's current operating plan for at least the next 12 months from the date these consolidated condensed financial statements were issued.

There can be no assurance that the Company will be successful in achieving its business plans, that the Company's current capital will be sufficient to support its ongoing business plans, or that any additional financing will be available in a timely manner or on acceptable terms, if at all. If the Company's business plans require it to raise additional capital, but the Company is unable to do so, it may be required to alter, or scale back its aircraft design, development and certification programs, as well as its manufacturing capabilities, or be unable to fund capital expenditures. Any such events would have a material adverse effect on the Company's financial position, results of operations, cash flows, and ability to achieve the Company's intended business plans.

Note 3 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared pursuant to the rules and regulations of the SEC for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States ("U.S. GAAP") for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of financial position, results of operations, and cash flows for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. The unaudited consolidated condensed financial statements should be read in conjunction with the Company's audited consolidated financial statements as of and for the fiscal year ended December 31, 2023 set forth in the Company's Annual Report on Form 10-K filed with the SEC on February 29, 2024. The December 31, 2023 consolidated condensed balance sheet was derived from audited financial statements but does not include all disclosures required by U.S. GAAP.

The Company has provided a discussion of significant accounting policies, estimates, and judgments in the Company's audited consolidated financial statements. There have been no changes to the Company's significant accounting policies since December 31, 2023 which are expected to have a material impact on the Company's financial position, results of operations, or cash flows.

Cash, Cash Equivalents, and Restricted Cash

Cash consists of cash on deposit with financial institutions. Cash equivalents consist of short-term, highly liquid financial instruments that are readily convertible to cash and have maturities of three months or less from the date of purchase. As of June 30, 2024 and December 31, 2023, the Company's cash and cash equivalents included money market funds of $249.0 million and $339.6 million, respectively.

Restricted cash consists primarily of cash held as security for the Company's standby letters of credit.Refer to Note 7 - Commitments and Contingencies for additional information.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported in the consolidated condensed balance sheets that sum to amounts reported on the consolidated condensed statements of cash flows (in millions):

	June 30, 2024	December 31, 2023
Cash and cash equivalents	$ 360.4	$ 464.6
Restricted cash	6.7	6.9
Total cash, cash equivalents, and restricted cash	$ 367.1	$ 471.5

Short-Term Investments

The Company had short-term investments in marketable securities with original maturities of less than one year, including United States Treasury securities, corporate debt securities and commercial paper. The Company classifies its marketable securities as available-for-sale at the time of purchase and reevaluates such classification at each balance sheet date. These marketable securities are carried at fair value, and unrealized gains and losses are recorded in other comprehensive loss in the consolidated condensed statements of comprehensive loss, which is reflected as a component of stockholders' equity. These marketable securities are assessed as to whether those with unrealized loss positions are other than temporarily impaired. The Company considers impairments to be other than temporary if they are related to deterioration in credit risk or if it is likely the securities will be sold before the recovery of their cost basis. If the impairment is deemed other than temporary, the security is written down to its fair value and a loss is recognized in other income (expense), net. Realized gains and losses from the sale of marketable securities and from declines in value deemed to be other than temporary are determined based on the specific identification method and recognized in other income (expense), net in the consolidated condensed statements of operations. As of June 30, 2024 and December 31, 2023, the Company had no short-term investments.

Fair Value Measurements

The Company applies the provisions of Accounting Standards Codification ("ASC") 820,*Fair Value Measurement*, which defines a single authoritative definition of fair value, sets out a framework for measuring fair value and expands on required disclosures about fair value measurements. The provisions of ASC 820 relate to financial assets and liabilities as well as other assets and liabilities carried at fair value on a recurring and nonrecurring basis. The standard clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the standard establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

Level 2 Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The carrying amounts of the Company's cash, accounts payable, accrued compensation, and accrued liabilities approximate their fair values due to the short-term nature of these instruments.

The following tables present information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2024 and December 31, 2023 and indicate the fair value hierarchy of the valuation inputs the Company utilized to determine such fair value (in millions):

	As of June 30, 2024			
scription	**Level 1**	**Level 2**	**Level 3**	**Total**
sets:				
sh equivalents:				
Money market funds	$ 249.0	—	—	249.0
abilities:				
rrant liability – public warrants	$ 6.4	—	—	6.4
rrant liability – private placement warrants	$ —	—	3.1	3.1

	As of December 31, 2023			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Cash equivalents:				
Money market funds	$ 339.6	$ —	$ —	$ 339.6
Liabilities:				
Warrant liability – public warrants	$ 25.4	$ —	$ —	$ 25.4
Warrant liability – private placement warrants	$ —	$ —	$ 14.5	$ 14.5
Accrued technology and dispute resolutions agreements liability	$ —	$ —	$ 44.0	$ 44.0

Cash Equivalents

The Company's cash equivalents consist of short-term, highly liquid financial instruments that are readily convertible to cash and have maturities of three months or less from the date of purchase. The Company classifies its money market funds as Level 1, because they are valued based on quoted market prices in active markets.

The following table presents a summary of the Company's cash equivalents as of June 30, 2024 and December 31, 2023 (in millions):

	As of June 30, 2024			
Description	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Cash equivalents:				
Money market funds	$ 249.0	$ —	$ —	$ 249.0
Total	$ 249.0	$ —	$ —	$ 249.0

	As of December 31, 2023			
Description	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Cash equivalents:				
Money market funds	$ 339.6	$ —	$ —	$ 339.6
Total	$ 339.6	$ —	$ —	$ 339.6

Public Warrants

The measurement of the public warrants as of June 30, 2024 is classified as Level 1 due to the use of an observable market quote in an active market under the ticker "ACHR WS". The quoted price of the public warrants was $0.37 and $1.46 per warrant as of June 30, 2024 and December 31, 2023, respectively.

Private Placement Warrants

The Company utilizes a Monte Carlo simulation model for the private placement warrants at each reporting period, with changes in fair value recognized in the consolidated condensed statements of operations. The estimated fair value of the private placement warrant liability is determined using Level 3 inputs. Inherent in a Monte Carlo simulation model are assumptions related to expected share-price volatility, expected life, risk-free interest rate, and dividend yield.

The key inputs into the Monte Carlo simulation model for the private placement warrants are as follows:

Input	**June 30, 2024**	**December 31, 2023**
Stock price	$ 3.52	$ 6.14
Strike price	$ 11.50	$ 11.50
Term (in years)	2.2	2.7
Risk-free rate	4.6 %	4.0 %
Volatility	66.8 %	70.2 %
Dividend yield	0.0 %	0.0 %

Accrued Technology and Dispute Resolution Agreements Liability

Under the Technology and Dispute Resolution Agreements, the Company recognized an accrued technology and dispute resolution agreements liability related to the Wisk Warrant (capitalized terms defined below). Refer to Note 7 - Commitments and Contingencies for additional information. The Company utilizes a Monte Carlo simulation model for the accrued technology and dispute resolution agreements liability at each reporting period, with changes in fair value recognized in the consolidated condensed statements of operations. The estimated fair value of the accrued technology and dispute resolution agreements liability is determined using Level 3 inputs. Inherent in a Monte Carlo simulation model are assumptions related to expected share-price volatility, expected life, risk-free interest rate, and dividend yield.

The key inputs into the Monte Carlo simulation model for the accrued technology and dispute resolution agreements liability are as follows:

Input	December 31, 2023
Stock price	$ 6.14
Strike price	$ 0.01
Term (in years)	0.1
Risk-free rate	5.4 %
Volatility	60.0 %
Dividend yield	0.0 %

The following table presents the change in fair value of the Company's Level 3 private placement warrants and accrued technology and dispute resolution agreements liability during the six months ended June 30, 2024 (in millions):

Balance as of December 31, 2023	$ 58.5
Change in fair value	(1.1)
Less: settlement of accrued technology and dispute resolution agreements liability	(54.3)
Balance as of June 30, 2024	$ 3.1

In connection with the change in fair value of the Company's private placement warrants, the Company recognized a gain of $3.5 million and $11.4 million within other income (expense), net in the consolidated condensed statements of operations during the three and six months ended June 30, 2024, respectively. The Company recognized a loss of $3.7 million and $5.8 million within other income (expense), net in the consolidated condensed statements of operations during the three and six months ended June 30, 2023, respectively. Refer to Note 11 - Liability Classified Warrants for additional information about the public and private placement warrants.

In connection with the change in fair value of the accrued technology and dispute resolution agreements liability, the Company recognized a loss of $0.0 million and $10.3 million within general and administrative expenses in the consolidated condensed statements of operations during the three and six months ended June 30, 2024, respectively. Refer to Note 7 - Commitments and Contingencies for additional information about the accrued technology and dispute resolution agreements liability.

Financial Instruments Not Recorded at Fair Value on a Recurring Basis

Certain financial instruments, including debt, are not measured at fair value on a recurring basis in the consolidated condensed balance sheets. The fair value of debt as of June 30, 2024 approximates its carrying value (Level 2). Refer to Note 6 - Notes Payable for additional information.

Assets and Liabilities Recorded at Fair Value on a Non-Recurring Basis

Certain assets and liabilities are subject to measurement at fair value on a non-recurring basis if there are indicators of impairment or if they are deemed to be impaired as a result of an impairment review.

Intangible Assets, Net

Intangible assets consist solely of domain names and are recorded at cost, net of accumulated amortization, and if applicable, impairment charges. Amortization of domain names is provided over a 15-year estimated useful life on a straight-line basis or based on the pattern in which economic benefits are consumed, if reliably determinable. The Company reviews intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company has analyzed a variety of factors to determine if any circumstance could trigger an impairment loss, and, at this time and based on the information presently known, no event has occurred and indicated that it is more likely than not that an impairment loss has been incurred. Therefore, the Company did not record any impairment charges for its intangible assets for the three and six months ended June 30, 2024 and 2023.

As of June 30, 2024 and December 31, 2023, the net carrying amounts for domain names were $0.4 million and $0.4 million, respectively, and were recorded in the Company's consolidated condensed balance sheets.

Cloud Computing Arrangements

The Company capitalizes certain implementation costs incurred in the application development stage of projects related to its cloud computing arrangements that are service contracts. Capitalized implementation costs are recognized in other long-term assets in the consolidated condensed balance sheets and amortized on a straight-line basis over the fixed, noncancellable term of the associated hosting arrangement plus any reasonably certain renewal periods. Costs related to preliminary project activities and post-implementation activities are expensed as incurred. As of June 30, 2024 and December 31, 2023, the net carrying amounts of the Company's capitalized cloud computing implementation costs were $6.6 million and $6.4 million, respectively.

