

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2023
OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission File Number: 001-39560

ROCKET LAB USA, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

3881 McGowen Street
Long Beach, California
(Address of principal executive offices)

98-1550340
(I.R.S. Employer
Identification No.)

90808
(Zip Code)

Registrant’s telephone number, including area code: (714) 465-5737

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	RKLB	The Nasdaq Stock Market LLC

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

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

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

Large accelerated filer

☒

Non-accelerated filer

☐

Accelerated filer

☐

Smaller reporting company

☐

Emerging growth company

☐

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

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

As of May 4, 2023, the registrant had 478,661,458 shares of common stock, \$0.0001 par value per share, outstanding.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report on Form 10-Q may constitute “forward-looking statements” for purposes of the federal securities laws. The information included in this Quarterly Report on Form 10-Q has been provided by us and our management, and such forward-looking statements include statements relating to the expectations, hopes, beliefs, intentions or strategies regarding the future of Rocket Lab USA, Inc. (the “Company”) and its management team. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words “anticipate,” “believe,” “could,” “expect,” “intends,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “should,” “will,” “would” and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. The forward-looking statements contained in this Quarterly Report on Form 10-Q are based on current expectations and beliefs concerning future developments and their potential effects on Rocket Lab. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described below and under the heading “Risk Factors.”

- Our ability to effectively manage future growth and achieve operational efficiencies;
 - any inability of us to operate our Electron Launch Vehicle (“Electron”) at its anticipated launch rate could adversely impact our business, financial condition and results of operations;
 - our inability to develop our Neutron Launch Vehicle (“Neutron”) could adversely impact our business, financial condition and results of operations;
 - our inability to utilize our launch pads at our private launch complex in Mahia, New Zealand or at NASA’s Wallops Flight Facility, at Wallops Island, Virginia with sufficient frequency to support our launch cadence and future related revenue growth expectations;
 - changes in the competitive and highly regulated industries in which we operate, variations in operating performance across competitors, changes in laws and regulations affecting our business and changes in our capital structure;
 - changes in governmental policies, priorities, regulations, mandates or funding for programs in which we or our customers participate, which could negatively impact our business;
 - loss of, or default by, one or more of our key customers or inability of customers to fund contractual commitments, which could result in a decline in future revenues, cancellation of contracted launches or space systems orders or termination or default of existing agreements;
 - the inability to comply with, and costs associated with complying, any applicable regulations, and specifically, U.S. government contract regulations, which could result in loss of contract opportunities, contract modifications or termination, assessment of penalties and fines, and suspension or debarment from U.S. government contracting or subcontracting;
 - success in retaining or recruiting, or changes required in, officers, key employees or directors, and our ability to attract and retain key personnel, including Peter Beck, our President, Chief Executive Officer and Chairman;
 - defects in or failure of our products to operate in the expected manner, including any launch failure, which could result in a loss of revenue, impact our business, prospects and profitability, increase our insurance rates and damage our reputation and ability to obtain future customers;
 - inability or failure to protect intellectual property;
 - disruptions in the supply of key raw materials or components used to produce our products or increases in prices of raw materials;
 - increasing global inflation and rising interest rates;
 - impacts of the war in Ukraine;
 - fluctuations in foreign exchange rates;
 - the ability to implement our business plans, forecasts and other expectations, including the integration of recently acquired businesses, and to identify and realize additional opportunities;
 - the risk of downturns in government and commercial launch services and spacecraft industries;
 - our ability to anticipate changes in the markets for rocket launch services, mission services, spacecraft and spacecraft components;
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- macroeconomic conditions resulting from the global pandemic related to the novel coronavirus (“COVID-19”);
- the inability to maintain effective internal controls;
- the diversion of management’s attention and consumption of resources as a result of acquisitions of other companies and success in integrating and otherwise achieving the benefits of recent and potential acquisitions;
- failure to maintain adequate operational and financial resources or raise additional capital or generate sufficient cash flows;
- any significant disruption in or unauthorized access to our computer systems or those of third parties that we utilize in our operations, including those relating to cybersecurity or arising from cyber-attacks;
- the effect of the COVID-19 or other pandemic on the foregoing, including potential delays in the timing of launches due to government lock-downs, including travel restrictions or other factors impacting travel; and
- other factors detailed under the section of this Quarterly Report on Form 10-Q entitled “Risk Factors.”

Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. Some of these risks and uncertainties may in the future be amplified by the COVID-19 outbreak or other global crises and/or any response to such a crisis and there may be additional risks that we consider immaterial or which are unknown. It is not possible to predict or identify all such risks. We do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

You should read this Quarterly Report on Form 10-Q and the documents that we reference in this Quarterly Report on Form 10-Q and have filed with the Securities and Exchange Commission (the “SEC”) as exhibits to this Quarterly Report on Form 10-Q with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect. All forward-looking statements are qualified in their entirety by this cautionary statement.

You should also note that we may announce material business and financial information to our investors using our website (including at <https://investors.rocketlabusa.com>), filings with the SEC, webcasts, press releases, and conference calls. We use these mediums, as well as our official corporate accounts on social media outlets such as Twitter, Facebook, LinkedIn and YouTube, to broadcast our launches and other significant events, and to communicate with the public about our company, our products, and other matters. It is possible that the information that we make available may be deemed to be material information. We therefore encourage investors and others interested in our company to review the information that we make available on our website and through our other official social media channels. The information contained on, or that can be accessed through, our website or our social media channels is not a part of this Quarterly Report on Form 10-Q.

Unless the context requires otherwise, references in this Quarterly Report to “Rocket Lab,” “Company,” “we,” “us” and “our” refer to Rocket Lab USA, Inc. and our subsidiaries.

ROCKET LAB U.S.A., INC. AND SUBSIDIARIES

FORM 10-Q

March 31, 2023

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PART I. FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ROCKET LAB U.S.A., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2023 AND DECEMBER 31, 2022
(in thousands, except share and per share values)

	March 31, 2023 (unaudited)	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 208,365	\$ 242,515
Marketable securities, current	190,357	229,276
Accounts receivable, net	50,690	36,572
Contract assets	12,558	9,451
Inventories	98,453	92,279
Prepays and other current assets	63,203	52,201
Assets held for sale	11,630	—
Total current assets	635,256	662,294
Non-current assets:		
Property, plant and equipment, net	95,981	101,514
Intangible assets, net	76,495	79,692
Goodwill	71,020	71,020
Right-of-use assets - operating leases	34,839	35,239
Right-of-use assets - finance leases	15,458	15,614
Marketable securities, non-current	47,920	9,193
Restricted cash	3,337	3,356
Deferred income tax assets, net	3,500	3,898
Other non-current assets	7,102	7,303
Total assets	<u>\$ 990,908</u>	<u>\$ 989,123</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Trade payables	\$ 22,852	\$ 12,084
Accrued expenses	8,678	8,723
Employee benefits payable	12,333	8,634
Contract liabilities	125,635	108,344
Current installments of long-term borrowings	2,934	2,906
Other current liabilities	24,863	22,249
Total current liabilities	197,295	162,940
Non-current liabilities:		
Long-term borrowings, excluding current installments	100,724	100,043
Non-current operating lease liabilities	33,870	34,266
Non-current finance lease liabilities	15,478	15,568
Deferred tax liabilities	170	95
Other non-current liabilities	3,353	3,005
Total liabilities	<u>350,890</u>	<u>315,917</u>
COMMITMENTS AND CONTINGENCIES (Note 16)		
Stockholders' equity:		
Common stock, \$0.0001 par value; authorized shares: 2,500,000,000; issued and outstanding shares: 478,153,075 and 475,356,517 at March 31, 2023 and December 31, 2022, respectively	48	48
Additional paid-in capital	1,125,976	1,112,977
Accumulated deficit	(486,572)	(440,955)
Accumulated other comprehensive income	566	1,136
Total stockholders' equity	640,018	673,206
Total liabilities and stockholders' equity	<u>\$ 990,908</u>	<u>\$ 989,123</u>

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

ROCKET LAB U.S.A., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(unaudited; in thousands, except share and per share data)

	Three Months Ended March 31,	
	2023	2022
Revenues	\$ 54,895	\$ 40,703
Cost of revenues	48,538	36,968
Gross profit	6,357	3,735
Operating expenses:		
Research and development, net	23,905	13,477
Selling, general and administrative	28,469	23,078
Total operating expenses	52,374	36,555
Operating loss	(46,017)	(32,820)
Other income (expense):		
Interest expense, net	(685)	(2,989)
Gain (loss) on foreign exchange	134	(20)
Change in fair value of liability classified warrants	—	13,482
Other income, net	1,477	26
Total other income, net	926	10,499
Loss before income taxes	(45,091)	(22,321)
Provision for income taxes	(526)	(4,388)
Net loss	\$ (45,617)	\$ (26,709)
Other comprehensive income (loss), net of tax:		
Foreign currency translation income (loss)	(938)	876
Unrealized gain on available-for-sale marketable securities	368	—
Comprehensive loss	\$ (46,187)	\$ (25,833)
Net loss per share attributable to Rocket Lab USA, Inc.:		
Basic and diluted	\$ (0.10)	\$ (0.06)
Weighted-average common shares outstanding:		
Basic and diluted	476,199,710	456,495,288

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

ROCKET LAB U.S.A., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(unaudited; in thousands, except share and per share data)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Other Comprehensive Income (Loss)	Total
	Shares	Amount				
December 31, 2022	475,356,517	\$ 48	\$ 1,112,977	\$ (440,955)	\$ 1,136	\$ 673,206
Net loss	—	—	—	(45,617)	—	(45,617)
Issuance of common stock under equity plans	2,672,625	—	771	—	—	771
Stock-based compensation	—	—	12,228	—	—	12,228
Issuance of common stock for acquisition	123,933	—	—	—	—	—
Other comprehensive loss	—	—	—	—	(570)	(570)
March 31, 2023	<u>478,153,075</u>	<u>\$ 48</u>	<u>\$ 1,125,976</u>	<u>\$ (486,572)</u>	<u>\$ 566</u>	<u>\$ 640,018</u>

