

Report by MR.SPY



BigBear.ai (BBAI) Due Diligence Report

Deep dive — October 13, 2025

Key Financials & Balance Sheet (Q2 2025 & 10-K)

- **Q2 2025 Revenue:** \$32.5M (**down 18% YoY**), undershooting expectations.
- **Net Loss Q2 2025:** \$228.6M; guidance for 2025 revenue cut to \$125–\$140M (was \$160–180M).
- **Cash Position:** **Record \$391M** as of Q2 2025; \$248M net positive cash.
- **Debt:** \$200M convertible notes (2026/2029, \$3.55 strike), \$54.7M in warrants exercised.
- **Gross Margin:** Only 25% in Q2 2025 (**much lower than SaaS peers**).
- **Guidance Risks:** Losses, reduced Army/DoD activity, high R&D, goodwill impairment \$85M (2024).

Debt, Dilution & Derivatives—Red Flags

- **Convertible Notes:** \$17.7M due 2026, \$182.3M due 2029; could further dilute shareholders.
- **Warrants:** Over 37M exercised in 2025, more pending. 3.77M at \$9 strike may hit after Aug 2025.
- **Dilution Risk:** Filings signal ongoing potential for share offerings and conversions. Recent Rule 144 notice suggests more dilution ahead.

- **Derivative Losses:** Warrant/convert-related valuation swings made net losses worse (\$107M increase in 2024).

Unusual Options Flow & Speculation

- Large blocks of calls/puts traded at strikes \$5–\$12, with expiries out to Jan 2027.
- Oct 10: 13k call contracts for Jan 2027 at \$5, and 36k at \$10, Jan 2026.
- Options flow is volatile, speculative, with high open interest and IV spikes. Watch near-term expiry action for clues.

Latest News & Strategic Partnerships

- **Positive:** New partnership with Tsecond (Oct 13) for battlefield AI infrastructure—sparked 16–23% intra-day rally.
- Collaboration with SMX for DoD/Navy's UNITAS exercise and global reach (UAE deals).
- **Caution:** Last Q2 miss triggered a 25% stock drop; price action is highly event/news driven.
- Execution on contract wins and margin expansion remains key for sustained momentum.

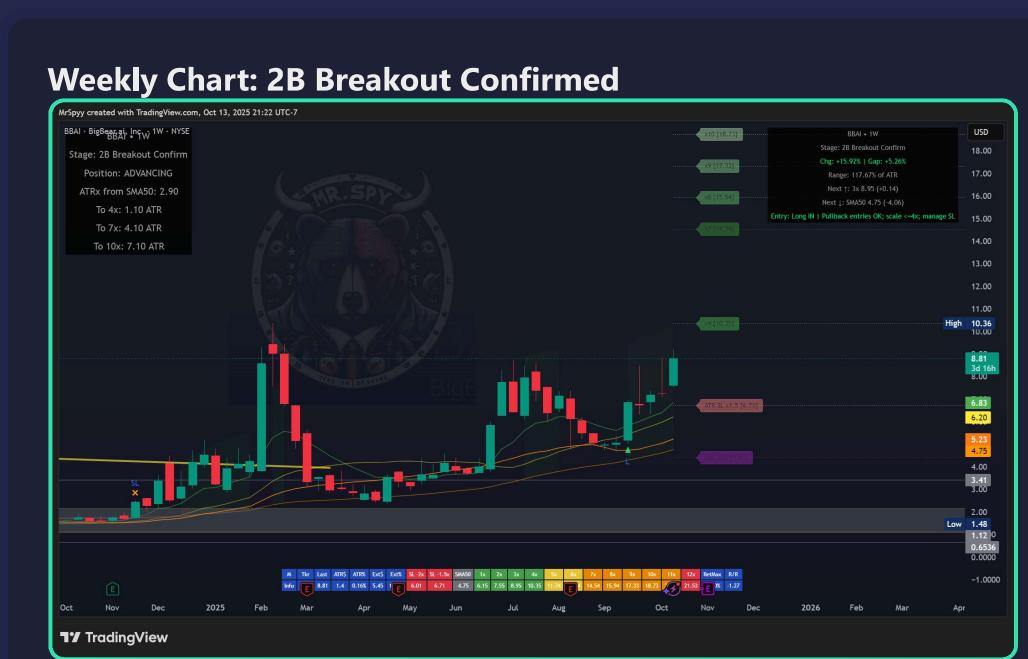
Risks & Key Observations From 10-K

- No immediate going-concern risk due to exceptional cash, but **persistent losses and heavy contract reliance remain**.
- **Customer Concentration:** Four customers = >50% revenue; highly exposed to US Federal/Army/DoD cycles.
- **Operational Red Flags:** Goodwill impairment, integration risk from Pangiam deal, internal controls weakness flagged.
- **Dilution, Leverage:** Serial offerings, convertible notes, and Rule 144 restatements add uncertainty.

Summary Table — Risk/Opportunity Checklist

Factor	Status/Trend (Oct 2025)	Flag/Comment
Revenue (YoY)	-18% (Q2); \$125–140M guide	Revenue at risk, weak guide
Gross Margin	25% Q2 (service-heavy)	Needs SaaS transition
Cash Position	\$391M (Q2), positive net cash	Great liquidity
Debt	\$200M convertible, derivative swings	Dilution/stability risk
Warrants/Outstanding	>37M exercised, more pending	Share dilution risk
Options Flow	Large blocks/open interest \$5–\$12	High speculation & volatility
News Flow	DoD, Navy, UAE, Tsecond, SMX	Bullish, execution key
Risks	Contract cuts, losses, dilution, margins	Multi-front caution needed

Technical Charts



- ATRx from SMA50: 2.90
- Resistance: \$10.35, next \$15/\$18
- Support: \$6.83, \$6.20, \$5.23
- Momentum: \$8.81 close, trailing stop at \$6.71

Daily Chart: Advancing Breakout



- ATRx from SMA50: 3.54
- Target: \$9.15, extensions \$12–\$14
- Support: \$7.49, \$7.10, \$6.21
- RS Rank: 98, scale out at ATR multiples

Conclusion — Due Diligence Outlook

- BBAI is well-funded and positioned for “AI for defense/security”—exciting partnerships, strong cash.
- Major red flags: sustained losses, contract reliance, dilution events (convertibles, warrants), margin/control issues.
- Volatility is driven by short-term traders and options flows; long-term investors should focus on contract wins, profit expansion.
- **High risk, high potential**—risk remains aggressive into late 2025.

Always verify SEC filings and option chains before investing.
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