Contract Liabilities

The Company records contract liabilities related to differences between the timing of cash receipts from the customer and the recognition of revenue. As of June 30, 2024 and December 31, 2023, the Company's contract liability balances were $11.5 million and $10.8 million, respectively, and recorded in other long-term liabilities in the Company's consolidated condensed balance sheets. As of June 30, 2024 and December 31, 2023, the Company's contract liabilities consisted of a $10.0 million pre-delivery payment received from United Airlines, Inc. ("United") under the terms of the Amended United Purchase Agreement (defined below) (refer to Note 9 - Stock-Based Compensation), and $1.5 million of installment payments received under a contract order with the United States Air Force for the design, development, and ground test of the Company's production aircraft, Midnight. No revenues were recognized during the three and six months ended June 30, 2024 and 2023.

Net Loss Per Share

Basic net loss per share is calculated by dividing net loss attributable to common stockholders by the weighted-average number of common shares outstanding. For all periods presented, the calculation of basic net loss per share excludes shares issued upon the early exercise of stock options where the vesting conditions have not been satisfied. Common stock purchased pursuant to an early exercise of stock options is not deemed to be outstanding for accounting purposes until those shares vest. The Company also excludes unvested shares subject to repurchase in the number of shares outstanding in the consolidated condensed balance sheets and statements of stockholders' equity.

Because the Company reported net losses for all periods presented, diluted loss per share is the same as basic loss per share.

Contingently issuable shares, including equity awards with performance conditions, are considered outstanding common shares and included in the computation of basic net loss per share as of the date that all necessary conditions to earn the awards have been satisfied. Prior to the end of the contingency period, the number of contingently issuable shares included in diluted net loss per share is based on the number of shares, if any, that would be issuable under the terms of the arrangement at the end of the reporting period.

Because the Company reported net losses for all periods presented, all potentially dilutive common stock equivalents are antidilutive and have been excluded from the calculation of net loss per share. The diluted net loss per common share was the same for Class A and Class B common shares because they are entitled to the same liquidation and dividend rights.

The following table presents the number of antidilutive shares excluded from the calculation of diluted net loss per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Options to purchase common stock	2,534,175	4,130,912	2,534,175	4,130,912
Unvested restricted stock units	38,389,865	50,088,312	38,389,865	50,088,312
Warrants	47,011,560	43,347,301	47,011,560	43,347,301
Shares issuable under the Employee Stock Purchase Plan (Note 9)	1,178,609	682,884	1,178,609	682,884
Total	89,114,209	98,249,409	89,114,209	98,249,409

Comprehensive Loss

Comprehensive loss includes all changes in equity during the period from non-owner sources. The Company’s comprehensive loss consists of its net loss, its unrealized gains or losses on available-for-sale securities and foreign currency translation gains or losses.

Recent Accounting Pronouncements

Recently Issued Accounting Pronouncements Not Yet Adopted

In November 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which expands reportable segment disclosure requirements through enhanced disclosures about significant segment expenses, interim segment profit or loss and assets, and how the Chief Operating Decision Maker uses reported segment profit or loss information in assessing segment performance and allocating resources. The update is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024 on a retrospective basis. Early adoption is permitted. The Company is currently evaluating the impact of ASU 2023-07 on its disclosures within its consolidated financial statements for the year ending December 31, 2024.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires disclosure of incremental income tax information related to the income tax rate reconciliation and expanded disclosures of income taxes paid, among other disclosure requirements. The update is effective for annual periods beginning after December 15, 2024 on a prospective basis, and retrospective application is permitted. The Company is currently evaluating the impact of ASU 2023-09 on its disclosures within its consolidated financial statements.

Note 4 - Property and Equipment, Net

Property and equipment, net, consisted of the following (in millions):

	June 30, 2024	December 31, 2023
Furniture, fixtures, and equipment	$ 10.3	$ 7.9
Vehicles	0.1	0.1
Computer hardware	5.6	5.3
Computer software	1.6	1.5
Website design	0.8	0.8
Leasehold improvements	33.4	33.0
Construction in progress	53.7	18.4
Total property and equipment	105.5	67.0
Less: Accumulated depreciation	(12.6)	(9.4)
Total property and equipment, net	$ 92.9	$ 57.6

Construction in progress includes costs incurred for the Company’s manufacturing facilities to be constructed in Covington, Georgia and other assets that have not yet been placed in service.

The following table presents depreciation expense included in each respective expense category in the consolidated condensed statements of operations (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Research and development	$ 2.1	$ 0.9	$ 4.1	$ 1.6
General and administrative	0.2	0.1	0.3	0.3
Total depreciation expense	$ 2.3	$ 1.0	$ 4.4	$ 1.9

Note 5 - Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (in millions):

	June 30, 2024	December 31, 2023
Accrued professional fees	$ 9.0	$ 9.5
Accrued employee costs	16.0	16.7
Accrued parts and materials	16.0	12.1
Taxes payable	1.5	1.4
Accrued capital expenditures	8.4	9.2
Accrued cloud computing implementation costs	0.1	0.3
Accrued technology and dispute resolution agreements liability (Note 7)	—	44.0
Other current liabilities	4.2	3.7
Total	$ 55.2	$ 96.9

Note 6 - Notes Payable

The Company's notes payable consisted of the following (in millions):

	June 30, 2024	December 31, 2023
Synovus Bank Loan	$ 33.3	$ 7.5
Loan unamortized discount and loan issuance costs	(0.6)	(0.3)
Total debt, net of discount and loan issuance costs	32.7	7.2
Less current portion, net of discount and loan issuance costs	—	—
Total long-term notes payable, net of discount and loan issuance costs	$ 32.7	$ 7.2

Synovus Bank Loan

On October 5, 2023, the Company entered into a credit agreement (the "Credit Agreement") with Synovus Bank, as administrative agent and lender, and the additional lenders (the "Lenders") from time to time. The Company may request the Lenders to provide multiple term loan advances (together, the "Loan") in an aggregate principal amount of up to $65.0 million for the construction and development of the Company's manufacturing facility in Covington, Georgia.

The Company is required to make 120 monthly interest payments from November 14, 2023 until maturity, and84 equal monthly principal installments from November 14, 2026 until maturity. The Credit Agreement matures on the earlier of October 5, 2033 or the date on which the outstanding Loan has been declared or automatically becomes due and payable pursuant to the terms of the Credit Agreement.

The interest rate on the Loan is a floating rate per annum equal to secured overnight financing rate (as defined in the Credit Agreement) plus the applicable margin of 2.0%, which increases by 5.0% per annum upon the occurrence of an event of default.

The Company's obligations under the Credit Agreement are secured by funds in a collateral account and the Credit Agreement is guaranteed by the Company's domestic subsidiaries. The Company may prepay with certain premium that links to the passage of time, and in certain circumstances would be required to prepay the Loan under the Credit Agreement without payment of a premium. The Credit Agreement contains customary representations and warranties, customary affirmative and negative covenants, and customary events of default. As of June 30, 2024, the Company was in compliance with all the covenants of the Credit Agreement.

The Company has drawn down $33.3 million of the Loan as of June 30, 2024. The effective interest rate for the draw downs ranged from7.6% to 8.1% as of June 30, 2024. The loan issuance costs will be amortized to interest expense over the contractual term of the Loan. During the three and six months ended June 30, 2024, the Company recognized interest of

$0.4 million and $0.1 million, respectively, within interest income, net in the consolidated condensed statements of operations. The carrying value of the Loan, net of unamortized issuance costs of $0.6 million, was $32.7 million as of June 30, 2024.

The future scheduled principal maturities of the Loan as of June 30, 2024 are as follows (in millions):

Remaining 2024	$ —
2025	—
2026	0.3
2027	1.3
2028	1.3
Thereafter	30.4
	$ 33.3

Note 7 - Commitments and Contingencies

Operating Leases

The Company leases office, lab, hangar, and storage facilities under various operating lease agreements with lease periods expiring between 2024 and 2030 and generally containing periodic rent increases and various renewal and termination options.

The Company's lease costs were as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Operating lease cost	$ 1.1	$ 1.5	$ 2.3	$ 3.3
Short-term lease cost	0.1	0.6	0.2	0.6
Total lease cost	$ 1.2	$ 2.1	$ 2.5	$ 3.9

The Company's weighted-average remaining lease term and discount rate as of June 30, 2024 and 2023 were as follows:

	2024	2023
Weighted-average remaining lease term (in months)	52	60
Weighted-average discount rate	14.7 %	14.6 %

The minimum aggregate future obligations under the Company's non-cancelable operating leases as of June 30, 2024 were as follows (in millions):

Remaining 2024	$ 3.0
2025	5.7
2026	4.7
2027	2.1
2028	2.2
Thereafter	4.4
Total future lease payments	22.1
Less: leasehold improvement allowance	(1.1)
Total net future lease payments	21.0
Less: imputed interest	(6.2)
Present value of future lease payments	$ 14.8

Supplemental cash flow information and non-cash activities related to right-of-use assets and lease liabilities were as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Operating cash outflows from operating leases	$ 1.5	$ 1.2	$ 2.6	$ 2.8
Operating lease liabilities from obtaining right-of-use assets	$ 0.1	$ 0.3	$ 0.4	$ 0.4

Finance Lease

In February 2023, the Company entered into a lease arrangement with the Newton County Industrial Development Authority (the "Authority") for the Company's manufacturing facilities to be constructed in Covington, Georgia. In connection with the lease arrangement, the Authority issued a taxable revenue bond (the "Bond"), which was acquired by the Company. The arrangement is structured so that the Company's lease payments to the Authority equal and offset the Authority's bond payments to the Company. Accordingly, the Company offsets the finance lease obligation and the Bond on its consolidated condensed balance sheets.

Letters of Credit

As of June 30, 2024, the Company had standby letters of credit in the aggregate outstanding amount of $5.7 million, secured with restricted cash.

Litigation

During the ordinary course of the business, the Company may be subject to legal proceedings, various claims, and litigation. Such proceedings can be costly, time consuming, and unpredictable, and therefore, no assurance can be given that the final outcome of such proceedings will not materially impact the Company's financial condition or results of operations.

Wisk Litigation and Settlement

On April 6, 2021, Wisk Aero LLC ("Wisk") brought a lawsuit against the Company in the United States District Court for the Northern District of California alleging misappropriation of trade secrets and patent infringement. The Company filed certain counterclaims for defamation, tortious interference and unfair competition.

On August 10, 2023, the Company, the Boeing Company ("Boeing") and Wisk entered into a series of agreements that provide for, among other things, certain investments by Boeing into the Company and an autonomous flight technology collaboration between Wisk and the Company, the issuance of certain warrants to Wisk and resolution of the federal and state court litigation between the parties (the "Technology and Dispute Resolution Agreements").

Pursuant to a private placement transaction entered into by the Company on August 10, 2023, Boeing subscribed to purchase shares of the Company's Class A common stock, par value $0.0001 per share (the "Common Stock"), and received registration rights with respect to such shares of Common Stock and the shares of Common Stock underlying the Wisk Warrant (as defined below) pursuant to a registration rights agreement.