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Other Comprehensive Income (Loss)	Total
	Shares	Amount				
December 31, 2021	450,180,479	\$ 45	\$ 1,002,106	\$ (305,011)	\$ 1,308	\$ 698,448
Net loss	—	—	—	(26,709)	—	(26,709)
Issuance of common stock under equity plans	7,883,569	1	1,019	—	—	1,020
Stock-based compensation	—	—	14,116	—	—	14,116
Common stock issued upon exercise of Public and Private Warrants	4,554,830	—	44,844	—	—	44,844
Issuance of common stock for acquisition	123,934	—	—	—	—	—
Other comprehensive income	—	—	—	—	876	876
March 31, 2022	<u>462,742,812</u>	<u>\$ 46</u>	<u>\$ 1,062,085</u>	<u>\$ (331,720)</u>	<u>\$ 2,184</u>	<u>\$ 732,595</u>

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

ROCKET LAB U.S.A., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(unaudited; in thousands)

	For the Three Months Ended March 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (45,617)	\$ (26,709)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	7,033	6,088
Stock-based compensation expense	14,036	11,958
Loss on disposal of assets	5	5
Amortization of debt issuance costs and discount	709	690
Noncash lease expense	988	731
Noncash income associated with liability-classified warrants	—	(13,482)
Change in the fair value of contingent consideration	300	2,500
Accretion of marketable securities purchased at a discount	(1,147)	—
Deferred income taxes	420	(1,558)
Changes in operating assets and liabilities:		
Accounts receivable, net	(14,116)	(5,644)
Contract assets	(3,109)	(3,668)
Inventories	(6,712)	(9,132)
Prepays and other current assets	(10,035)	(1,071)
Other non-current assets	103	772
Trade payables	11,305	805
Accrued expenses	403	(3,245)
Employee benefits payables	1,294	475
Contract liabilities	17,292	10,652
Other current liabilities	2,305	4,266
Non-current lease liabilities	(891)	(783)
Other non-current liabilities	49	11
Net cash used in operating activities	(25,385)	(26,339)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, equipment and software	(12,674)	(6,242)
Cash paid for acquisitions, net of acquired cash and restricted cash	—	(65,588)
Purchases of marketable securities	(76,394)	—
Maturities of marketable securities	78,099	—
Net cash used in investing activities	(10,969)	(71,830)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the exercise of stock options and public warrants	771	1,379
Proceeds from Employee Stock Purchase Plan	1,202	1,025
Proceeds from sale of employees restricted stock units to cover taxes	3,078	20,841
Minimum tax withholding paid on behalf of employees for restricted stock units	(1,915)	(8,756)
Payment of contingent consideration	(1,000)	—
Finance lease principal payments	(78)	(45)
Net cash provided by financing activities	2,058	14,444
Effect of exchange rate changes on cash and cash equivalents	127	(574)
Net decrease in cash and cash equivalents and restricted cash	(34,169)	(84,299)
Cash and cash equivalents, and restricted cash, beginning of period	245,871	692,075
Cash and cash equivalents, and restricted cash, end of period	\$ 211,702	\$ 607,776
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 3,417	\$ 2,292
Cash paid for income taxes	315	2,248
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Unpaid purchases of property, equipment and software	924	1,417
Right-of-use assets obtained in exchange for new operating lease liabilities	908	3,783
Net exercise of public and private warrants into common stock	—	44,739
Issuance of common stock for payment of accrued bonus	—	1,441

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

ROCKET LAB USA, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2023 AND DECEMBER 31, 2022 AND FOR THE
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(unaudited; in thousands, except share and per share data)

1. DESCRIPTION OF THE BUSINESS

Rocket Lab USA, Inc. (“Rocket Lab” and, together with its consolidated subsidiaries, the “Company,” “we,” “us” or “our”) is an end-to-end space company with an established track record of mission success headquartered in Long Beach, California and is the parent company for several wholly owned operating subsidiaries located in the United States, New Zealand, Canada and Australia. We deliver reliable launch services, spacecraft design services, spacecraft components, spacecraft manufacturing and other spacecraft and on-orbit management solutions that make it faster, easier and more affordable to access space. We operate one of the only private orbital launch ranges in the world, located in Mahia, New Zealand, enabling a unique degree of operational flexibility and control of customer launch manifests and mission assurance. While our business has historically been centered on the development of small-class launch vehicles and related sale of launch services, we are currently innovating in the areas of medium-class launch vehicles and launch services, space systems design and manufacturing, on-orbit management solutions, and space data applications.

2. SIGNIFICANT ACCOUNTING POLICIES

Principals of Consolidation and Basis of Presentation

The accompanying unaudited condensed consolidated financial statements are presented in conformity with accounting standards generally accepted in the United States of America (“U.S. GAAP”) and the requirements of the U.S. Securities and Exchange Commission (“SEC”) for interim financial information and include the accounts of Rocket Lab USA, Inc. and its wholly owned subsidiaries after elimination of intercompany accounts and transactions. As permitted under those rules, certain footnotes or other financial information that are normally required by U.S. GAAP can be condensed or omitted. These condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for the fair statement of the Company’s financial information. These interim results are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2023, or for any other interim period or for any other future year.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

On an ongoing basis, our management evaluates estimates and assumptions including those related to revenue recognition, contract costs, loss reserves, valuation of warrants and stock-based compensation and deferred tax valuation allowances. We based our estimates on historical data and experience, as well as various other factors that our management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities. Actual results could differ from these estimates and assumptions.

Other Significant Accounting Policies

There have been no significant changes to the Company’s significant accounting policies during the three months ended March 31, 2023, except for the addition of an accounting policy with respect to assets held for sale below. Refer to *Note 2 - Significant Accounting Policies* disclosed in the “Notes to Consolidated Financial Statements” in the Company’s Form 10-K for the year ended December 31, 2022, as filed with the SEC on March 7, 2023.

Assets Held For Sale

The Company generally considers assets to be held for sale when the following criteria are met: (i) management commits to a plan to sell the property, (ii) the property is available for sale immediately, (iii) the property is actively being marketed for sale at a price that is reasonable in relation to its current fair value, (iv) the sale of the property within one year is considered probable and (v) significant changes to the plan to sell are not expected. Property classified as held for sale is no longer depreciated and is reported at the lower of its carrying value or its estimated fair value less estimated costs to sell.

3. REVENUES

The following table provides information about revenue by recognition model during the three months ended March 31, 2023 and 2022:

Revenues by recognition model	Three Months Ended March 31,	
	2023	2022
Point-in-time	\$ 28,662	\$ 28,237
Over-time	26,233	12,466
Total revenue by recognition model	\$ 54,895	\$ 40,703

The timing of revenue recognition, billings, and cash collections results in billed accounts receivable, unbilled receivables (presented within contract assets) and customer advances and deposits (presented within contract liabilities) on the condensed consolidated balance sheets, where applicable. Amounts are generally billed as work progresses in accordance with agreed-upon milestones. These individual contract assets and liabilities are reported in a net position on a contract-by-contract basis on the condensed consolidated balance sheets at the end of each reporting period.

The following table presents the balances related to enforceable contracts as of March 31, 2023 and December 31, 2022:

	March 31, 2023	December 31, 2022
Contract balances		
Accounts receivable, net	\$ 50,690	\$ 36,572
Contract assets	12,558	9,451
Contract liabilities	(125,635)	(108,344)

Changes in contract liabilities for the three months ended March 31, 2023 were as follows:

Contract liabilities, at December 31, 2022	\$ 108,344
Customer advances received or billed	34,393
Recognition of unearned revenue	(17,102)
Contract liabilities, at March 31, 2023	\$ 125,635

The revenue recognized from the contract liabilities consisted of the Company satisfying performance obligations during the normal course of business.

The amount of revenue recognized from changes in the transaction price associated with performance obligations satisfied in prior years during the three months ended March 31, 2023 and 2022 was not material.

Remaining unsatisfied performance obligations represent the total dollar value of work to be performed on contracts awarded and in progress. The amount of remaining unsatisfied performance obligations increases with new contracts or additions to existing contracts and decreases as revenue is recognized on existing contracts. Contracts are included in the amount of remaining unsatisfied performance obligations when an enforceable agreement has been reached. Remaining unsatisfied performance obligations totaled \$494,175 as of March 31, 2023, of which approximately 53% is expected to be recognized within 12 months, with the remaining 47% to be recognized beyond 12 months.

Concentration of Credit Risk and Significant Customers

As of March 31, 2023, the Company's customers that accounted for 10% or more of the total accounts receivable, net, were as follows:

	March 31, 2023
Commercial customer A	28 %
Commercial customer B	22 %
U.S. prime contractor	13 %
U.S. government customer	10 %

For the three months ended March 31, 2023, the Company's customers that accounted for 10% or more of the total revenue, were as follows:

	Three Months Ended March 31, 2023
U.S. prime contractor	14 %
Commercial customer A	14 %
Commercial customer C	13 %
Commercial customer D	10 %

4. BUSINESS COMBINATION

SolAero

On January 18, 2022, the Company closed on the acquisition (the “SolAero Acquisition”) of SolAero Holdings, Inc. (“SolAero”) pursuant to an Agreement and Plan of Merger (the “SolAero Merger Agreement”), dated as of December 10, 2021, by and among the Company, Supernova Acquisition Corp. (“SolAero Merger Sub”), SolAero, and Fortis Advisors LLC as stockholder representative, which provides for, among other things, the merger of SolAero Merger Sub with and into SolAero, with SolAero being the surviving corporation of the merger and a direct, wholly owned subsidiary of the Company. Pursuant to the terms of the SolAero Merger Agreement, all of the issued and outstanding shares of SolAero were cancelled in exchange for aggregate consideration of \$80,000 in cash, subject to customary adjustments at closing for cash, working capital, transaction expenses and indebtedness, and amounts held back by the Company (the “SolAero Merger Consideration”). In addition, \$3,600 of the SolAero Merger Consideration was placed into escrow by the Company in order to secure recovery of any Adjustment Amount (as defined in the SolAero Merger Agreement) and as security against indemnity claims. In connection with the SolAero Acquisition, the Company entered into customary employment or consulting agreements with certain key employees of SolAero.