Pursuant to the Technology and Dispute Resolution Agreements, the Company issued Wisk a warrant to purchase up to 13,176,895 shares of Common Stock with an exercise price of $0.01 per share (the "Wisk Warrant"). The Wisk Warrant has now vested and became exercisable, subject to the terms and conditions of the underlying warrant agreement, for the full amount of such shares.

The Company recorded the initial vested share tranche within equity at its fair value ("Initial Tranche"). The Company recognized technology and dispute resolution agreements expense for the initial vested tranche upon issuance. The Company recorded the unvested portion of the Wisk Warrant ("Second Tranche") as liabilities at their fair value and adjusts the warrants to fair value at each reporting period. This liability is subject to remeasurement at each balance sheet date until exercised, and any change in fair value is recognized as a gain or loss in the Company's consolidated condensed statements of operations. The initial offsetting entry to the warrant liability was technology and dispute resolution agreements expense. During the three and six months ended June 30, 2024, the Company recorded a loss of $0.0 million and $10.3 million to recognize the change in fair value of the warrant upon issuance and recorded the outstanding warrant within equity at its fair value, respectively. On June 7, 2024, Wisk filed a motion to enforce the Technology and Dispute Resolution Agreements in regards to a dispute between the parties with respect to the Second Tranche. The Company filed its opposition on July 10, 2024. On July 31, 2024, Wisk filed its reply in support of its motion to enforce. A hearing on Wisk's motion is scheduled for August 14, 2024.

Delaware Class Action Litigation

On May 17, 2024, two putative stockholders of the Company (and formerly, Atlas Crest Investment Corp. ("Atlas")) filed a class action lawsuit, on behalf of themselves and other similarly-situated stockholders, in the Delaware Court of Chancery against the directors and officers of Atlas, the Company, the Company's co-founders, Moelis & Company Group LP and Moelis & Company LLC. The complaint asserts claims against the defendants for breaches of fiduciary duties, aiding and abetting breaches of fiduciary duties, and unjust enrichment, in connection with the merger between Atlas and the Company. The plaintiffs request damages in an amount to be determined at trial, as well as attorneys' and experts' fees. Relatedly, on June 19, 2024, another putative stockholder of the Company filed a class action lawsuit, on behalf of himself and other similarly-situated stockholders, in the Delaware Court of Chancery asserting similar claims as the aforementioned May 17, 2024 complaint against the same defendants named in that May complaint. The Company anticipates that these related class actions in the Delaware Court of Chancery will be consolidated into a single consolidated class action.

Note 8 - Preferred and Common Stock

Preferred Stock

As of June 30, 2024, no shares of preferred stock were outstanding, and the Company has no present plans to issue any shares of preferred stock.

Class A and Class B Common Stock

Except for voting rights and conversion rights, or as otherwise required by applicable law, the shares of the Company's Class A common stock and Class B common stock have the same powers, preferences, and rights and rank equally, share ratable and are identical in all respects as to all matters. The rights, privileges, and preferences are as follows:

Voting

Holders of the Company's Class A common stock are entitled to one vote per share on all matters to be voted upon by the stockholders, and holders of Class B common stock are entitled to ten votes per share on all matters to be voted upon by the stockholders. The holders of Class A common stock and Class B common stock will generally vote together as a single class on all matters submitted to a vote of the stockholders, unless otherwise required by Delaware law or the Company's amended and restated certificate of incorporation.

Dividends

Holders of Class A common stock and Class B common stock are entitled to receive such dividends, if any, as may be declared from time to time by the Company's Board of Directors in its discretion out of funds legally available therefor. No dividends on common stock have been declared by the Company's Board of Directors through June 30, 2024, and the Company does not expect to pay dividends in the foreseeable future.

Preemptive Rights

Stockholders have no preemptive or other subscription rights and there are no sinking fund or redemption provisions applicable to Class A common stock and Class B common stock.

Conversion

Each share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock. In addition, each share of Class B common stock will automatically convert into one share of Class A common stock upon transfer to a non-authorized holder. In addition, Class B common stock is subject to "sunset" provisions, under which all shares of Class B common stock will automatically convert into an equal number of shares of Class A common stock upon the earliest to occur of (i) the ten-year anniversary of the closing of the Business Combination, (ii) the date specified by the holders of two-thirds of the then outstanding Class B common stock, voting as a separate class, and (iii) when the number of Class B common stock represents less than 10% of the aggregate number of Class A common stock and Class B common stock then outstanding. In addition, each share of Class B common stock will automatically convert into an equal number of Class A common stock upon the earliest to occur of (a) in the case of a founder of the Company, the date that is nine months following the death or incapacity of such founder, and, in the case of any other holder, the date of the death or incapacity of such holder, (b) in the case of a founder of the Company, the date that is 12 months following the date that such founder ceases to provide services to the Company and its subsidiaries as an executive officer, employee or director of the Company, and, in the case of any other holder, immediately at the occurrence of any such event, and (c) in the case of a founder of the Company or any other holder, at least 80% (subject to customary capitalization adjustments) of the Class B common stock held by such founder or holder (on a fully as converted/as exercised basis) as of immediately following the closing of the Business Combination having been transferred (subject to exceptions for certain permitted transfers).

During the three and six months ended June 30, 2024, 882,379 and 1,082,379 shares of Class B common stock were converted into Class A common stock, respectively. During the three and six months ended June 30, 2023, 14,109,310 and 16,359,310 shares of Class B common stock were converted into Class A common stock, respectively.

Liquidation

In the event of the Company's voluntary or involuntary liquidation, dissolution, distribution of assets or winding-up, subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of the Company's common stock will be entitled to receive an equal amount per share of all of the Company's assets of whatever kind available for distribution to stockholders, after the rights of the holders of any preferred stock have been satisfied.

At-The-Market

In November 2023, the Company filed a shelf registration statement on Form S-3 with the SEC and a related prospectus supplement pursuant to which it may, from time to time, sell shares of its Class A common stock, having an aggregate value of up to $70.0 million pursuant to a Controlled Equity Offering[SM] Sales Agreement (the "Sales Agreement") with Cantor Fitzgerald & Co. ("Cantor"), as the sales agent (the "First ATM Program"). During the three and six months ended June 30, 2024, the Company sold 3,705,137 and 10,275,033 shares of Class A common stock for net proceeds of $14.2 million and $48.1 million, respectively. The First ATM Program was completed in May 2024.

Under the Sales Agreement, the Company paid Cantor a commission rate of up to 3.0% of the gross proceeds from the sale of any shares of Class A common stock pursuant to the First ATM Program.

In May 2024, the Company filed a shelf registration statement on Form S-3 with the SEC and a related prospectus pursuant to which it may, from time to time, sell shares of its Class A common stock, having an aggregate value of up to $70.0 million (the "Second ATM Program"). During the three months ended June 30, 2024, the Company sold 7,767,900 shares of Class A common stock for net proceeds of $25.2 million. As of June 30, 2024, the Company had $44.2 million remaining eligible for sale under the Second ATM Program.

Under the Sales Agreement, the Company will pay Cantor a commission rate of up to 3.0% of the gross proceeds from the sale of any shares of Class A common stock pursuant to the Second ATM Program.

Note 9 - Stock-Based Compensation

Amended and Restated 2021 Plan

In August 2021, the Company adopted the 2021 Equity Incentive Plan (the "2021 Plan"), which was approved by the stockholders of the Company in September 2021 and became effective immediately upon the closing of the Business Combination. In April 2022, the Company amended and restated the 2021 Plan (the "Amended and Restated 2021 Plan"), which was approved by the stockholders of the Company in June 2022. The aggregate number of shares of Class A common stock that may be issued under the plan increased to 34,175,708. In addition, the number of shares of Class A common stock reserved for issuance under the Amended and Restated 2021 Plan will automatically increase on January 1st of each year following this amendment, starting on January 1, 2023 and ending on (and including) January 1, 2031, in an amount equal to the lesser of (i) 5.0% of the total number of shares of Class A and Class B common stock outstanding on December 31 of the preceding year, or (ii) a lesser number of shares of Class A common stock determined by the Board of Directors prior to the date of the increase (the "EIP Evergreen Provision"). The EIP Evergreen Provision is calculated using the number of legally outstanding shares of common stock and includes shares, such as unvested shares pursuant to early exercised stock options, that are not considered outstanding for accounting purposes. In accordance therewith, the number of shares of Class A common stock reserved for issuance under the Amended and Restated 2021 Plan increased by 15,320,111 shares on January 1, 2024. The Amended and Restated 2021 Plan provides for the grant of incentive and non-statutory stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance awards, and other awards to employees, directors, and non-employees.

In connection with the adoption of the 2021 Plan, the Company ceased issuing awards under its 2019 Equity Incentive Plan (the "2019 Plan"). Following the closing of the Business Combination, the Company assumed the outstanding stock options under the 2019 Plan and converted such stock options into options to purchase the Company's common stock. Such stock options will continue to be governed by the terms of the 2019 Plan and the stock option agreements thereunder, until such outstanding options are exercised or until they terminate or expire.

Employee Stock Purchase Plan

In August 2021, the Company adopted the 2021 Employee Stock Purchase Plan (the "ESPP"), which became effective immediately upon the closing of the Business Combination. The ESPP permits eligible employees to purchase shares of Class A common stock at a price equal to 85.0% of the lower of the fair market value of Class A common stock on the first day of an offering or on the date of purchase. Additionally, the number of shares of Class A common stock reserved for issuance under the ESPP will automatically increase on January 1st of each year, beginning on January 1, 2022 and continuing through and including January 1, 2031, by the lesser of (i) 1.0% of the total number of shares of Class A common stock outstanding on December 31 of the preceding year; (ii) 9,938,118 shares of Class A common stock; or (iii) a lesser number of shares of Class A common stock determined by the Board of Directors prior to the date of the increase (the "ESPP Evergreen Provision"). The ESPP Evergreen Provision is calculated using the number of legally outstanding shares of common stock and includes shares, such as unvested shares pursuant to early exercised stock options, that are not considered outstanding for accounting purposes. In accordance therewith, the number of shares of Class A common stock reserved for issuance under the ESPP increased by 2,679,473 on January 1, 2024. As of June 30, 2024, the maximum number of shares authorized for issuance under the ESPP was 11,085,810, of which 9,044,634 shares remained available under the ESPP.

The Company currently offers six-month offering periods, and at the end of each offering period, which occurs every six months on May 31 and November 30, employees can elect to purchase shares of the Company's Class A common stock with contributions of up to 15.0% of their base pay, accumulated via payroll deductions, subject to certain limitations.