Acquisition Consideration

The acquisition-date consideration transferred consisted of cash of \$76,181. The following table presents estimates of the fair value of the assets acquired and the liabilities assumed by the Company in the acquisition:

Description	Amount
Cash and cash equivalents	\$ 7,815
Accounts receivable	12,322
Inventories	17,765
Prepays and other current assets	3,536
Property, plant and equipment	24,689
Intangible assets	33,600
Right-of-use assets - operating leases ⁽¹⁾	1,128
Right-of-use assets - finance leases ⁽¹⁾	16,174
Restricted cash	3,293
Trade payables	(9,795)
Accrued expenses	(6,883)
Contract liabilities ⁽²⁾	(26,014)
Other current liabilities	(10,145)
Non-current operating lease liabilities ⁽¹⁾	(1,128)
Non-current finance lease liabilities ⁽¹⁾	(15,874)
Other assets and liabilities, net	(204)
Identifiable net assets acquired	50,279
Goodwill	25,902
Total purchase price	\$ 76,181

⁽¹⁾ SolAero, as a private company, had not adopted ASC 842 prior to the acquisition. Upon acquisition, SolAero adopted ASC 842 to align accounting policies with the Company.

⁽²⁾ Contract liabilities was recorded under ASC 606 in accordance with ASU No. 2021-08; therefore a reduction in contract liabilities related to the estimated fair values of the acquired contract liabilities was not required.

The following is a summary of identifiable intangible assets acquired and the related expected lives for the finite-lived intangible assets:

Type	Estimated Life in Years	Fair Value
Developed technology	13	\$ 10,700
In-process technology	N/A	800
Capitalized software	3	5,400
Customer relationships	12	9,000
Trademark and tradenames	12	4,700
Backlog	2	3,000
Total identifiable intangible assets acquired		<u>\$ 33,600</u>

Goodwill of \$25,902 was recorded for the SolAero Acquisition, representing the excess of the purchase price over the fair value of the identifiable net assets. Goodwill recognized primarily represents the future revenue and earnings potential and certain other assets which were acquired, but that do not meet the recognition criteria, such as assembled workforce. The goodwill is expected to be deductible for income tax purposes as, prior to the merger, SolAero held tax deductible goodwill in excess of the amount recorded.

5. CASH AND CASH EQUIVALENTS AND MARKETABLE SECURITIES

Cash and cash equivalents and marketable securities consisted of the following as of March 31, 2023 and December 31, 2022:

	March 31, 2023	December 31, 2022
Cash and cash equivalents	\$ 208,365	\$ 242,515
Marketable securities, current	190,357	229,276
Marketable securities, non-current	47,920	9,193
Total cash and cash equivalents and marketable securities	<u>\$ 446,642</u>	<u>\$ 480,984</u>

As of March 31, 2023, cash equivalents and marketable securities consisted of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash Equivalents	Marketable Securities
Money market accounts	\$ 152,085	\$ —	\$ —	\$ 152,085	\$ 152,085	\$ —
Certificates of deposit	56,248	12	(93)	56,167	—	56,167
Commercial paper	34,516	10	(31)	34,495	—	34,495
Corporate debt securities	81,185	14	(341)	80,858	—	80,858
Yankee bonds	2,923	—	(23)	2,900	—	2,900
U.S. Treasury securities	43,249	102	(21)	43,330	—	43,330
U.S. government agency bonds	8,350	4	—	8,354	—	8,354
Mortgage- and asset-backed securities	12,210	5	(42)	12,173	—	12,173
Total	<u>\$ 390,766</u>	<u>\$ 147</u>	<u>\$ (551)</u>	<u>\$ 390,362</u>	<u>\$ 152,085</u>	<u>\$ 238,277</u>

The following table presents the Company's cash equivalents and marketable securities with unrealized losses by investment category as of March 31, 2023:

	Less than 12 Months	
	Fair Value	Unrealized Losses
Certificates of deposit	\$ 40,580	\$ (93)
Commercial paper	21,392	(31)
Corporate debt securities	68,444	(341)
Yankee bonds	2,900	(23)
U.S. Treasury securities	19,392	(21)
Mortgage- and asset-backed securities	8,266	(42)
Total	<u>\$ 160,974</u>	<u>\$ (551)</u>

The Company has not observed a significant deterioration in credit quality of these securities, which are highly rated with moderate to low credit risk. Declines in value are largely attributable to current global economic conditions. The securities continue to make timely principal and interest payments, and the fair values are expected to recover as they approach maturity. The Company does not intend to sell the securities, and it is not more likely than not that the Company will be required to sell the securities, before the respective recoveries of their amortized cost bases, which may be maturity. As of March 31, 2023, the Company had not recognized an allowance for credit losses on any marketable securities in an unrealized loss position.

The following table summarizes the contractual maturities of the Company's cash equivalents and marketable securities as of March 31, 2023:

	Amortized Cost	Fair Value
Due within one year	\$ 342,885	\$ 342,442
Due within one to three years	47,881	47,920
Total	<u>\$ 390,766</u>	<u>\$ 390,362</u>

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

As of March 31, 2023 and December 31, 2022 the following financial assets and liabilities are measured at fair value on a recurring basis and are categorized using the fair value hierarchy as follows:

		March 31, 2023				
		Level 1	Level 2	Level 3	Total	
Assets:						
Cash equivalents:						
Money market accounts	\$	152,085	\$	—	\$	152,085
Marketable securities, current:						
Certificates of deposit		—	56,167	—	56,167	
Commercial paper		—	34,495	—	34,495	
Corporate debt securities		—	68,644	—	68,644	
Yankee bonds		—	2,900	—	2,900	
U.S. Treasury securities		23,938	—	—	23,938	
U.S. government agency bonds		8,354	—	—	8,354	
Mortgage- and asset-backed securities		—	405	—	405	
Marketable securities, non-current						
Corporate debt securities		—	12,214	—	12,214	
U.S. Treasury securities		19,392	—	—	19,392	
Mortgage- and asset-backed securities		—	11,768	—	11,768	
Total	\$	203,769	\$	186,593	\$	390,362
Liabilities:						
Other non-current liabilities:						
Contingent consideration	\$	—	\$	—	\$	2,100
Total	\$	—	\$	—	\$	2,100
		December 31, 2022				
		Level 1	Level 2	Level 3	Total	
Assets:						
Cash equivalents:						
Money market accounts	\$	204,027	\$	—	\$	204,027
Commercial paper		—	4,980	—	4,980	
Corporate debt securities		—	3,459	—	3,459	
Marketable securities, current:						
Certificates of deposit		—	52,713	—	52,713	
Commercial paper		—	71,885	—	71,885	
Corporate debt securities		—	62,316	—	62,316	
Yankee bonds		—	4,768	—	4,768	
U.S. Treasury securities		7,508	—	—	7,508	
U.S. government agency bonds		30,086	—	—	30,086	
Marketable securities, non-current						
Corporate debt securities		—	1,231	—	1,231	
Mortgage- and asset-backed securities		—	7,962	—	7,962	
Total	\$	241,621	\$	209,314	\$	450,935
Liabilities:						
Other non-current liabilities:						
Contingent consideration	\$	—	\$	—	\$	1,800
Total	\$	—	\$	—	\$	1,800

The estimated fair value amounts shown above are not necessarily indicative of the amounts that the Company would realize upon disposition, nor do they indicate the Company's intent or ability to dispose of the financial instrument.

There were no transfers between fair value measurement levels during the three months ended March 31, 2023.

7. INVENTORIES

Inventories as of March 31, 2023 and December 31, 2022 consisted of the following:

	March 31, 2023	December 31, 2022
Raw materials	\$ 37,198	\$ 33,376
Work in process	50,761	50,661
Finished goods	10,494	8,242
Total inventories	<u>\$ 98,453</u>	<u>\$ 92,279</u>

8. PREPAIDS AND OTHER CURRENT ASSETS

Prepays and other current assets as of March 31, 2023 and December 31, 2022 consisted of the following:

	March 31, 2023	December 31, 2022
Prepaid expenses and deposits	\$ 46,300	\$ 43,126
Government grant receivables	10,746	1,443
Other current assets	6,157	7,632
Total prepaids and other current assets	<u>\$ 63,203</u>	<u>\$ 52,201</u>

9. ASSETS HELD FOR SALE

In the first quarter of 2023, the Company updated its Electron recovery strategy by completing a marine recovery, which we believe will be a more effective and financially viable type of recovery. As a result, the Company has ceased mid-air rocket booster recovery and has begun the sale process of two helicopters. As of March 31, 2023, the Company's two helicopters met the held for sale criteria and the Company ceased depreciating these assets.

As of March 31, 2023, assets held for sale was \$11,630.

10. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net, as of March 31, 2023 and December 31, 2022 consisted of the following:

	March 31, 2023	December 31, 2022
Buildings and improvements	\$ 37,047	\$ 36,493
Machinery, equipment, vehicles and office furniture	55,454	54,300
Computer equipment, hardware and software	7,472	7,517
Launch site assets	12,685	12,822
Construction in process	22,923	26,771
Property, plant and equipment—gross	135,581	137,903
Less accumulated depreciation and amortization	(39,600)	(36,389)
Property, plant and equipment—net	<u>\$ 95,981</u>	<u>\$ 101,514</u>

Depreciation expense recorded in the condensed consolidated statements of operations and comprehensive loss during the three months ended March 31, 2023 and 2022 consisted of the following:

	Three Months Ended March 31,	
Depreciation expense	2023	2022
Cost of revenues	\$ 2,352	\$ 2,506
Research and development	818	245
Selling, general and administrative	388	342
Total depreciation expense	<u>\$ 3,558</u>	<u>\$ 3,093</u>

11. GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill

The carrying amount of goodwill for the Space Systems reportable segment was \$71,020 as of March 31, 2023 and December 31, 2022.

Intangible Assets

The components of intangible assets consisted of the following as of March 31, 2023 and December 31, 2022:

	March 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<i>Finite-Lived Intangible Assets</i>			
Developed Technology	\$ 55,765	\$ (11,519)	\$ 44,246
Capitalized software	10,432	(5,586)	4,846
Customer relationships	16,122	(2,240)	13,882
Trademarks and tradenames	10,104	(1,163)	8,941
Backlog	3,491	(2,241)	1,250
Other	1,041	(311)	730
<i>Indefinite-Lived Intangible Assets</i>			
In-process Technology	2,600	—	2,600
Total	<u>\$ 99,555</u>	<u>\$ (23,060)</u>	<u>\$ 76,495</u>
	December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<i>Finite-Lived Intangible Assets</i>			
Developed Technology	\$ 55,765	\$ (9,809)	\$ 45,956
Capitalized software	10,502	(5,023)	5,479
Customer relationships	16,122	(1,866)	14,256
Trademarks and tradenames	10,104	(947)	9,157
Backlog	3,491	(1,866)	1,625
Other	898	(279)	619
<i>Indefinite-Lived Intangible Assets</i>			
In-process Technology	2,600	—	2,600
Total	<u>\$ 99,482</u>	<u>\$ (19,790)</u>	<u>\$ 79,692</u>

Amortization expense recorded in the condensed consolidated statements of operations and comprehensive loss during the three months ended March 31, 2023 and 2022, respectively consisted of the following:

	Three Months Ended March 31,	
	2023	2022
Cost of revenues	\$ 1,782	\$ 610
Research and development	48	1,654
Selling, general and administrative	1,490	631
Total amortization expense	<u>\$ 3,320</u>	<u>\$ 2,895</u>

The following table outlines the estimated future amortization expense related to intangible assets held as of March 31, 2023:

2023 (for the remaining period)	\$	9,644
2024		11,350
2025		9,335
2026		9,174
2027		8,207
Thereafter		26,185
Total	\$	<u>73,895</u>

12. LOAN AGREEMENT

Hercules Capital Secured Term Loan

On June 10, 2021, the Company entered into a \$100,000 secured term loan agreement with Hercules Capital, Inc. (the “Hercules Capital Secured Term Loan”) and borrowed the full amount under the secured term loan agreement. The term loan has a maturity date of June 1, 2024 and is secured by substantially all of the assets of the Company. Payments due for the term loan are interest-only until the maturity date with interest payable monthly in arrears. The outstanding principal bears (i) cash interest at the greater of (a) 8.15% or (b) 8.15% plus the prime rate minus 3.25% and (ii) payment-in-kind interest of 1.25% which is accrued and added to the outstanding principal balance. Prepayment of the outstanding principal is permitted under the loan agreement and subject to certain prepayment fees. In connection with the secured term loan, the Company paid an initial facility charge of \$1,000 and the Company will be required to pay an end of term charge of \$3,250 upon repayment of the loan. The secured term loan agreement contains customary representations, warranties, non-financial covenants, and events of default. The Company is in compliance with all debt covenants related to its long-term borrowings as of March 31, 2023. As of March 31, 2023, there was \$103,658 outstanding under the Hercules Capital Secured Term Loan, of which \$2,934 is classified as current in the Company’s condensed consolidated balance sheets, with the remainder classified as long-term borrowing. As of March 31, 2023, the Company had no availability under the Hercules Capital Secured Term Loan.

13. PUBLIC AND PRIVATE WARRANTS

As part of the closing of the transactions contemplated by that certain Merger Agreement entered into with Vector Acquisition Corporation, dated March 1, 2021, as amended by Amendment No. 1 thereto, dated May 7, 2021 and Amendment No. 2 thereto, dated June 25, 2021 (the “Business Combination”), the Company assumed public warrants and private warrants to purchase up to 10,666,666 shares and 5,600,000 shares of common stock of the Company, respectively, which were exercisable at \$11.50 per share.

Until settlement, public warrants could only be exercised for a whole number of shares. No fractional shares would be issued upon exercise of the public warrants. The public warrants became exercisable on September 29, 2021.

Warrant Redemption

On December 22, 2021, the Company announced the planned redemption of all of its public warrants and private warrants. On January 20, 2022, the Company extended the redemption date of its public warrants to January 31, 2022. In connection with the redemption, Public Warrants were to be exercised by holders prior to January 31, 2022 either (i) in cash, at an exercise price of \$11.50 per share of the Company’s common stock or (ii) on a cashless basis, for 0.2843 shares of common stock per private warrant and public warrant.

During the three months ended March 31, 2022, an aggregate of 10,383,077 public warrants were exercised on a cashless basis in exchange for the issuance of 2,951,781 shares and 10,969 public warrants were exercised for an aggregate of 10,969 shares of Company common stock at an exercise price of \$11.50 per share, for aggregate cash proceeds to the Company of \$126. At the conclusion of the redemption notice period on January 31, 2022, the remaining 270,470 public warrants issued and outstanding were redeemed at a price of \$0.10 per warrant for aggregate cash payment from the Company of \$27. On January 31, 2022, the public warrants were delisted from Nasdaq. In addition, during the three months ended March 31, 2022, the 5,600,000 private warrants were exercised on a cashless basis for an aggregate of 1,592,080 shares of the Company’s common stock.

The public warrants and private warrants were remeasured to fair value as of the exercise or redemption date, resulting in a gain of \$13,482 for three months ended March 31, 2022.

14. STOCK-BASED COMPENSATION

Equity Incentive Plans

The Company has a single active equity incentive plan, the Rocket Lab 2021 Stock Option and Incentive Plan (the “2021 Plan”), with the objective of attracting and retaining available employees and directors by providing stock-based and other performance-based compensation. The 2021 Plan provides for the grant of equity awards to officers, employees, directors and other key employees as well as service providers which include incentive stock options, non-qualified stock options, restricted stock awards, unrestricted stock awards, restricted stock units or any combination of the foregoing any of which may be performance based, as determined by the Company’s Compensation Committee. An aggregate of 59,875,000 shares are reserved for the issuance of awards under the 2021 Plan. The number of shares reserved for issuance under the 2021 Plan automatically increases each January 1, beginning on January 1, 2022, by 5% of the outstanding number of shares of common stock on the immediately preceding December 31, or such lesser amount as determined by the plan administrator. The Company was authorized to issue up to 102,885,017 shares of common stock as equity awards to participants under the 2021 Plan as of March 31, 2023. There were 88,902,834 shares of common stock available for grant as of March 31, 2023.

Prior to the Business Combination, the Company maintained the Rocket Lab 2013 Stock Option and Grant Plan (the “2013 Plan”). The 2013 Plan was terminated in connection with the consummation of the Business Combination, and accordingly, no shares are available for future issuance under the 2013 Plan following the closing of the Business Combination. The 2013 Plan will continue to govern outstanding awards granted thereunder.

Total stock-based compensation recorded in the condensed consolidated statements of operations and comprehensive loss during the three months ended March 31, 2023 and 2022 consisted of the following:

Stock-based compensation	Three Months Ended March 31,	
	2023	2022
Cost of revenues	\$ 3,813	\$ 3,335
Research and development	5,022	5,026
Selling, general and administrative	5,201	3,597
Total stock-based compensation expense	<u>\$ 14,036</u>	<u>\$ 11,958</u>

Options

Options issued to all optionees under the 2013 Plan vest over four years from the date of issuance (or earlier vesting start date, as determined by the board of directors) as follows: 25% on the first anniversary of date of grant and the remaining vest monthly over the remaining vesting term.

As of March 31, 2023, total estimated unrecognized stock compensation expense related to unvested options granted under the 2013 Plan was \$13, which is expected to be recognized over the year.

Restricted Stock Units

During the three months ended March 31, 2023 and 2022, the Company granted 3,361,528 and 4,197,879 restricted stock units, respectively, to certain key employees pursuant to the 2013 Plan and 2021 Plan. The time-based service vesting condition is generally satisfied over a period of approximately four years as the employees provide service.

As of March 31, 2023, the total unrecognized compensation expense related to unvested performance-based restricted stock units granted under the 2013 Plan and 2021 Plan was \$85,380 and will be recognized upon vesting.

2021 Employee Stock Purchase Plan

In August 2021, the 2021 Employee Stock Purchase Plan (the “2021 ESPP”) was approved to reserve 9,980,000 shares of common stock for issuance for awards in accordance with the terms of the 2021 ESPP. In addition, the number of shares reserved for issuance will ultimately increase on January 1 of each year from 2022 to 2031 by the lesser of (i) 9,980,000 shares of common stock, (ii) 1% of the number of shares of common stock outstanding as of the close of business on the immediately preceding December 31 or (iii) the number of common stock shares as determined by the Company’s board of directors. The purpose of the 2021 ESPP is to enable eligible employees to use payroll deductions to purchase shares of common stock and thereby acquire an interest in the Company. Eligible employees are offered shares through a 12-month offering period, which consists of two consecutive 6-month purchase periods. Employees may purchase a limited amount of shares of our stock at a discount of up to 15% of the lesser of the fair market value at the beginning of the offering period or the end of each 6-month purchase period.

No shares were issued under the 2021 ESPP during the three months ended March 31, 2023 and 2022. As of March 31, 2023, 18,138,432 shares remain available for issuance under the 2021 ESPP. Total ESPP stock-based compensation recorded in the condensed consolidated statements of operations and comprehensive loss for the three months ended March 31, 2023 and 2022 was \$770 and \$768, respectively. As of March 31, 2023, the total unrecognized compensation expense related to the 2021 ESPP was \$1,138 and will be recognized over the remaining offering period.

15. LEASES

The Company has operating and finance leases for properties, vehicles and equipment. The Company's leases have remaining lease terms of one year to twenty-seven years, some of which include options to extend the lease term, and some of which include options to terminate the lease prior to the end of the agreed upon lease term. For purposes of calculating lease liabilities, lease terms include options to extend or terminate the lease when it is reasonably certain that the Company will exercise such options.

There have been no material changes in the Company's lease portfolio since December 31, 2022.

16. COMMITMENTS AND CONTINGENCIES

Litigation and Claims

The Company is, and from time to time may be, a party to claims and legal proceedings generally incidental to its business that are principally covered under contracts with its customers and insurance policies. In the opinion of management, there are no legal matters or claims likely to have a material adverse effect on the Company's financial position, results of operations or cash flows.

Other Commitments

The Company has commitments under its lease obligations (see Note 15).

Contingencies

The Company records a contingent liability when it is both probable that a loss has been incurred, and the amount can be reasonably estimated. If these estimates and assumptions change or prove to be incorrect, it could have a material impact on the Company's condensed consolidated financial statements. Contingencies are inherently unpredictable, and the assessments of the value can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions.