The Company uses the Black-Scholes option pricing model to calculate the grant date fair value of each award granted under the ESPP. The following table sets forth the key assumptions and fair value results for each award granted in the Company's six-month offering period that started on June 1, 2024:

	June 1, 2024
Stock price	$ 3.27
Term (in years)	0.5
Risk-free interest rate	5.4 %
Volatility	58.0 %
Dividend yield	0.0 %
Grant date fair value per share	$ 1.01

During the three and six months ended June 30, 2024, the Company recognized stock-based compensation expense of $0.6 million and $1.3 million for the ESPP, respectively. During the three and six months ended June 30, 2023, the Company recognized stock-based compensation expense of $0.3 million and $0.6 million for the ESPP, respectively.

As of June 30, 2024, the total remaining stock-based compensation expense was $1.0 million for the ESPP, which is expected to be recognized over the current six-month offering period until November 30, 2024.

Annual Equity Awards

Subject to the achievement of certain performance goals established by the Company from time to time, the Company's employees are eligible to receive an annual incentive bonus that will entitle them to an annual grant of restricted stock units ("RSUs") that are fully vested on the date of grant. Furthermore, all annual equity awards are contingent and issued only upon approval by the Company's Board of Directors or the Compensation Committee. During the three and six months ended June 30, 2024, the Company recognized stock-based compensation expense of $4.0 million and $7.8 million, respectively, related to these annual equity awards. During the three and six months ended June 30, 2023, the Company recognized stock-based compensation expense of $3.1 million and $6.0 million, respectively, related to these annual equity awards.

Stock Options

A summary of the Company's stock option activity is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (In millions)
Outstanding as of January 1, 2024	3,174,114	$ 0.12	6.7	$ 19.1
Exercised	(582,951)	0.08		2.5
Expired/forfeited	(56,988)	0.10		
Outstanding as of June 30, 2024	2,534,175	0.13	6.2	8.6
Exercisable as of June 30, 2024	1,374,438	$ 0.13	6.3	$ 4.7
Vested and expected to vest as of June 30, 2024	2,534,175	0.13	6.2	8.6

The Company recognized stock-based compensation expense of $0.6 million and $1.4 million for stock options for the three and six months ended June 30, 2024, respectively. The Company recognized stock-based compensation expense of $0.7 million and $1.4 million for stock options for the three and six months ended June 30, 2023, respectively.

As of June 30, 2024, the total remaining stock-based compensation expense for unvested stock options was $3.3 million, which is expected to be recognized over a weighted-average period of 0.6 years.

Restricted Stock Units

A summary of the Company's RSU activity is as follows:

	Number of Shares	Weighted Average Grant Fair Value
Outstanding as of January 1, 2024	31,522,483	$ 4.99
Granted	13,710,184	4.36
Vested	(8,123,890)	4.02
Forfeited	(593,912)	3.86
Outstanding as of June 30, 2024	36,514,865	4.99

During the six months ended June 30, 2024, the Company granted 2,735,840 RSUs under the Amended and Restated 2021 Plan, representing the annual equity awards for 2023. The RSUs were fully vested on the date of grant and settled in Class A common stock on a one-for-one basis. In addition, the Company granted 10,401,824 RSUs under the Amended and Restated 2021 Plan, which generally vest over a three- or four-year period with a one-year cliff and remain subject to forfeiture if vesting conditions are not met. Upon vesting, RSUs are settled in Class A common stock on a one-for-one basis. The shares of Class A common stock underlying RSU grants are not issued and outstanding until the applicable vesting date. The Company also granted 572,520 RSUs under the Amended and Restated 2021 Plan to certain executives, which vest over a three-year period with a pay out based on the Company's relative performance of total shareholder return ("TSR") compared with the annualized

TSR of certain peer companies for the service period (the "PSUs"). The award payout can range from 0.0% to 200.0% of the initial grant, and is measured on each anniversary of the grant date. Upon vesting, the PSUs are settled in Class A common stock on a one-for-one basis. If an executive's employment ends due to disability, death, termination without cause or resignation for good reason, the executive (or beneficiary) remains eligible under the award and, if the award is earned, will receive a proration of the PSUs based on active employment during the annual service periods. In all other cases, the award will not vest and all rights to the PSUs will terminate.

The Company determined the fair value of the PSUs using a Monte Carlo simulation model on the grant date. The Company will recognize compensation expense for the PSUs on a straight-line basis over the three-year performance period.

The following assumptions were used to estimate the fair value, using the Monte Carlo simulation, of the PSUs:

	March 26, 2024
Stock price	$ 4.79
Term (in years)	3.0
Risk-free interest rate	4.3 %
Volatility	87.1 %
Dividend yield	0.0 %

Immediately prior to closing of the Business Combination, each of the Company's founders was granted 20,009,224 RSUs under the 2019 Plan (each, a "Founder Grant" and collectively, the "Founder Grants") pursuant to the terms and conditions of the Business Combination Agreement, dated February 10, 2021, as amended and restated on July 29, 2021 (the "Business Combination Agreement"). One-quarter of each Founder Grants was intended to vest upon the achievement of the earlier to occur of (i) a price-based milestone or (ii) a performance-based milestone, with a different set of such price and performance-based milestones applying to each quarter of each of the Founder Grants and so long as the achievement occurs within seven years following the closing of the Business Combination.

The Company accounts for the Founder Grants as four separate tranches, with each tranche consisting of two award conditions, a performance award condition and market award condition. Each tranche vests when either the market condition or performance condition is satisfied (only one condition is satisfied). The Company determined the fair value of the performance award by utilizing the trading price on the Closing Date. When the applicable performance milestone is deemed probable of being achieved, the Company will recognize compensation expense for the portion earned to date over the requisite period. For the market award, the Company determined both the fair value and derived service period using a Monte Carlo simulation model on the Closing Date. The Company will recognize compensation expense for the market award on a straight-line basis over the derived service period. If the applicable performance condition is not probable of being achieved, compensation cost for the value of the award incorporating the market condition is recognized, so long as the requisite service is provided. If the performance milestone becomes probable of being achieved, the full fair value of the award will be recognized, and any remaining expense for the market award will be canceled.

One-quarter of each of the Founder Grants, totaling 5,002,306 shares of Class B common stock, vested immediately prior to the Closing Date pursuant to the terms and conditions of the Business Combination Agreement. On April 14, 2022, the vested 5,002,306 shares of Class B common stock of the Company's former co-CEO were cancelled. On July 13, 2023, following the end of 15 months from the separation of the former co-CEO from the Company on April 13, 2022, the officer's unvested 15,006,918 shares of Class B common stock for the remaining three tranches were forfeited. The Company reversed the previously recognized stock-compensation expense associated with these shares for $59.1 million. As of June 30, 2024, there were 15,006,918 shares of Class B common stock for the remaining three tranches of the outstanding Founder Grant.

During the six months ended June 30, 2024, the performance condition of the second tranche of the outstanding Founder Grant became probable of being achieved. For the three and six months ended June 30, 2024, the Company recorded $4.7 million and $27.1 million of stock-based compensation expense, respectively, for the remaining three tranches of the outstanding Founder Grant in general and administrative expenses in the consolidated condensed statements of operations. For the three and six months ended June 30, 2023, the Company recorded $16.2 million and $32.2 million of stock-based compensation expense, respectively, for the remaining three tranches of the outstanding Founder Grants in general and administrative expenses in the consolidated condensed statements of operations. Of the amounts recorded during the three and six months ended June 30, 2023, approximately $8.1 million and $16.1 million of stock-based compensation expense, respectively, associated with the forfeiture were reversed in July 2023 and recorded during the year ended December 31, 2023.

For the three and six months ended June 30, 2024, the Company recorded $11.3 million and $24.3 million of stock-based compensation expense, respectively, related to RSUs (excluding the Founder Grant). For the three and six months ended June 30, 2023, the Company recorded $6.2 million and $11.5 million of stock-based compensation expense, respectively, related to RSUs (excluding the Founder Grants).

As of June 30, 2024, the total remaining stock-based compensation expense for unvested RSUs (including the remaining Founder Grant) was $124.5 million, which is expected to be recognized over a weighted-average period of 0.9 years.

The Company records stock-based compensation expense for stock-based compensation awards based on the fair value on the date of grant. The stock-based compensation expense is recognized ratably over the course of the requisite service period.

The Company has elected to account for forfeitures as they occur and will record stock-based compensation expense assuming all stockholders will complete the requisite service period. If an employee forfeits an award because they fail to complete the requisite service period, the Company will reverse stock-based compensation expense previously recognized in the period the award is forfeited.

The following table presents stock-based compensation expense included in each respective expense category in the consolidated condensed statements of operations (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Research and development	$ 11.1	$ 6.7	$ 23.5	$ 13.4
General and administrative	11.7	19.8	40.0	38.8
Total stock-based compensation expense	$ 22.8	$ 26.5	$ 63.5	$ 52.2

Warrants

A summary of the Company's warrant activity is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (In millions)
Outstanding as of January 1, 2024	20,788,247	$ 0.01	4.5	$ 127.4
Outstanding as of June 30, 2024	20,788,247	0.01	4.0	73.0
Vested and exercisable as of June 30, 2024	7,839,893	$ 0.01	2.8	$ 27.5

United Airlines

On January 29, 2021, the Company entered into a Purchase Agreement (the "United Purchase Agreement"), Collaboration Agreement (the "United Collaboration Agreement"), and Warrant to Purchase Shares Agreement (the "United Warrant Agreement") with United. Under the terms of the United Purchase Agreement, United has a conditional purchase order for up to 200 of the Company's aircraft, with an option to purchase an additional 100 aircraft. Those purchases are conditioned upon the Company meeting certain conditions that include, but are not limited to, the certification of the Company's aircraft by the FAA and further negotiation and reaching of mutual agreement on certain material terms related to the purchases. The Company issued 14,741,764 warrants to United to purchase shares of the Company's Class A common stock. Each warrant provides United with the right to purchase one share of the Company's Class A common stock at an exercise price of $0.01 per share. The warrants were initially expected to vest in four installments in accordance with the following milestones: the execution of the United Purchase Agreement and the United Collaboration Agreement, the completion of the Business Combination, the certification of the aircraft by the FAA, and the sale of aircraft to United.

On August 9, 2022, the Company entered into Amendment No. 1 to the United Purchase Agreement (the "Amended United Purchase Agreement") and Amendment No. 1 to the United Warrant Agreement (the "Amended United Warrant Agreement"). In association with the Amended United Purchase Agreement, the Company received a $10.0 million pre-delivery payment from United for 100 of the Company's aircraft (the "Pre-Delivery Payment"), which was recognized as a contract liability in other long-term liabilities in the Company's consolidated condensed balance sheets. Pursuant to the Amended United Warrant Agreement, the vesting condition of the fourth milestone of the United Warrant Agreement was modified, and the warrants now vest in four installments in accordance with the following sub-milestones: (i) 737,088 warrants vested upon receipt by the Company of the Pre-Delivery Payment on August 9, 2022; (ii) 2,211,264 warrants vested on February 9, 2023 upon the six-month anniversary of the amendment date; (iii) 3,685.45 warrants shall vest upon the acceptance and delivery of each of the Company's 160 aircraft; and (iv) 22,112.65 warrants shall vest upon the acceptance and delivery of each of the Company's 40 aircraft.

The Company accounts for the Amended United Purchase Agreement and the United Collaboration Agreement under ASC 606, *Revenue from Contracts with Customers*. The Company identified the sale of each aircraft ordered by United as a separate performance obligation in the contract. As the performance obligations have not been satisfied, the Company has not recognized any revenue as of June 30, 2024.

With respect to the warrant vesting milestones outlined above, the Company accounts for them as consideration payable to a customer under ASC 606 related to the future purchase of aircraft by United. The Company determined that the warrants are classified as equity awards based on the criteria of ASC 480, *Distinguishing Liabilities from Equity* and ASC 718, *Compensation — Stock Compensation*. Pursuant to ASC 718, the Company measured the grant date fair value of the warrants to be recognized upon the achievement of each of the original four milestones and the vesting of the related warrants.

For the first milestone, issuance of the warrants in conjunction with the execution of the United Purchase Agreement and the United Collaboration Agreement, the Company recorded the grant date fair value of the respective warrant tranche at the vesting date upon satisfaction of the milestone, and the related costs were recorded in other warrant expense due to the absence of historical or probable future revenue. For the second milestone, the completion of the Business Combination transaction, the related costs were also recorded in other warrant expense due to the absence of historical or probable future revenue. For the third milestone, the certification of the aircraft by the FAA, the Company will assess whether it is probable that the award will vest at the end of every reporting period. If and when the award is deemed probable of vesting, the Company will begin capitalizing the grant date fair value of the associated warrants as an asset through the vesting date and subsequently amortize the asset as a reduction to revenue as it sells the new aircraft to United.

For the original fourth milestone, the sale of aircraft to United, the Company was initially expected to record the cost associated with the vesting of each portion of warrants within this milestone as a reduction of the transaction price as revenue is recognized for each sale of the aircraft. In connection with the Amended United Warrant Agreement, the Company evaluated the accounting implications associated with the amendment to the fourth milestone in accordance with ASC 606 and ASC 718. For the first sub-milestone, the receipt of the Pre-Delivery Payment, the Company accounted for it as a modification under ASC 718 and recorded the modification date fair value of the associated warrants in other warrant expense upon satisfaction of the sub-milestone on August 9, 2022. For the second sub-milestone, the vesting of warrants on February 9, 2023, the Company accounted for it as a modification under ASC 718 and recorded the modification date fair value of the associated warrants in other warrant expense on a straight-line basis over six months following the amendment date. The modification date fair value of each warrant associated with the first and second sub-milestones was determined to be $4.37, which was the stock price of the Company's Class A common stock at the modification date. For the third and fourth sub-milestones, the sale of 160 aircraft and 40 aircraft, respectively, the Company determined that the amendment does not represent a modification under ASC 718. The Company will record the cost associated with the vesting of each portion of the associated warrants as a reduction of the transaction price based on the original grant date fair value as revenue is recognized for each sale of the aircraft.

There was no other warrant expense recognized for the three and six months ended June 30, 2024. For the three and six months ended June 30, 2023, the Company recorded $0.0 million and $2.1 million in other warrant expense, respectively, in the consolidated condensed statement of operations related to the second sub-milestone under the fourth milestone, and a total of 2,211,264 warrants vested from achievement of this milestone.

In August 2023, the Company issued 2,942,778 shares of Class A common stock to United, who cashless net exercised 2,948,352 warrants related to the achievement of the first two sub-milestones under the fourth milestone.

Stellantis N.V.

On January 3, 2023, the Company entered into a manufacturing and collaboration agreement with Stellantis, pursuant to which the Company and Stellantis will collaborate on the development and implementation of the Company's manufacturing operations for the production of its eVTOL aircraft products (the "Stellantis Collaboration Agreement"). In connection with the Stellantis Collaboration Agreement, the Company entered into a forward purchase agreement (as amended, the "Stellantis Forward Purchase Agreement") and a warrant agreement (the "Stellantis Warrant Agreement") with Stellantis on January 3, 2023.

Under the terms of the Stellantis Forward Purchase Agreement, the Company may elect, in the Company's sole discretion, to issue and sell to Stellantis up to $150.0 million of shares of the Company's Class A common stock, following the satisfaction of certain Milestones (as defined in the Stellantis Forward Purchase Agreement) and pursuant to the terms and conditions of the Stellantis Forward Purchase Agreement. As any issuance of Class A common stock by the Company to Stellantis pursuant to the Stellantis Forward Purchase Agreement is at the election of the Company, the Company will recognize any share issuance at the time it elects to issue and sell shares to Stellantis.

Under the terms of the Stellantis Warrant Agreement, Stellantis is entitled to purchase up to 15.0 million shares of the Company's Class A common stock, at an exercise price of $0.01 per share (the "Stellantis Warrant"). The Stellantis Warrant will vest and become exercisable in three equal tranches upon 12, 24 and 36 months of the grant date, provided that (i) Stellantis has performed certain undertakings set forth in the Stellantis Collaboration Agreement and/or (ii) the VWAP (as defined in the Stellantis Warrant Agreement) for the Class A common stock exceeding certain specified amounts. Pursuant to the terms and conditions of the Stellantis Collaboration Agreement, Stellantis is deemed to have performed the undertakings if the Stellantis Collaboration Agreement has not been terminated by the Company as of the specified vesting date for each tranche.

As the Company is currently in pre-revenue stage and is not generating any revenue from the Stellantis Collaboration Agreement, all costs incurred with third parties are recorded based on the nature of the costs incurred. The Company accounts for the warrant in accordance with the provisions of ASC 718. The grant date fair value of each warrant was determined to be $1.93, which was the closing price of the Company's Class A common stock on January 3, 2023. For each tranche of the warrant, the Company will recognize compensation costs as the related services are received from Stellantis on a straight-line basis over the associated service period. During the three and six months ended June 30, 2024, the Company recorded $2.0 million and $4.1 million of research and development expense, respectively, in the consolidated condensed statements of operations in connection with the Stellantis Collaboration Agreement. During the three and six months ended June 30, 2023, the Company recorded $4.5 million and $8.7 million of research and development expense, respectively, in the consolidated condensed statements of operations in connection with the Stellantis Collaboration Agreement.

On June 23, 2023, the Company issued 6,337,039 shares of Class A common stock to Stellantis at a price of $3.95 per share in connection with the first milestone under the Stellantis Forward Purchase Agreement and received approximately $25.0 million in gross proceeds. The Company recognized the issued shares at a fair value of $3.38 per share, which was the closing price of the Company's Class A common stock on June 23, 2023, and recognized a gain of $3.6 million within other income (expense), net in the consolidated statements of operations during the year ended December 31, 2023, to account for the difference between the amount of cash proceeds and the fair value of the issued shares.

On August 10, 2023, Stellantis waived certain conditions provided for in the Stellantis Forward Purchase Agreement relating to the Company's actual achievement pursuant to Milestone 2 (as defined in the Stellantis Forward Purchase Agreement). In connection with this waiver, the Company submitted an election notice to draw down upon the $70.0 million applicable to Milestone 2, which equals 12,313,234 shares of the Company's Class A common stock. This drawdown was completed on October 16, 2023.

On June 27, 2024, pursuant to the Stellantis Forward Purchase Agreement, the Company elected to draw down the $55.0 million remaining available under the Stellantis Forward Purchase Agreement associated with Milestone 3 (as defined in the Stellantis Forward Purchase Agreement). Refer to Note 12 - Subsequent Events for additional information.

Note 10 - Income Taxes

The Company recognized foreign current income tax provision of $0.1 million and $0.3 million during the three and six months ended June 30, 2024. The Company recognized income tax provision of $0.2 million and $0.2 million during the three and six months ended June 30, 2023. The Company didnot record any deferred income tax provision for the three and six months ended June 30, 2024 and 2023. For the three and six months ended June 30, 2024 and 2023, the provision for income taxes differed from the United States federal statutory rate primarily due to foreign taxes currently payable. The Company realized no benefit for the current year losses due to a full valuation allowance against the United States and foreign net deferred tax assets.

In assessing the realizability of deferred tax assets, management considers whether it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which those temporary differences become deductible. Based upon the analysis of federal and state deferred tax balances, future tax projections, and the Company's lack of taxable income in the carryback period, the Company did not believe it is more-likely-than-not that the net deferred tax assets will be realizable. Accordingly, the Company had provided a full valuation allowance against the entire domestic and the majority of the foreign net deferred tax assets as of June 30, 2024 and December 31, 2023. The Company intends to maintain the full valuation allowance against the United States net deferred tax assets until sufficient positive evidence exists to support a reversal of, or decrease in, the valuation allowance.

Note 11 - Liability Classified Warrants

As of June 30, 2024, there were17,398,947 public warrants outstanding. Public warrants may only be exercised for a whole number of shares. No fractional shares are issued upon exercise of the public warrants. The public warrants became exercisable on October 30, 2021, 12 months after the closing of the initial public offering of Atlas, the predecessor of Archer. The public warrants will expirefive years from the consummation of the Business Combination or earlier upon redemption or liquidation.

Once the public warrants become exercisable, the Company may redeem the public warrants for redemption:

• in whole and not in part;

• at a price of $0.01 per public warrant;

• upon not less than 30 days' prior written notice of redemption to each warrant holder; and

• if, and only if, the closing price of the Class A common stock equals or exceeds $18.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within a 30-trading day period commencing after the warrants become exercisable and endingthree business days before the Company sends the notice of redemption to the warrant holders.

If and when the warrants become redeemable by the Company, the Company may exercise its redemption right even if the Company is unable to register or qualify the underlying securities for sale under all applicable state securities laws.

Each public warrant entitles the registered holder to purchaseone share of Class A common stock at a price of $11.50 per share. The exercise price and number of Class A common stock issuable upon exercise of the public warrants may be adjusted in certain circumstances including in the event of a share dividend, extraordinary dividend or recapitalization, reorganization, merger, or consolidation. The public warrants will not be adjusted for issuances of Class A common stock at a price below its exercise price. Additionally, in no event will the Company be required to net cash settle the public warrants.

As of June 30, 2024, there were8,000,000 private placement warrants outstanding. The private placement warrants are identical to the public warrants underlying the shares sold in the initial public offering of Atlas, except that the private placement warrants and the shares of Class A common stock issuable upon the exercise of the private placement warrants became transferable, assignable, and salable on October 16, 2021, 30 days after the completion of the Business Combination, subject to certain limited exceptions. Additionally, the private placement warrants will be exercisable on a cashless basis and will be non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the private placement warrants are held by someone other than the initial purchasers or their permitted transferees, the private placement warrants will be redeemable by the Company and exercisable by such holders on the same basis as the public warrants.