On May 23, 2016, the Company entered into a launch services agreement with a customer to provide three commercial dedicated launches which would deliver the customer's payloads over the period of 2017 through 2020. Per the terms of the agreement, each dedicated launch shall have a firm fixed price below current launch vehicle costs. During the year ended December 31, 2018, the Company determined that it was probable that the costs to provide the services as stipulated by the launch services agreement would exceed the fixed firm price of each launch. As such, the Company recorded a provision for contract loss for these three dedicated launches. During the year ended December 31, 2020, one of the three launches occurred. On April 21, 2021, the launch services agreement was amended, resulting in one additional launch and the potential for price increases on the second and third launches dependent on the customer's desired payload configuration. On March 29, 2023 and April 29, 2023, the launch services agreement was amended, to change the date by which the launch window election is to occur from March 31, 2023 to on or before May 31, 2023.

In connection with the SolAero acquisition, the Company assumed a contract with a customer to provide solar panel module at a fixed price. The Company determined that it was probable that the costs to complete the solar panel modules as stipulated by the contract would exceed the fixed firm price of the solar panel modules.

The provision for contract losses outstanding as of March 31, 2023, which primarily is related to the solar panel module agreement and the remaining three launches, was \$15,067 included in other current liabilities in the Company's condensed consolidated balance sheets.

17. INCOME TAXES

Income tax provision and the effective tax rate for the three months ended March 31, 2023 and 2022 were as follows:

	Three Months Ended March 31,	
	2023	2022
Income tax provision	\$ (526)	\$ (4,388)
Effective tax rate	(1.2)%	(19.7)%

The tax provisions for the three months ended March 31, 2023 and 2022 were computed using the estimated effective tax rates projected to be applicable for domestic and international taxable jurisdictions for the full year as adjusted for discrete items arising during each quarter.

The effective tax rate differs from the federal statutory rate due primarily to a full valuation allowance against our U.S. deferred tax assets, as well as the impact of discrete items that may occur in any given year but which are not consistent from year-to-year.

The Company is not currently under examination by the IRS, state and local, or foreign tax authorities. Due to its net operating loss carryforwards, the Company remains subject to examination for U.S. federal and state jurisdictions for all years beginning with the year ended March 31, 2016. The Company's foreign subsidiaries are generally subject to examination within four years from the end of the tax year during which the tax return was filed.

As of March 31, 2023, the Company anticipates that \$2,769 of uncertain tax positions will be settled within the next twelve months.

18. NET LOSS PER SHARE

Basic net loss per share is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding during each period.

The holder of each share of common stock has the right to one vote for each share and is entitled to notice of any stockholders' meeting and to vote upon certain events.

Diluted net loss per share is computed by dividing net loss attributable to common stockholders by the weighted average number of common and dilutive common equivalent shares outstanding for the period using the treasury-stock method. Potentially dilutive shares are comprised of restricted stock units and stock options. For the three months ended March 31, 2023 and 2022, there is no difference in the number of shares used to calculate basic and diluted shares outstanding due to the Company's net loss and potentially dilutive shares being anti-dilutive.

The following table summarizes the computation of basic and diluted net loss per share attributable to common stockholders of the Company for the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,	
	2023	2022
<u>Numerator</u>		
Net loss attributable to common stockholders-basic and diluted	\$ (45,617)	\$ (26,709)
<u>Denominator</u>		
Weighted average common shares outstanding-basic and diluted	476,199,710	456,495,288
Net loss per share attributable to common stockholders-basic and diluted	\$ (0.10)	\$ (0.06)

The following equity shares were excluded from the calculation of diluted net loss per share attributable to common stockholders because their effect would have been anti-dilutive:

	March 31,	
	2023	2022
Stock options and restricted stock units	29,851,750	30,144,103

19. SEGMENTS

The Company reports segment information based on the “management” approach. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of the Company’s reportable segments. The Company manages its business primarily based upon two operating segments, Launch Services and Space Systems. Each of these operating segments represents a reportable segment. Launch Services provides launch and launch related services to customer on a dedicated mission or ride share basis. Space Systems is comprised of space engineering, program management, spacecraft components, spacecraft manufacturing and mission operations. Although many of the Company’s contracts with customers contain elements of Space Systems and Launch Services, each reporting segment is managed separately to better align with customer’s needs and the Company’s growth plans. The chief operating decision maker evaluates the performance of its reportable segments based on gross profit. For contracts with customers that contain both Space Systems and Launch Services elements, revenues for each reporting segment are generally allocated based upon the overall costs incurred for each of the reporting segments in comparison to total overall costs of the contract. The following table shows information by reportable segment for the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,			
	2023		2022	
	Launch Services	Space Systems	Launch Services	Space Systems
Revenues	\$ 19,621	\$ 35,274	\$ 6,576	\$ 34,127
Cost of revenues	20,379	28,159	7,344	29,624
Gross profit (loss)	\$ (758)	\$ 7,115	\$ (768)	\$ 4,503

Management does not regularly review either reporting segment’s total assets or operating expenses. This is because in general, the Company’s long-lived assets, facilities, and equipment are shared by each reporting segment.

20. RELATED PARTY TRANSACTIONS

As of March 31, 2023 and December 31, 2022, there are no amounts due to or from related parties.

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

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of our condensed consolidated results of operations and financial condition. You should read this discussion and analysis in conjunction with the unaudited condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q. For additional context with which to understand our financial condition and results of operations, see the audited consolidated financial statements and accompanying notes contained therein as of December 31, 2022 and 2021 and related notes in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 as filed with the SEC on March 7, 2023. Certain amounts may not foot due to rounding. Certain information in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q contains forward-looking statements that involve numerous risks and uncertainties, including, but not limited to, those described under the sections entitled "Cautionary Note Regarding Forward-Looking Statements" and Part II, Item 1A. "Risk Factors" included in this Quarterly Report on Form 10-Q and under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022 as filed with the SEC on March 7, 2023. We assume no obligation to update any of these forward-looking statements. Actual results may differ materially from those contained in any forward-looking statements.

Overview

Rocket Lab is an end-to-end space company with an established track record of mission success. We deliver reliable launch services, spacecraft design services, spacecraft components, spacecraft manufacturing and other spacecraft and on-orbit management solutions that make it faster, easier and more affordable to access space.

While our business has historically been centered on the development of small-class launch vehicles and the related sale of launch services, we are currently innovating in the areas of medium-class launch vehicles and launch services, space systems design and manufacturing, and on-orbit management solutions. We continue to evaluate opportunities to participate in space data applications and services. Each of these initiatives addresses a critical component of the end-to-end solution and our value proposition for the space economy:

- Launch Services is the design, manufacture, and launch of orbital rockets to deploy payloads to various Earth orbits and interplanetary destinations.
- Space Systems is the design and manufacture of spacecraft, spacecraft components and spacecraft program management services, space data applications and mission operations.

Electron is our orbital small launch vehicle that was designed from the ground up to accommodate a high launch rate business model to meet the growing and dynamic needs of our customers for small launch services. Since its maiden launch in 2017, Electron has become the leading small spacecraft launch vehicle delivering 159 spacecraft to orbit for government and commercial customers across 32 successful missions through March 31, 2023. In 2022, Electron was the second most frequently launched rocket by companies operating in the United States and maintained Rocket Lab as the fourth most frequent launcher globally. Our launch services program has seen us develop many industry-leading innovations, including 3D printed electric turbo-pump rocket engines, fully carbon composite first stage fuel tanks, a private orbital launch complex, a rocket stage that can be configured to convert into a highly capable spacecraft on orbit, and the potential ability to successfully recover a stage from space, providing a path to reusability.

In March 2021, we announced plans to develop our reusable-ready medium-capacity Neutron launch vehicle which will increase the payload capacity of our space launch vehicles to approximately 15,000 kg for expendable launches to low Earth orbit and lighter payloads for reusable configurations and into higher orbits. Neutron will be tailored for commercial and U.S. government constellation launches and ultimately configurable for and capable of human space flight, enabling us to provide crew and cargo resupply to the International Space Station. Neutron will also provide a dedicated service to orbit for larger civil, defense and commercial payloads that need a level of schedule control and high-flight cadence. Neutron is expected to have the capability of launching nearly all of the spacecraft configurations that we expect to be launched through 2029 and we expect to be able to leverage Electron's flight heritage across various vehicle subsystems designs, launch complexes and ground station infrastructure.

Our space systems initiative is supported by the design and manufacture of our Photon family of small spacecraft along with a range of components, software and services for spacecraft, including reaction wheels, star trackers, radios, separation systems, solar solutions, command and control spacecraft software, high voltage space grade battery solutions, and additional products in development to serve a wide variety of sub-system functions. We entered this market with our acquisition of leading spacecraft components manufacturer Sinclair Interplanetary, and have since expanded our market participation with the acquisitions of Planetary Systems Corporation, SolAero Holdings, Inc. and aerospace software firm Advanced Solutions, Inc. Each of these strategic acquisitions brought incremental vertically-integrated capabilities for our own Photon family of spacecraft and also enabled Rocket Lab to deliver high-volume manufacturing of critical spacecraft components and software solutions at scale prices to the broader spacecraft merchant market. The Photon family of small spacecraft, which are configurable for a range of low Earth orbit, medium Earth orbit, geosynchronous orbit and interplanetary missions enable us to offer an end-to-end mission solution encompassing launch, spacecraft, ground services and mission operations to provide customers with streamlined access to orbit with Rocket Lab as a single mission partner.

Recent Developments

HASTE

We introduced the HASTE rocket (“Hypersonic Accelerator Suborbital Test Electron”), a suborbital testbed launch vehicle derived from Rocket Lab’s heritage Electron rocket. HASTE provides reliable, high-cadence flight test opportunities needed to advance hypersonic system technology development.

Key Metrics and Select Financial Data

We monitor the following key financial and operational metrics that assist us in evaluating our business, measuring our performance, identifying trends and making strategic decisions.

Launch Vehicle Build-Rate and Launch Cadence

We built approximately eight launch vehicles in 2021 and approximately 12 launch vehicles in 2022. We anticipate we will build approximately 15 launch vehicles in 2023. We launched six vehicles in 2021 and nine vehicles in 2022. We have launched three vehicles through the three months ended March 31, 2023 and launched four vehicles through May 9, 2023. The number of launches is an indicator of our ability to convert mission awards into revenue in a timely manner and demonstrate the scalability of our launch operations. Growth rates between launches and total launch service revenue are not perfectly correlated because our total revenue is affected by other variables, such as the revenue per launch, which can vary considerably based on factors such as unique orbit and insertion requirements, payload handling needs, launch location, time sensitivity of mission completion and other factors. We believe that the growth in our build rate and launch rate is a positive indicator of our ability to scale our launch operations.

Revenue Growth

Three Months Ended March 31, 2023 and 2022

We generated \$54.9 million and \$40.7 million in revenue for the three months ended March 31, 2023 and 2022, respectively, representing a year-on-year increase in revenue of approximately 35%. This year-on-year increase primarily resulted from a higher launch cadence that delivered growth of \$13.0 million.

Revenue and Cost Value Per Launch

Revenue and cost value per launch represents the average revenue and cost per launch contract attributable to launches that occurred during a period, regardless of when the revenue or cost was recognized. Revenue and cost value per launch can be a useful metric to provide insight into general competitiveness and price sensitivity in the marketplace. Revenue and cost value per launch can vary considerably, based on factors such as unique orbit and insertion requirements, payload handling needs, launch location, time sensitivity of mission completion and other factors, and as such may not provide absolute clarity with regards to pricing and competitive dynamics in the marketplace.

Three Months Ended March 31, 2023 and 2022

In the three months ended March 31, 2023 and 2022, our revenue value per launch was \$6.5 million and \$6.3 million, respectively. Meanwhile, cost per launch for the three months ended March 31, 2023 and 2022 was \$7.5 million and \$7.5 million, respectively, excluding a \$2.1 million benefit from non-recurring employee retention credit to Launch Services cost of revenue in the three months ended March 31, 2023.

Backlog

Backlog represents future revenues that we would recognize in connection with the completion of all contracts and purchase orders that have been entered into by our customers but have not yet been fulfilled, excluding any customer options for future products or services that have not yet been exercised. Contracts for launch services and spacecraft builds typically include termination rights that may be exercised by customers upon advanced notice and payment of a specified termination fee. Our backlog decreased from \$503.6 million as of December 31, 2022 to \$494.2 million as of March 31, 2023, of which \$130.4 million is related to Launch and \$363.8 million is related to Space Systems. The decrease was a result of recognizing revenue on contracts during the period, partially offset by additions to backlog.

Key Factors Affecting Our Performance

Ability to sell additional launch services, space systems service and spacecraft components to new and existing customers

Our results will be impacted by our ability to sell our launch services, space systems services, and spacecraft components to new and existing customers. We have successfully launched Electron 32 times delivering 159 spacecraft to orbit through March 31, 2023. Our spacecraft components have flown on more than 100 spacecraft and our family of Photon spacecraft has been selected for missions to the Moon, Mars and Venus. Our growth opportunity is dependent on our ability to expand our addressable launch services market with larger volumetric and higher mass payloads capabilities of our in-development medium-capacity Neutron launch vehicle, which will address large commercial and government constellation launch opportunities. Our growth opportunity is also dependent on our ability to win spacecraft constellation missions and expand our portfolio of strategic spacecraft components. Our ability to sell additional products to existing customers is a key part of our success, as follow-on purchases indicate customer satisfaction and decrease the likelihood of competitive substitution. To sell additional products and services to new and existing customers, we will need to continue to invest significant resources in our products and services.

Ability to improve profit margins and scale our business

We intend to continue to invest in initiatives to improve our operating leverage and significantly ramp production. We believe continued reduction in costs and an increase in production volumes will enable the cost of launch vehicles to decline and expand our gross margins. Our ability to achieve our production-efficiency objectives could be negatively impacted by a variety of factors including, among other things, lower-than-expected facility utilization rates, manufacturing and production cost overruns, increased purchased material costs and unexpected supply-chain quality issues or interruptions.

Government expenditures and private enterprise investment into the space economy

Government expenditures and private enterprise investment has fueled the growth in our target markets. We expect the continued availability of government expenditures and private investment for our customers to help fund purchases of our products and services will remain. This is an important factor in our company's growth prospects.

Components of Results of Operations

Revenue

Our revenues are derived from a combination of long-term fixed price contracts for launch services and spacecraft builds, and purchase order spacecraft components sales. Revenues from long-term contracts are recognized using either the "point-in-time" or "over-time" method of revenue recognition. Point-in-time revenue recognition results in cash payments being initially accrued to the balance sheet as deferred revenue as contractual milestones are accomplished and then recognized as revenue once the final contractual obligation is completed. Over-time revenue recognition is based on an input measure of progress based on costs incurred compared to estimated total costs at completion. Each project has a contractual revenue value and an estimated cost. The over-time revenue is recognized based on the percentage of the total project cost that has been realized.

Estimating future revenues and associated costs and profit is a process requiring a high degree of management judgment, including management's assumptions regarding our future operational performance as well as general economic conditions. Frequently, the period of performance of a contract extends over a long period of time and, as such, revenue recognition and our profitability from a particular contract may be affected to the extent that estimated costs to complete are revised, delivery schedules are delayed, performance-based milestones are not achieved or progress under a contract is otherwise impeded. Accordingly, our recorded revenues and operating profit from period to period can fluctuate significantly depending on when the point-in-time or over-time contractual obligations are achieved. In the event cost estimates indicate a loss on a contract, the total amount of such loss is recorded in the period in which the loss is first estimated.

Cost of Revenues

Cost of revenues consists primarily of direct material and labor costs, manufacturing overhead, other personnel-related expenses, which include salaries, bonuses, benefits and stock-based compensation expense, reserves for estimated warranty costs, freight expense and depreciation expense. Cost of revenues also includes charges to write-down the carrying value of inventory when it exceeds its estimated net realizable value, including on-hand inventory that is either obsolete or in excess of forecasted demand. We expect our cost of revenues to increase in absolute dollars in future periods as we sell more launch services, space systems and components. As we grow into our current capacity and execute on cost-reduction initiatives, we expect our cost of revenues as a percentage of revenue to decrease over time.

Because direct labor costs and manufacturing overhead comprise a significant portion of cost of revenues, increasing our production rate resulting in greater absorption of these costs is our most critical cost reduction initiative. Increasing our production rate is a cross-functional effort involving manufacturing, engineering, supply chain and finance.

Operating Expenses

Our operating expenses consist of research and development and selling, general and administrative expenses.

Research and Development, net

Research and development expense consists primarily of personnel-related expenses, consulting and contractor expenses, validation and testing expense, prototype parts and materials and depreciation expense. We intend to continue to make significant investments in developing new products and enhancing existing products, including but not limited to our medium lift Neutron launch vehicle, Electron's first stage recovery, Photon spacecraft features and capabilities, as well as on expanding our portfolio of Spacecraft components and subsystems. Research and development expense will be variable relative to the number of products that are in development, validation or testing. However, we expect it to decline as a percentage of total revenue over time.

Selling, General and Administrative

Selling, general and administrative expenses consist primarily of personnel-related expenses for our sales, marketing, supply chain, finance, legal, human resources and administrative personnel, as well as the costs of customer service, information technology, professional services insurance, travel, allocated overhead and other marketing, communications and administrative expenses. We will continue to actively promote our products and therefore we expect to incur expenses related to sales and marketing. We also expect to further invest in our corporate organization and incur additional expenses associated with operating as a public company, including increased legal and accounting costs, investor relations costs, higher insurance premiums and compliance costs. As a result, we expect that selling, general and administrative expenses will increase in absolute dollars in future periods but decline as a percentage of total revenue over time.

Interest Expense, Net

Interest expense, net consists primarily of interest expense incurred on debt and interest income consists primarily of interest income earned on our cash and cash equivalents, short-term investments balances and marketable securities.

Gain (Loss) on Foreign Exchange

Gain (loss) on foreign exchange relates to currency fluctuations that generate foreign exchange gains or losses on invoices denominated in currencies other than the United States ("U.S.") Dollar.

Change in Fair Value of Liability Classified Warrants

Change in fair value of liability classified warrants relates to changes in the fair value of warrant liabilities.

Results of Operations

Comparison of the Three Months Ended March 31, 2023 and 2022

The following table sets forth our consolidated statements of operations information and data as a percentage of revenue for the three months ended March 31, 2023 and 2022 (in thousands, except percentages):

	Three Months Ended March 31,			
	2023		2022	
	\$	%	\$	%
Revenues	\$ 54,895	100.0 %	\$ 40,703	100.0 %
Cost of revenues	48,538	88.4 %	36,968	90.8 %
Gross profit	6,357	11.6 %	3,735	9.2 %
Operating expenses:				
Research and development, net	23,905	43.5 %	13,477	33.1 %
Selling, general and administrative	28,469	51.9 %	23,078	56.7 %
Total operating expenses	52,374	95.4 %	36,555	89.8 %
Operating loss	(46,017)	(83.8) %	(32,820)	(80.6) %
Other income (expense):				
Interest expense, net	(685)	(1.2) %	(2,989)	(7.3) %
Gain (loss) on foreign exchange	134	0.2 %	(20)	0.0 %
Change in fair value of liability classified warrants	—	— %	13,482	33.1 %
Other income, net	1,477	2.7 %	26	0.1 %
Total other income, net	926	1.7 %	10,499	25.9 %
Loss before income taxes	(45,091)	(82.1) %	(22,321)	(54.7) %
Provision for income taxes	(526)	(1.0) %	(4,388)	(10.8) %
Net loss	\$ (45,617)	(83.1) %	\$ (26,709)	(65.5) %

Revenues

(in thousands, except percentages)	Three Months Ended March 31,		\$ Change	% Change
	2023	2022		
Revenues	\$ 54,895	\$ 40,703	\$ 14,192	35 %

Revenue increased by \$14.2 million, or 35%, for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022. Launch services revenue was \$19.6 million for the three months ended March 31, 2023, an increase of \$13.0 million, or 198%, primarily due to a higher launch cadence, with three launch missions completed in the three months ended March 31, 2023, versus one launch mission completed in the three months ended March 31, 2022. Space systems revenue was \$35.3 million for the three months ended March 31, 2023, an increase of \$1.1 million, or 3%.

Cost of Revenues

(in thousands, except percentages)	Three Months Ended March 31,		\$ Change	% Change
	2023	2022		
Cost of revenues	\$ 48,538	\$ 36,968	\$ 11,570	31 %

Cost of revenues increased by \$11.6 million, or 31%, for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022. Launch Service cost of revenues was \$20.4 million in the three months ended March 31, 2023, an increase of \$13.0 million or 177%, primarily due to the higher launch cadence referenced above. Space systems cost of revenue was \$28.2 million in the three months ended March 31, 2023, a decrease of \$1.5 million or 5%, primarily due to the shift of engineering labor to research and development of Neutron. Cost of revenues for the three months ended March 31, 2023 decreased to 88% of total revenue as compared to 91% during the three months ended March 31, 2022.