Note 12 - Subsequent Events

On June 27, 2024, pursuant to the Stellantis Forward Purchase Agreement, the Company elected to draw down the $55.0 million remaining available under the Stellantis Forward Purchase Agreement associated with Milestone 3 (as defined in the Stellantis Forward Purchase Agreement). In accordance therewith, on July 1, 2024, the Company issued 17,401,153 shares of Class A common stock to Stellantis at a price of $3.16 per share, for gross proceeds of approximately $55.0 million.

On August 8, 2024, the Company entered into subscription agreements with certain investors providing for the private placement of 49,283,582 Class A common stock of the Company at a price of $3.35 per share (the "PIPE share price"), for gross proceeds of approximately $165.0 million.

On August 8, 2024, the Company also entered into a subscription agreement with Stellantis pursuant to which the Company agreed to sell and issue to Stellantis in a private placement an aggregate 2,982,089 shares of Class A common stock at the PIPE share price, for gross proceeds of approximately $10.0 million. The closing of the private placement with Stellantis is subject to the satisfaction of customary closing conditions, including approval by the Company's stockholders.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our consolidated condensed financial statements and related accompanying notes included elsewhere in this Quarterly Report and the audited consolidated financial statements as of and for the year ended December 31, 2023 set forth in our Annual Report. The following discussion includes forward-looking statements. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. See the section titled "Special Note Regarding Forward-Looking Statements" in this Quarterly Report. Our actual results could differ materially from such forward-looking statements. Factors that could cause or contribute to those differences include, but are not limited to, those set forth in Part I, Item 1A, "Risk Factors" in our Annual Report.

Overview

We are designing and developing electric vertical takeoff and landing ("eVTOL") aircraft for use in urban air mobility ("UAM") networks. Our mission is to unlock the skies, freeing everyone to reimagine how they move and spend time. Our eVTOL aircraft are designed to be safe, sustainable, and quiet. Our production aircraft, Midnight, which we unveiled in November of 2022, is designed around our proprietary 12-tilt-6 aircraft configuration. This means that it has 12 propellers attached to 6 booms on a fixed wing with all 12 propellers providing vertical lift during take-off and landing, and the forward 6 propellers tilting forward to cruise position to provide propulsion during forward flight with the wing providing aerodynamic lift like a conventional airplane.

Midnight is designed to carry 4 passengers plus a pilot optimized for back-to-back short distance trips of around 20-miles, with minimal charging time between trips. We are working to certify Midnight with the Federal Aviation Administration ("FAA") so that we can then enter into commercial service as soon as possible. In August 2023, we received the Special Airworthiness Certificate from the FAA for our first Midnight aircraft and began its flight testing program in October 2023.

Midnight is the evolution of our demonstrator eVTOL aircraft, Maker, which through its flight test program has helped validate our proprietary 12-tilt-6 aircraft configuration and certain key enabling technologies. The design of Midnight marries what we believe to be cutting-edge electric propulsion technology with state-of-the-art aircraft systems to deliver the key attributes of our eVTOL aircraft:

- **Safety.** High redundancy and simplified propulsion systems make for a significantly safer aircraft compared to a helicopter. Midnight has no single critical point of failure, meaning that should any single component fail, the aircraft can still safely complete its flight.

- **Low noise.** With its intended cruising altitude at approximately 2,000 feet, the design of Midnight is such that the noise that reaches the ground is expected to measure around 45 A-weighted decibels, approximately 100 times quieter than that of a helicopter. During forward flight, the aircraft's tilt propellers spin on axes that are aligned with the oncoming air flow, rather than edge-wise to the flow, as is the case with traditional helicopters - further decreasing noise levels. Since Archer's aircraft is spinning 12 small propellers rather than one large rotor, it can also spin them at significantly lower tip speeds, resulting in much lower noise levels.

- **Sustainable.** Midnight is all electric, resulting in zero operating emissions. Archer is committed to sourcing renewable energy wherever possible to power its aircraft. Archer's design and engineering teams are working to integrate materials into this aircraft that have their own unique sustainability stories.

We continue to work to optimize our eVTOL aircraft design for both manufacturing and certification. The development of an eVTOL aircraft that meets our business requirements demands significant design and development efforts on all facets of the aircraft. We believe that by bringing together a mix of talent with eVTOL, traditional commercial aerospace, as well as electric propulsion backgrounds, we have built a team that enables us to move through the design, development, and certification of our eVTOL aircraft with the FAA in an efficient manner, thus allowing us to achieve our end goal of bringing to market our eVTOL aircraft as efficiently as possible.

Our Planned Lines of Business

Upon receipt of all necessary FAA certifications and any other government approvals necessary for us to manufacture and operate our aircraft, we intend to operate two complementary lines of business: Archer UAM and Archer Direct.

Archer UAM

We plan to operate our own UAM ecosystem initially in select major cities. Our UAM ecosystem will operate using our eVTOL aircraft, which is currently in development. We project that the cost to manufacture and operate our eVTOL aircraft will be such that it will be able to enter the UAM ride-sharing market at a price point that is competitive with ground-based ride sharing services today. We will continue to evaluate our go-to-market strategy based on, among other things, estimated demand, readiness of the required infrastructure, and our ability to scale of our aircraft fleet.

Archer Direct

We also plan to selectively sell our aircraft to third parties and are continuing to develop our order pipeline. In 2021, we entered into a purchase agreement (as further amended, the “United Purchase Agreement”) with United Airlines, Inc. (“United”) for the conditional purchase of up to $1.0 billion worth of aircraft, with an option for another $500.0 million worth of aircraft. In August 2023, we entered into two new contracts with the United States Air Force, worth up to $142.0 million, which includes the purchase of aircraft, as well as the sharing of additional flight test data certification related reports, pilot training, and the development of maintenance and repair operations.

As we get closer to commercialization, we will look to determine the right mix of selling our aircraft versus using them as part of our UAM ecosystem based on, among other factors, our capital needs, our manufacturing volumes, our ability to ramp Archer UAM operations, and the purchase demand from our Archer Direct customers.

To date, we have not generated revenue from either of these planned categories, as we continue to design, develop, and seek the governmental approvals necessary for our eVTOL aircraft to enter into service. We will use our cash and cash equivalents for the foreseeable future to continue to fund our efforts to bring our eVTOL aircraft to market. The amount and timing of any future capital requirements will depend on many factors, including the pace and results of the design and development of our aircraft and manufacturing operations, as well as our progress in obtaining necessary FAA certifications and other government approvals. For example, any significant delays in obtaining such FAA certifications and other government approvals will likely require us to raise additional capital above our existing cash on hand and delay our generation of revenues.

Components of Results of Operations

Revenue

We are still working to design, develop, certify, and bring up manufacturing of our eVTOL aircraft and thus have not generated revenue from either of our planned lines of business. We do not expect to begin generating significant revenues until we are able to complete the design, development, certification, and manufacturing bring up of our eVTOL aircraft.

Operating Expenses

Research and Development

Research and development activities represent a significant part of our business. Our research and development efforts focus on the design and development of our eVTOL aircraft, including certain of the systems that are used in it. As part of those activities, we continue to work closely with the FAA towards our goal of achieving certification of our eVTOL aircraft on an efficient timeline. Research and development expenses consist primarily of personnel-related costs (including salaries, bonuses, benefits, and stock-based compensation) for employees focused on research and development activities, costs associated with developing and building prototype aircraft, associated facilities costs, and depreciation. We expect research and development expenses to increase significantly as we progress towards the certification and manufacturing of our eVTOL aircraft.

We cannot determine with certainty the timing, duration or the costs necessary to complete the design, development, certification, and manufacturing bring up of our eVTOL aircraft due to the inherently unpredictable nature of our research and development activities. Development timelines, the probability of success, and development costs may differ materially from expectations.

General and Administrative

General and administrative expenses consist primarily of personnel-related costs (including salaries, bonuses, benefits, and stock-based compensation) for employees associated with administrative services such as finance, legal, human resources, information technology, associated facilities costs, depreciation, and non-cash technology and dispute resolution agreements expense. We expect our general and administrative expenses to increase as we hire additional personnel and consultants to support our operations and comply with applicable regulations, including the Sarbanes-Oxley Act and other SEC rules and regulations.

Other Warrant Expense

Other warrant expense consists entirely of non-cash expense related to the vesting of warrants issued in conjunction with the execution of the United Purchase Agreement and the Warrant to Purchase Shares Agreement with United.

Other Income (Expense), Net

Other income (expense), net consists of miscellaneous income and expense items, including the change in fair value of our warrant liabilities.

Interest Income, Net

Interest income, net primarily consists of interest income from our cash and cash equivalents and short-term investments in marketable securities, net of interest on notes payable.

Results of Operations

The following table set forth our consolidated condensed statements of operations for the periods indicated:

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Change $	Change %
	(In millions)			
Operating expenses				
Research and development [1]	$ 89.8	$ 63.3	$ 26.5	41.9 %
General and administrative [1]	31.4	118.1	(86.7)	(73.4) %
Other warrant expense	—	—	—	— %
Total operating expenses	121.2	181.4	(60.2)	(33.2) %
Loss from operations	(121.2)	(181.4)	60.2	(33.2) %
Other income (expense), net	9.3	(6.6)	15.9	NM
Interest income, net	5.1	4.1	1.0	24.4 %
Loss before income taxes	(106.8)	(183.9)	77.1	(41.9) %
Income tax expense	(0.1)	(0.2)	0.1	(50.0) %
Net loss	$ (106.9)	$ (184.1)	$ 77.2	(41.9) %

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023	Change $	Change %
	(In millions)			
Operating expenses				
Research and development [1]	$ 173.3	$ 129.1	$ 44.2	34.2 %
General and administrative [1]	90.1	162.2	(72.1)	(44.5) %
Other warrant expense	—	2.1	(2.1)	(100.0) %
Total operating expenses	263.4	293.4	(30.0)	(10.2) %
Loss from operations	(263.4)	(293.4)	30.0	(10.2) %
Other income (expense), net	29.9	(9.3)	39.2	NM
Interest income, net	10.4	5.7	4.7	82.5 %
Loss before income taxes	(223.1)	(297.0)	73.9	(24.9) %
Income tax expense	(0.3)	(0.2)	(0.1)	50.0 %
Net loss	$ (223.4)	$ (297.2)	$ 73.8	(24.8) %

NM=Not Meaningful.

[1] Includes stock-based compensation expense as follows:

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
	(In millions)			
Research and development	$ 11.1	$ 6.7	$ 23.5	$ 13.4
General and administrative	11.7	19.8	40.0	38.8
Total stock-based compensation expense	$ 22.8	$ 26.5	$ 63.5	$ 52.2

Comparison of the Three and Six Months Ended June 30, 2024 and 2023

Research and Development

Research and development expenses increased by $26.5 million, or 41.9%, for the three months ended June 30, 2024, compared to the three months ended June 30, 2023, as we invested in people and materials to advance our technology development. The increase was primarily due to an increase of $11.1 million in costs related to professional services and tools and materials to support our increased research and development activities, an increase of $10.7 million in personnel-related expenses due to a significant increase in our workforce from the prior year period, and an increase of $4.4 million in stock-based compensation expenses. The remainder of the increase was made up of other incidental items.

Research and development expenses increased by $44.2 million, or 34.2%, for the six months ended June 30, 2024, compared to the six months ended June 30, 2023, as we invested in people and materials to advance our technology development. The increase was primarily due to an increase of $21.2 million in personnel-related expenses due to a significant increase in our workforce from the prior year period, an increase of $12.2 million in costs related to professional services and tools and materials to support our increased research and development activities, and an increase of $10.1 million in stock-based compensation expenses. The remainder of the increase was made up of other incidental items.

General and Administrative

General and administrative expenses decreased by $86.7 million, or 73.4%, for the three months ended June 30, 2024, compared to the three months ended June 30, 2023. The decrease was primarily due to a $73.0 million charge for the Wisk Warrant during the three months ended June 30, 2023, a decrease of $11.5 million in stock-based compensation expense associated with the Founder Grants, and a decrease of $8.3 million in professional service expenses mainly due to legal fees and expenses. The decrease was partially offset by an increase of $3.4 million in stock-based compensation expenses. See Note 7 - Commitments and Contingencies and Note 9 - Stock-Based Compensation to our consolidated condensed financial statements for further details on our commitments and contingencies and stock-based compensation, respectively. The remainder of the increase was made up of other incidental items.

General and administrative expenses decreased by $72.1 million, or 44.5%, for the six months ended June 30, 2024, compared to the six months ended June 30, 2023. The decrease was primarily due to a decrease of $62.7 million in the charge for the Wisk Warrant, a decrease of $17.3 million in professional service expenses mainly due to legal fees and expenses, and a decrease of $5.1 million in stock-based compensation expense associated with the Founder Grants. The decrease was partially offset by an increase of $6.3 million in stock-based compensation expense, and an increase of $5.0 million in personnel-related expenses due to significant increase in our workforce from the prior year period. See Note 7 - Commitments and Contingencies and Note 9 - Stock-Based Compensation to our consolidated condensed financial statements for further details on our commitments and contingencies and stock-based compensation, respectively. The remainder of the increase was made up of other incidental items.

Other Warrant Expense

There was no other warrant expense recognized for each of the three months ended June 30, 2024 and 2023.

Other warrant expense decreased by $2.1 million, or 100.0%, for the six months ended June 30, 2024, compared to the six months ended June 30, 2023. The decrease was primarily due to the vesting of United warrants associated with specific milestones during the six months ended June 30, 2023. The warrants associated with the specific milestones fully vested in the first quarter of 2023. See Note 9 - Stock-Based Compensation to our consolidated condensed financial statements for further details on our warrants.

Other Income (Expense), Net

Other income (expense), net increased by $15.9 million and $39.2 million for the three and six months ended June 30, 2024, respectively, compared to the same periods ended June 30, 2023. The increase was primarily due to changes in fair value of our warrant liabilities. See Note 3 - Summary of Significant Accounting Policies to our consolidated condensed financial statements for further details.

Interest Income, Net

Interest income, net increased by $1.0 million, or 24.4%, and $4.7 million, or 82.5%, for the three and six months ended June 30, 2024, respectively, compared to the same periods ended June 30, 2023. The increase was primarily due to interest income from our cash and cash equivalents.

Liquidity and Capital Resources

As of June 30, 2024, our principal sources of liquidity were cash and cash equivalents of $360.4 million. We have incurred net losses since our inception and to date have not generated any revenues. We expect to incur additional losses and higher operating expenses for the foreseeable future. We believe that our existing cash and cash equivalents, together with the gross proceeds of approximately $55.0 million from the sale of shares of Class A common stock to Stellantis N.V. (“Stellantis”) received on July 1, 2024, will be sufficient for at least the next 12 months to meet our requirements and plans for cash, including meeting our working capital requirements and capital expenditure requirements.

On October 5, 2023, we entered into the Credit Agreement with Synovus Bank, as administrative agent and lender, and the additional lenders (the "Lenders") from time to time. We may request the Lenders to provide multiple delayed term loan advances (together, the "Loan") in an aggregate principal amount of up to $65.0 million for the construction and development of our manufacturing facility in Covington, Georgia. The Loan under the Credit Agreement shall accrue interest from and including the date the applicable advance is made but excluding the repayment date at a rate of the secured overnight financing rate ("SOFR"), plus 2.0% subject to a SOFR floor of 0.0%. We are required to make interest-only payments for 36 months on the Loan starting on November 14, 2023, followed by monthly interest and principal payments for the remaining maturity, with any outstanding principal, interest and other then outstanding indebtedness due at maturity. The Credit Agreement matures on the earlier of October 5, 2033 or the date on which the outstanding Loan has been declared or automatically becomes due and payable pursuant to the terms of the Credit Agreement. Our obligations under the Credit Agreement are jointly and severally guaranteed by our current and future wholly-owned domestic subsidiaries, and are secured by cash, general intangibles, instruments, securities, financial assets, security entitlements and other property maintained in a money market account at Synovus Bank.

In November 2023, we filed a shelf registration statement on Form S-3 with the SEC and a related prospectus supplement pursuant to which we may, from time to time, sell shares of our Class A common stock, having an aggregate value of up to $70.0 million pursuant to a Controlled Equity Offering[SM] Sales Agreement (the "Sales Agreement") with Cantor Fitzgerald & Co. ("Cantor"), as the sales agent (the "First ATM Program"). During the three and six months ended June 30, 2024, we sold 3,705,137 and 10,275,033 shares of Class A common stock for net proceeds of $14.2 million and $48.1 million, respectively. The First ATM Program was completed in May 2024.

Under the Sales Agreement, we paid Cantor a commission rate of up to 3.0% of the gross proceeds from the sale of any shares of Class A common stock pursuant to the First ATM Program.

In May 2024, we filed a shelf registration statement on Form S-3 with the SEC and a related prospectus (the "Second Shelf Registration Statement"). The Second Shelf Registration Statement permits the offering of an aggregate of up to $95.0 million of shares of our Class A common stock or preferred stock, debt securities, warrants to purchase our Class A common stock, preferred stock or debt securities, subscription rights to purchase our Class A common stock, preferred stock or debt securities and/or units consisting of some or all of these securities, in one or more offerings and in any combination. In connection with the Second Shelf Registration Statement, pursuant to which we may offer and sell shares of our Class A common stock having an aggregate offering amount of up to $70.0 million (the "Second ATM Program") pursuant to the Sales Agreement. The $70.0 million of Class A common stock that may be issued and sold pursuant to the Second ATM Program is included in the $95.0 million of securities that may be issued and sold pursuant to the Second Shelf Registration Statement. During the three months ended June 30, 2024, we sold 7,767,900 shares of Class A common stock for net proceeds of $25.2 million. As of June 30, 2024, we had $44.2 million remaining eligible for sale under the Second ATM Program.

Under the Sales Agreement, we will pay Cantor a commission rate of up to 3.0% of the gross proceeds from the sale of any shares of Class A common stock pursuant to the Second ATM Program.

On June 27, 2024, pursuant to the forward purchase agreement (the "Stellantis Forward Purchase Agreement") entered into on January 3, 2023 with Stellantis, we elected to draw down the $55.0 million remaining available under the Stellantis Forward Purchase Agreement associated with Milestone 3 (as defined in the Stellantis Forward Purchase Agreement). In accordance therewith, on July 1, 2024, we issued 17,401,153 shares of Class A common stock to Stellantis at a price of $3.16 per share, for gross proceeds of approximately $55.0 million.

In the long term, our ability to support our working capital and capital expenditure requirements will depend on many factors, including:

- the level of research and development expenses we incur as we continue to develop our eVTOL aircraft;
- capital expenditures needed to bring up our aircraft manufacturing capabilities, including for both the build out of our manufacturing facilities and component purchases necessary to build our aircraft;
- general and administrative expenses as we scale our operations; and
- sales, marketing and distribution expenses as we build, brand and market our eVTOL aircraft and UAM network.

Until such time as we can generate significant revenue from our business operations, we expect to finance our cash needs primarily through existing cash on hand, pre-delivery payments, equity financing and debt financing.

The following includes our short-term and long-term material cash requirements from known contractual obligations as of June 30, 2024:

Notes Payable

See Note 6 - Notes Payable to our consolidated condensed financial statements for further details on our debt.

Leases

We lease office, lab, hangar, and storage facilities in the normal course of business. Under our operating leases as noted in Note 7 - Commitments and Contingencies to our consolidated condensed financial statements, we have current obligations of $5.9 million and long-term obligations of $16.2 million.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Six Months Ended June 30,	
	2024	2023
	(In millions)	
Net cash provided by (used in):		
Operating activities	$ (167.0)	$ (120.8)
Investing activities	$ (38.2)	$ 445.5
Financing activities	$ 100.8	$ 17.8

Cash Flows Used in Operating Activities

We continue to experience negative cash flows from operations as we are still working to design, develop, certify, and bring up manufacturing of our eVTOL aircraft and thus have not generated any revenues from either of our planned lines of business. Our cash flows from operating activities are significantly affected by our cash investments to support the growth of our research and development activities related to our eVTOL aircraft, as well as the general and administrative functions necessary to support those activities and operations as a publicly traded company. Our operating cash flows are also impacted by the working capital requirements to support growth and fluctuations in personnel-related expenditures, accounts payable, accrued interest and other current liabilities, and other current assets.

Net cash used in operating activities during the six months ended June 30, 2024 was $167.0 million, resulting from a net loss of $223.4 million, adjusted for non-cash items consisting primarily of $63.5 million in stock-based compensation, a gain of $30.3 million due to a change in fair value of our warrant liabilities, and a $5.6 million non-cash charge for the Wisk Warrant. The net cash provided by changes in our net operating assets and liabilities was $7.2 million.

Net cash used in operating activities during the six months ended June 30, 2023 was $120.8 million, resulting from a net loss of $297.2 million, adjusted for non-cash items consisting primarily of a $73.0 million non-cash charge comprised of a $25.0 million non-cash charge associated with the initial vested share tranche and a $48.0 million non-cash charge for the unvested portion of the Wisk Warrant that is contingent and may never be realized, relating to the Technology and Dispute Resolution Agreements (see Note 7 - Commitments and Contingencies to our consolidated condensed financial statements for further details), $52.2 million in stock-based compensation primarily related to the Founder Grants, a loss of $15.6 million due to a change in fair value of our warrant liabilities, and $8.7 million of research and development warrant expenses related to the warrants issued to Stellantis (see Note 9 - Stock-Based Compensation to our consolidated condensed financial statements for further details). The net cash provided by changes in our net operating assets and liabilities of $25.8 million was primarily related to a $12.8 million increase in accrued expenses and other current liabilities mainly due to professional service fees and expenses and an $8.2 million increase in accounts payable due to timing of payments.