Research and Development, Net

(in thousands, except percentages)	Three Months Ended March 31,		\$ Change	% Change
	2023	2022		
Research and development, net	\$ 23,905	\$ 13,477	\$ 10,428	77 %

Research and development expense increased by \$10.4 million, or 77%, for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022, primarily due to Neutron development, the shift of engineering labor to development of Neutron, and increased staff cost as a result of hiring and prototype spend focused on broadening our spacecraft component product portfolio.

Selling, General and Administrative

(in thousands, except percentages)	Three Months Ended March 31,		\$ Change	% Change
	2023	2022		
Selling, general and administrative	\$ 28,469	\$ 23,078	\$ 5,391	23 %

Selling, general and administrative expense increased by \$5.4 million, or 23%, for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022, primarily due to increased costs associated with being a public company including higher staff costs, facility related expense, professional services and a \$1.6 million increase in stock-based compensation.

Interest Expense, Net

(in thousands, except percentages)	Three Months Ended March 31,		\$ Change	% Change
	2023	2022		
Interest expense, net	\$ (685)	\$ (2,989)	\$ 2,304	(77) %

Interest expense decreased by \$2.3 million, or 77%, for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022, primarily due to an increase of interest income on marketable securities and money market funds.

Gain (Loss) on Foreign Exchange

(in thousands, except percentages)	Three Months Ended March 31,		\$ Change	% Change
	2023	2022		
Gain (loss) on foreign exchange	\$ 134	\$ (20)	\$ 154	(770) %

Gain on foreign exchange increased by \$0.2 million, or 770%, for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022, primarily due to fluctuations in the foreign exchange of the New Zealand Dollar.

Change in Fair Value of Liability Classified Warrants

(in thousands, except percentages)	Three Months Ended March 31,		\$ Change	% Change
	2023	2022		
Change in fair value of liability classified warrants	\$ —	\$ 13,482	\$ (13,482)	(100) %

Change in fair value of liability classified warrants income was \$13.5 million for the three months ended March 31, 2022 as a result of the change in fair value of liability classified warrants assumed in connection with the Business Combination that were redeemed by January 31, 2022. The Company had no liability classified warrants as of March 31, 2023.

Other Income, Net

(in thousands, except percentages)	Three Months Ended March 31,		\$ Change	% Change
	2023	2022		
Other income, net	\$ 1,477	\$ 26	\$ 1,451	5581 %

Other income increased by \$1.5 million, or 5581%, for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022, primarily due to accretion of marketable securities purchased at a discount.

Provision for Income Taxes

(in thousands, except percentages)	Three Months Ended March 31,		\$ Change	% Change
	2023	2022		
Provision for income taxes	\$ (526)	\$ (4,388)	\$ 3,862	(88) %

We recorded income tax expense of \$0.5 million for the three months ended March 31, 2023 and income tax expense of \$4.4 million for the three months ended March 31, 2022. The effective tax rate was (1.2)% for the three months ended March 31, 2023, compared to (19.7)% for the three months ended March 31, 2022. The effective tax rate differs from the federal statutory rate due primarily to a full valuation allowance against our U.S. deferred tax assets, as well as the impact of discrete items that may occur in any given year but which are not consistent from year-to-year.

Liquidity and Capital Resources

Since inception, we have funded our operations with proceeds from sales of our capital stock, bank debt, research and development grant proceeds, and cash flows from the sale of our products and services. As of March 31, 2023, we had \$208.4 million of cash and cash equivalents and \$238.3 million of marketable securities. Our primary requirements for liquidity and capital are for investment in new products and technologies, the expansion of existing manufacturing facilities, working capital, debt service, acquisitions of complementary businesses, products or technologies and general corporate needs. Historically, these cash requirements have been met through the net proceeds we received through private sales of equity securities, borrowings under our credit facilities, net proceeds received in the Business Combination and payments received from customers.

We believe that our existing cash and cash equivalents and payments from customers will be sufficient to meet our working capital and capital expenditure needs for at least the next twelve months, although we may choose to take advantage of opportunistic capital raising or refinancing transactions at any time. We will continue to invest in increasing production and expanding our product offerings through acquisitions.

Our future capital requirements will depend on many factors, including our launch cadence, traction in the market with our space systems offerings, the expansion of sales and marketing activities, the timing and extent of spending to support product development efforts, the introduction of new and enhanced products, the continuing market adoption of our products, the timing and extent of additional capital expenditures to invest in existing and new office spaces and the number of acquisitions of complementary businesses, products or technologies we pursue, if any. We may be required to seek additional equity or debt financing. In the event that we require additional financing, we may not be able to raise such financing on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in continued product innovation, we may not be able to compete successfully, which would harm our business, operations and financial condition.

Additionally, we expect our capital and operating expenditures will increase significantly in connection with ongoing activities as we:

- increase our investment in marketing, advertising, sales and distribution infrastructure for our existing and future products and services;
- develop additional new products and enhancements to existing products;
- obtain, maintain and improve our operational, financial and management performance;
- hire additional personnel;
- obtain, maintain, expand and protect our intellectual property portfolio; and
- continue to operate as a public company.

Indebtedness

Hercules Capital Secured Term Loan

On June 10, 2021, the Company entered into a \$100 million secured term loan agreement with Hercules Capital, Inc. (the “Hercules Capital Secured Term Loan”) and borrowed the full amount under the secured term loan agreement. The term loan has a maturity date of June 1, 2024 and is secured by substantially all of the assets of the Company. Payments due for the term loan are interest-only until the maturity date with interest payable monthly in arrears. The outstanding principal bears (i) cash interest at the greater of (a) 8.15% or (b) 8.15% plus the prime rate minus 3.25% and (ii) payment-in-kind interest of 1.25% which is accrued and added to the outstanding principal balance. Prepayment of the outstanding principal is permitted under the loan agreement and subject to certain prepayment fees. In connection with the secured term loan, the Company paid an initial facility charge of \$1 million and the Company will be required to pay an end of term charge of \$3.25 million upon repayment of the loan. The secured term loan agreement contains customary representations, warranties, non-financial covenants, and events of default. The Company is in compliance with all debt covenants related to its long-term borrowings as of March 31, 2023. As of March 31, 2023, there was \$103.7 million outstanding under the Hercules Capital Secured Term Loan, of which \$2.9 million was classified as current in the Company’s condensed consolidated balance sheets, with the remainder classified as a long-term borrowing. As of March 31, 2023, the Company had no availability under the Hercules Capital Secured Term Loan.

Cash Flows

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

(in thousands)	Three Months Ended March 31,	
	2023	2022
Net cash provided by (used in):		
Operating activities	\$ (25,385)	\$ (26,339)
Investing activities	(10,969)	(71,830)
Financing activities	2,058	14,444
Effect of exchange rate changes	127	(574)
Net decrease in cash, cash equivalents, and restricted cash	<u>\$ (34,169)</u>	<u>\$ (84,299)</u>

Cash Flows from Operating Activities

Net cash used in operating activities was \$25.4 million for the three months ended March 31, 2023 consisted of \$45.6 million in operating loss, \$22.3 million in non-cash expense and \$2.1 million in cash used in operating assets and liabilities. Included in the non-cash expense are \$14.0 million in stock-based compensation expense and \$7.0 million in depreciation and amortization. Included in the cash used in operating assets and liabilities are \$17.3 million increase in contract liabilities, \$14.1 million increase in accounts receivable, \$11.3 million increase in trade payables, \$10.0 million increase in prepaids and other assets and \$6.7 million increase in inventory.

Cash Flows from Investing Activities

Cash used in investing activities for the three months ended March 31, 2023 of \$11.0 million was primarily driven by capital equipment and infrastructure investments of \$12.7 million. These investments included the purchases of equipment, including printers and milling machines, and tenant improvements to support Neutron production and Space Systems infrastructure. Cash used in investing activities was partially offset by \$1.7 million of net cash provided by investing activities related to purchases and maturities of marketable securities.

Cash Flows from Financing Activities

Cash provided by financing activities for the three months ended March 31, 2023 of \$2.1 million was primarily related to \$3.1 million of net proceeds from our equity offerings which includes proceeds from sale of employees restricted stock units to cover taxes, stock options and employee stock purchase plan and applicable tax withholdings and payments, offset by \$1.0 million payment of contingent consideration related to an acquisition.

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies and estimates as disclosed in our audited financial statements included in our Form 10-K for the year ended December 31, 2022, as filed with the SEC on March 7, 2023.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under applicable SEC rules.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in foreign currency exchange rates and interest rates.

Foreign Currency Exchange Risk

Our reporting currency is the U.S. dollar, and the functional currency of each of our subsidiaries is either its local currency or the U.S. dollar. The assets and liabilities of each of our subsidiaries are translated into U.S. dollars at exchange rates in effect at each balance sheet date and operations accounts are translated using the average exchange rate for the relevant period. Increases or decreases in the relative value of the U.S. dollar to other currencies may positively or negatively affect revenue and other operating results as expressed in U.S. dollars. Foreign currency translation adjustments are accounted for as a component of accumulated other comprehensive income (loss) within stockholders' equity. Gains or losses due to transactions in foreign currencies are reflected in the condensed consolidated statements of operations under the line item "Gain (Loss) in Foreign Exchange." Materially all of our revenues are denominated in U.S. dollars and we have not engaged in the hedging of foreign currency risk to date, although we may choose to do so in the future. As such, a 10% or greater move in exchange rates versus the U.S. dollar could have a material impact on our financial results and position.

Interest Rate Risk

As of March 31, 2023, we had cash and cash equivalents of \$208.4 million, comprised primarily of operating accounts and money market instruments and \$238.3 million invested in marketable securities, comprised of commercial paper, corporate debt securities, bank certificates of deposit, U.S. Treasury bills and notes and asset backed securities. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure.