Cash Flows Provided by (Used in) Investing Activities

Net cash used in investing activities during the six months ended June 30, 2024 was $38.2 million, driven by purchases of property and equipment within the period.

Net cash provided by investing activities during the six months ended June 30, 2023 was $445.5 million, driven by proceeds from maturities of short-term investments of $465.0 million, partially offset by purchases of property and equipment of $19.5 million within the period.

Cash Flows Provided by Financing Activities

Net cash provided by financing activities during the six months ended June 30, 2024 was $100.8 million, driven by proceeds from shares issued under the First ATM Program and Second ATM Program of $73.3 million, and proceeds from issuance of debt of $25.8 million.

Net cash provided by financing activities during the six months ended June 30, 2023 was $17.8 million, driven by proceeds from issuance of Class A common stock to Stellantis with an aggregate value of $25.0 million, partially offset by the repayment of term loans to Silicon Valley Bank, a division of First-Citizens Bank, for $5.0 million and payments for taxes related to net share settlement of equity awards for $3.5 million.

Critical Accounting Policies and Estimates

Our audited consolidated financial statements and accompanying notes set forth in our Annual Report on Form 10-K filed with the SEC on February 29, 2024 have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The preparation of these consolidated condensed financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, and expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Actual results may differ from these estimates. To the extent that there are material differences between these estimates and our actual results, our future financial statements will be affected.

For a discussion of our critical accounting policies and estimates, see "Critical Accounting Policies and Estimates" included under Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report. There have been no material changes in our policies from those previously discussed in our Annual Report.

Recent Accounting Pronouncements

See Note 3 - Summary of Significant Accounting Policies to our consolidated condensed financial statements for a discussion about accounting pronouncements recently adopted and recently issued and not yet adopted.

Credit Risk

Financial instruments, which subject us to concentrations of credit risk, consist primarily of cash, cash equivalents, and short-term investments. Our cash and cash equivalents are held at several long-standing financial institutions located in the United States. At times, cash account balances with any one financial institution may exceed Federal Deposit Insurance Corporation insurance limits ($250 thousand per depositor per institution). We have not experienced any losses due to these excess deposits and believe this risk is not significant. Our short-term investments consisted of high quality, investment grade marketable securities and were held at a major financial institution located in the United States. We have established guidelines regarding diversification of our investments and their maturities that are designed to preserve principal and achieve liquidity requirements. We review these guidelines and modify them as necessary based on updated liquidity needs and changes in our operations and financial position.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

We are exposed to market risk for changes in interest rates applicable to our borrowings and investments in money market funds. The Loan under the Credit Agreement accrues interest from and including the date the applicable advance is made but excluding the repayment date at the secured overnight financing rate ("SOFR"), plus 2.0% subject to a SOFR floor of 0.0%. Additionally, we had cash, cash equivalents, and restricted cash totaling $367.1 million as of June 30, 2024. Cash equivalents were invested in money market funds. The primary objectives of our investment activities are to preserve principal and achieve liquidity requirements. We do not enter into investments for trading or speculative purposes. A hypothetical 100 basis point change in interest rates applicable to the Loan under the Credit Agreement or with respect to our investment portfolio would not have a material impact on the fair value of our borrowings and investment portfolio for the periods presented and our future interest income and expense.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated, as of the end of the period covered by this Quarterly Report, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2024, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management, including the Chief Executive Officer and Chief Financial Officer, recognizes that our disclosure controls and procedures or our internal control over financial reporting cannot prevent or detect all possible instances of errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

For a description of our material pending legal proceedings, see Note 7 - Commitments and Contingencies of the notes to the consolidated condensed financial statements included in Part I, Item 1 of this Quarterly Report, which is incorporated herein by reference. From time to time, we may bring or be subject to other legal proceedings and claims in the ordinary course of business. While management currently believes that resolving claims against us, individually or in aggregate, will not have a material adverse impact on our financial position, results of operations or statement of cash flows, these matters are subject to inherent uncertainties and management's view of these matters may change in the future. If an unfavorable final outcome were to occur, it may have a material adverse impact on our financial position, results of operations or cash flows for the period in which the effect can be reasonably estimated.

Item 1A. Risk Factors

Investing in our securities involves risks. The following risk factors supplement and, to the extent inconsistent, supersede the risk factors disclosed in Part I, Item 1A, "Risk Factors" in our Annual Report. Risk factors describing the major risks to our business can be found under Part I, Item 1A, "Risk Factors" in our Annual Report. You should consider carefully the risks and uncertainties described therein, together with all of the other information in this Quarterly Report, including Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated condensed financial statements and related notes, before deciding whether to purchase any of our securities. Our business, results of operations, financial condition, and prospects could also be harmed by risks and uncertainties that are not presently known to us or that we currently believe are not material. If any of these risks actually occur, our business, results of operations, financial condition, and prospects could be materially and adversely affected. Unless otherwise indicated, references in these risk factors to our business being harmed will include harm to our business, reputation, brand, financial condition, results of operations, and prospects. In any such event, the market price of our securities could decline, and you could lose all or part of your investment.

The dual-class structure of our common stock has the effect of concentrating voting power with certain shareholders of our Class B common stock, which could limit other shareholders' ability to influence the outcome of important transactions, including a change in control.

Shares of our Class B common stock have ten votes per share, while shares of our Class A common stock have one vote per share. Our founders, as well as certain other stockholders, hold the issued and outstanding shares of our Class B common stock. These shares currently represent a majority of the voting power of our capital stock on an outstanding basis. For so long as the shares of Class B common stock represent at least 9.1% of all outstanding shares of our capital stock and if voted together, the holders of our Class B common stock would be able to control matters submitted to our shareholders for approval, including the election of directors, amendments of our organizational documents and any merger, consolidation, sale of all or substantially all of our assets or other major corporate transactions. The holders of our Class B common stock may have interests that differ from other shareholders and may vote in a way which may be adverse to other shareholders or with which our other shareholders may disagree. This concentrated control may have the effect of delaying, preventing or deterring a change in control, could deprive our shareholders of an opportunity to receive a premium for their capital stock as part of a sale, and might ultimately affect the market price of our Class A common stock.

We expect shares of our Class B common stock will represent less than 10.0% of all outstanding shares of our common stock during the year ending December 31, 2024 and, as such, pursuant to the terms of our certificate of incorporation, we anticipate each outstanding share of Class B common stock will be automatically converted into Class A common stock on December 31, 2024.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

Use of Proceeds

On October 30, 2020, Atlas consummated its initial public offering of 50,000,000 units. The units were sold at a price of $10.00 per unit, generating total gross proceeds of $500.0 million from the initial public offering. The securities sold in the offering were registered under the Securities Act of 1933, as amended (the "Securities Act") on a registration statement on Form S-1 (No. 333-249289). The registration statement became effective on October 27, 2020.

Simultaneously with the consummation of the initial public offering, Atlas consummated the sale of 8,000,000 private placement warrants, at a price of $1.50 per warrant, to Atlas Crest Investment LLC, generating gross proceeds to Atlas of

$12.0 million. Such securities were issued pursuant to the exemption from registration contained in Section 4(a)(2) of the Securities Act.

Atlas incurred $10.5 million in offering costs for its initial public offering including $10.0 million of underwriting fees and $0.5 million of other costs. Following the initial public offering and the sale of the private placement warrants, a total of $500.0 million was deposited into the trust account for the purpose of effecting an initial business combination. As of August 5, 2021, the record date of the Business Combination, there was $500.1 million held in the trust account. After deducting payments to existing Atlas unit holders of $242.2 million in connection with their exercise of redemption rights, the remainder of the trust account totaling $257.6 million is now held on our balance sheet to fund our operations and continued growth.

The Business Combination generated $857.6 million in gross cash proceeds to Archer, inclusive of $600.0 million in proceeds from a private placement and $257.6 million transferred from the trust account. Total direct and incremental transaction costs aggregated $81.8 million, of which $10.9 million was expensed as part of the Business Combination, $55.8 million was recorded to additional paid-in-capital as equity issuance costs, and the remaining $15.1 million was settled through the issuance of shares of Archer Class A common stock.

There has been no material change in the planned use of proceeds noted above from those disclosed in the final prospectus (File No. 333-254007), dated August 11, 2021, which was declared effective by the SEC on August 11, 2021.

Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On August 9, 2024, we will issue an aggregate of 763,903 shares of our Class A common stock at a purchase price of $3.93 per share, issuable in satisfaction of payment to the service provider for services rendered (the "Vendor Shares").

On August 9, 2024, we will issue a warrant to a vendor to purchase 57,050 shares of our Class A common stock (the "Vendor Warrant" and together with the Vendor Shares, the "Securities"). The Vendor Warrant has an exercise price of $0.01 per share, issuable in satisfaction of payment to the vendor for services rendered. The Form of Warrant has been filed as an exhibit to this Form 10-Q.

The Securities were offered by us pursuant to our shelf registration statement on Form S-3 (File No. 333-279289), which was declared effective by the SEC on May 16, 2024 including the prospectus supplements dated June 28, 2024, and accompanying prospectus. A copy of the opinion of Fenwick & West LLP relating to the validity of the Securities is filed herewith as Exhibit 5.1.

Rule 10b5-1 Trading Plans. During the three months ended June 30, 2024, none of our directors or officersadopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," in each case as defined in Item 408 of Regulation S-K. except as described below:

On May 24, 2024, Tosha Perkins, Chief People and Partnerships Officer of the Company, adopted a trading arrangement for the sale of the Company's Class A common stock (the "Perkins Trading Plan") that is intended to satisfy the affirmative defense of Rule 10b5-1(c) of the Exchange Act. The Perkins Trading Plan, which expires November 17, 2025, provides for the sale of up to 133,786 shares of Class A common stock pursuant to the terms of the plan.

All of the trading arrangements listed above are intended to satisfy the affirmative defense conditions of Rule 10b5-1(c). Transactions made pursuant to such trading arrangements will be disclosed publicly in future Section 16 filings to the extent required by law.

Item 6. Exhibits

Exhibit	Description
4.1	Form of Warrant to Purchase Shares by and between Archer Aviation Inc. and Blue Skies Consulting & Trading Limited
5.1	Opinion of Fenwick & West LLP
23.1	Opinion of Fenwick & West LLP (included in Exhibit 5.1)
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act, 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 Exchange Act, 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.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Quarterly Report and are not deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall they be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

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.

ARCHER AVIATION INC.

August 8, 2024

By: /s/ Mark Mesler
Mark Mesler
Chief Financial Officer
(Principal Financial and Accounting Officer)