Impact of Inflation

We do not believe that inflation has had a material effect on our business, results of operations, or financial condition. Nonetheless, if our costs were to become subject to significant inflationary pressures it could diminish our margin thereby limiting our profits, especially if we are not able to fully offset such higher costs. Our inability or failure to do so could harm our business, financial condition, and results of operations.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (2) accumulated and communicated to our management, including our principal executive and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to our management, including our Chief Executive Officer (our principal executive officer) and Chief Financial Officer (our principal financial officer), as appropriate to allow timely decisions regarding required disclosures.

As required by paragraph (b) of Rules 13a-15 and 15d-15 under the Exchange Act, our management, with the participation of our principal executive officer and principal financial officer, concluded that, as of March 31, 2023, due to material weaknesses in internal control over financial reporting at its wholly owned subsidiary, SolAero, which the Company acquired on January 18, 2022, the Company’s disclosure controls and procedures were not effective. In accordance with interpretive guidance issued by SEC staff, the Company excluded SolAero from its assessment of disclosure controls and procedures and internal control over financial reporting during the first year after completion of the acquisition. As of March 31, 2023, the SolAero subsidiary is included in the above assessment regarding the effectiveness of the Company’s disclosure controls and procedures. Notwithstanding the ineffective disclosure controls and procedures as a result of the identified material weaknesses in its SolAero subsidiary, management has concluded that the consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q present fairly, in all material respects, the Company’s financial position, results of operations and cash flows in accordance with generally accepted accounting principles in the United States of America.

Previously Identified Material Weaknesses in Internal Control over Financial Reporting

In connection with the audit of Rocket Lab as of and for the year ended December 31, 2022, we previously identified material weaknesses related to systematic controls over segregation of duties for recording journal entries, limiting privileged-level access and change management for general IT systems at SolAero. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement in annual or interim financial statements will not be prevented or detected on a timely basis. At December 31, 2022 and for the period from acquisition through December 31, 2022, total assets and total revenues subject to SolAero’s internal control over financial reporting represented 14% and 38% of consolidated total assets and total revenues, as of and for the year ended December 31, 2022.

Management has established a remediation plan and has implemented or is in the process of implementing the following items:

- systematic controls to ensure appropriate segregation of duties;
- effective controls to limit privileged-level access; and
- effective controls to test and approve changes to IT systems before changes are put into production environment.

While these actions and planned actions are subject to ongoing management evaluation and will require validation and testing of the design and operating effectiveness of internal controls over a sustained period of financial reporting cycles, we are committed to the continuous improvement of our internal controls over financial reporting and will continue to diligently review our internal control over financial reporting.

Changes in Internal Control over Financial Reporting

Other than as discussed above with respect to the integration of SolAero, identified material weaknesses and remediation efforts, there was no change in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may become involved in litigation relating to claims arising from the ordinary course of business. Our management believes that there are currently no claims or actions pending against us, the ultimate disposition of which could have a material adverse effect on our results of operations or financial condition.

Item 1A. Risk Factors

Other than the risk factors set forth below, there have been no material changes from the risk factors previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on March 7, 2023.

Adverse developments affecting the financial services industry, such as actual events or concerns involving liquidity, defaults, or non-performance by financial institutions or transactional counterparties, could adversely affect the Company's current and projected business operations and its financial condition and results of operations.

Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. For example, on March 10, 2023, Silicon Valley Bank ("SVB") was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver. Similarly, on March 12, 2023, Signature Bank and Silvergate Capital Corp. were each swept into receivership. Most recently, First Republic Bank was placed into receivership on May 1, 2023. In addition, it is possible that other regional banking institutions may experience similar deposit outflows or lack of confidence leading to further turmoil in the market. Although a statement by the Department of the Treasury, the Federal Reserve and the FDIC indicated that all depositors of SVB would have access to all of their money after only one business day of closure, including funds held in uninsured deposit accounts, borrowers under credit agreements, letters of credit and certain other financial instruments with SVB, Signature Bank or any other financial institution that is placed into receivership by the FDIC may be unable to access undrawn amounts thereunder. Although we are not a borrower or party to any such instruments with SVB, Signature or any other financial institution currently in receivership, if any of our lenders or counterparties to any such instruments were to be placed into receivership, we may be unable to access such funds. In addition, if any of our customers, suppliers or other parties with whom we conduct business are unable to access funds pursuant to such instruments or lending arrangements with such a financial institution, such parties' ability to pay their obligations to us or to enter into new commercial arrangements requiring additional payments to us could be adversely affected. In this regard, counterparties to SVB credit agreements and arrangements, and third parties such as beneficiaries of letters of credit (among others), may experience direct impacts from the closure of SVB and uncertainty remains over liquidity concerns in the broader financial services industry. Similar impacts have occurred in the past, such as during the 2008-2010 financial crisis.

As of May 8, 2023, we had deposit accounts with SVB with an aggregate balance of approximately \$0.9 million.

Inflation and rapid increases in interest rates have led to a decline in the trading value of previously issued government securities with interest rates below current market interest rates. Although the U.S. Department of Treasury, FDIC and Federal Reserve Board have announced a program to provide up to \$25 billion of loans to financial institutions secured by certain of such government securities held by financial institutions to mitigate the risk of potential losses on the sale of such instruments, widespread demands for customer withdrawals or other liquidity needs of financial institutions for immediately liquidity may exceed the capacity of such program. Additionally, there is no guarantee that the U.S. Department of Treasury, FDIC and Federal Reserve Board will provide access to uninsured funds in the future in the event of the closure of other banks or financial institutions, or that they would do so in a timely fashion.

Although we assess our banking and customer relationships as we believe necessary or appropriate, our access to funding sources and other credit arrangements in amounts adequate to finance or capitalize our current and projected future business operations could be significantly impaired by factors that affect the Company, the financial institutions with which the Company has credit agreements or arrangements directly, or the financial services industry or economy in general. These factors could include, among others, events such as liquidity constraints or failures, the ability to perform obligations under various types of financial, credit or liquidity agreements or arrangements, disruptions or instability in the financial services industry or financial markets, or concerns or negative expectations about the prospects for companies in the financial services industry. These factors could involve financial institutions or financial services industry companies with which the Company has financial or business relationships, but could also include factors involving financial markets or the financial services industry generally.

The results of events or concerns that involve one or more of these factors could include a variety of material and adverse impacts on our current and projected business operations and our financial condition and results of operations. These could include, but may not be limited to, the following:

- Delayed access to deposits or other financial assets or the uninsured loss of deposits or other financial assets;
- Delayed or lost access to, or reductions in borrowings available under revolving existing credit facilities or other working capital sources and/or delays, inability or reductions in the company's ability to refund, roll over or extend the maturity of, or enter into new credit facilities or other working capital resources;
- Potential or actual breach of contractual obligations that require the Company to maintain letters of credit or other credit support arrangements;
- Potential or actual breach of financial covenants in our credit agreements or credit arrangements;
- Potential or actual cross-defaults in other credit agreements, credit arrangements or operating or financing agreements; or
- Termination of cash management arrangements and/or delays in accessing or actual loss of funds subject to cash management arrangements.

In addition, investor concerns regarding the U.S. or international financial systems could result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, thereby making it more difficult for us to acquire financing on acceptable terms or at all. Any decline in available funding or access to our cash and liquidity resources could, among other risks, adversely impact our ability to meet our operating expenses, financial obligations or fulfill our other obligations, result in breaches of our financial and/or contractual obligations or result in violations of federal or state wage and hour laws. Any of these impacts, or any other impacts resulting from the factors described above or other related or similar factors not described above, could have material adverse impacts on our liquidity and our current and/or projected business operations and financial condition and results of operations.

In addition, any further deterioration in the macroeconomic economy or financial services industry could lead to losses or defaults by our customers or suppliers, which in turn, could have a material adverse effect on our current and/or projected business operations and results of operations and financial condition. For example, a customer may fail to make payments when due, default under their agreements with us, become insolvent or declare bankruptcy, or a supplier may determine that it will no longer deal with us as a customer. In addition, a customer or supplier could be adversely affected by any of the liquidity or other risks that are described above as factors that could result in material adverse impacts on the Company, including but not limited to delayed access or loss of access to uninsured deposits or loss of the ability to draw on existing credit facilities involving a troubled or failed financial institution. Any customer or supplier bankruptcy or insolvency, or the failure of any customer to make payments when due, or any breach or default by a customer or supplier, or the loss of any significant supplier relationships, could result in material losses to the Company and may have a material adverse impact on our business.

Item 2. Recent Sales of Unregistered Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
31.1*	Certification of Principal Executive Officer pursuant to Exchange Act rules 13a-14 or 15d-14.
31.2*	Certification of Principal Financial Officer pursuant to Exchange Act rules 13a-14 or 15d-14.
32.1*†	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Exchange Act rules 13a-14(b) or 15d-14(b) and 18 U.S.C. Section 1350.
101.INS*	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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)

* Filed herewith.

† The certification furnished in Exhibit 32.1 hereto is deemed to be furnished with this Quarterly Report on Form 10-Q and will not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the Registrant specifically incorporates it by reference.

‡ Management contract or compensatory plan or arrangement.

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.

	ROCKET LAB USA, INC.
May 9, 2023	By: <u>/s/ Peter Beck</u> Peter Beck <i>President, Chief Executive Officer and Chairman</i> <i>(Principal Executive Officer)</i>
May 9, 2023	By: <u>/s/ Adam Spice</u> Adam Spice <i>Chief Financial Officer</i> <i>(Principal Financial and Accounting Officer)</i>

**CERTIFICATION PURSUANT TO SECURITIES AND EXCHANGE ACT OF 1934
RULE 13A-14 AS ADOPTED PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002**

CERTIFICATION

I, Peter Beck, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Rocket Lab USA, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2023

By: /s/ Peter Beck

Peter Beck
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO SECURITIES AND EXCHANGE ACT OF 1934
RULE 13A-14 AS ADOPTED PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002**

CERTIFICATION

I, Adam Spice, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Rocket Lab USA, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2023

By: /s/ Adam Spice

Adam Spice
Chief Financial Officer
(Principal Financial and Accounting Officer)

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

In connection with the Quarterly Report on Form 10-Q of Rocket Lab USA, Inc. (the “Company”) for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to their knowledge:

- 1) the Report which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2023

By: /s/ Peter Beck

Peter Beck
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 9, 2023

By: /s/ Adam Spice

Adam Spice
Chief Financial Officer
(Principal Financial and Accounting Officer)
