

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2024

OR

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

For the transition period from _____ to _____

Commission File Number: 001-39560

ROCKET LAB USA, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

98-1550340

(I.R.S. Employer
Identification No.)

3881 McGowen Street

Long Beach, California

(Address of principal executive offices)

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 2, 2024, the registrant had 492,779,716 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, including due to any government action related to launch failure and our ability to operate, could adversely impact our business, financial condition and results of operations;
 - our inability to develop our Neutron Launch Vehicle (“Neutron”) or significant delays in developing 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;
 - significant delays in the production or manufacturing of our spacecraft, space systems or space system components or our spacecraft, space systems or space system components failing to operate as intended could have a material adverse effect on our business, financial condition and results of operations;
 - 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 or Israel;
 - fluctuations in foreign exchange rates;
-

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- 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;
- the inability to maintain effective internal controls;
- the inability or failure to comply with contractual requirements or covenants;
- 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;
- our inability to effectively integrate or benefit from recently purchased assets or businesses;
- 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 a 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 a 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, 2024

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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, 2024 AND DECEMBER 31, 2023
(in thousands, except share and per share values)

	March 31, 2024 (unaudited)	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 365,929	\$ 162,518
Marketable securities, current	126,593	82,255
Accounts receivable, net	31,167	35,176
Contract assets	14,895	12,951
Inventories	99,901	107,857
Prepays and other current assets	78,606	66,949
Assets held for sale	8,532	9,016
Total current assets	725,623	476,722
Non-current assets:		
Property, plant and equipment, net	148,087	145,409
Intangible assets, net	66,845	68,094
Goodwill	71,020	71,020
Right-of-use assets - operating leases	56,870	59,401
Right-of-use assets - finance leases	14,827	14,987
Marketable securities, non-current	68,566	79,247
Restricted cash	3,849	3,916
Deferred income tax assets, net	3,353	3,501
Other non-current assets	22,884	18,914
Total assets	<u>\$ 1,181,924</u>	<u>\$ 941,211</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Trade payables	\$ 25,995	\$ 29,303
Accrued expenses	9,091	5,590
Employee benefits payable	13,934	16,342
Contract liabilities	150,535	139,338
Current installments of long-term borrowings	10,996	17,764
Other current liabilities	21,911	15,036
Total current liabilities	232,462	223,373
Non-current liabilities:		
Convertible senior notes, net	343,829	—
Long-term borrowings, net, excluding current installments	52,717	87,587
Non-current operating lease liabilities	54,101	56,099
Non-current finance lease liabilities	15,177	15,238
Deferred tax liabilities	530	426
Other non-current liabilities	4,162	3,944
Total liabilities	702,978	386,667
COMMITMENTS AND CONTINGENCIES (Note 15)		
Stockholders' equity:		
Common stock, \$0.0001 par value; authorized shares: 2,500,000,000; issued and outstanding shares: 492,670,716 and 488,923,055 at March 31, 2024 and December 31, 2023, respectively	49	49
Additional paid-in capital	1,148,484	1,176,484
Accumulated deficit	(667,786)	(623,526)
Accumulated other comprehensive income (loss)	(1,801)	1,537
Total stockholders' equity	478,946	554,544
Total liabilities and stockholders' equity	<u>\$ 1,181,924</u>	<u>\$ 941,211</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, 2024 AND 2023
(unaudited; in thousands, except share and per share data)

	Three Months Ended March 31,	
	2024	2023
Revenues	\$ 92,767	\$ 54,895
Cost of revenues	68,593	48,538
Gross profit	24,174	6,357
Operating expenses:		
Research and development, net	38,504	23,905
Selling, general and administrative	28,749	28,469
Total operating expenses	67,253	52,374
Operating loss	(43,079)	(46,017)
Other income (expense):		
Interest expense, net	(898)	(685)
Gain on foreign exchange	311	134
Other (expense) income, net	(589)	1,477
Total other (expense) income, net	(1,176)	926
Loss before income taxes	(44,255)	(45,091)
Provision for income taxes	(5)	(526)
Net loss	\$ (44,260)	\$ (45,617)
Other comprehensive loss, net of tax:		
Foreign currency translation loss	(3,075)	(938)
Unrealized gain (loss) on available-for-sale marketable securities	(263)	368
Comprehensive loss	\$ (47,598)	\$ (46,187)
Net loss per share attributable to Rocket Lab USA, Inc.:		
Basic and diluted	\$ (0.09)	\$ (0.10)
Weighted-average common shares outstanding:		
Basic and diluted	489,994,709	476,199,710

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, 2024 AND 2023
(unaudited; in thousands, except share and per share data)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Other Comprehensiv e Income (Loss)	Total
	Shares	Amount				
December 31, 2023	488,923,055	\$ 49	\$ 1,176,484	\$ (623,526)	\$ 1,537	\$ 554,544
Net loss	—	—	—	(44,260)	—	(44,260)
Issuance of common stock under equity plans	3,747,661	—	943	—	—	943
Stock-based compensation	—	—	14,225	—	—	14,225
Purchase of capped calls	—	—	(43,168)	—	—	(43,168)
Other comprehensive loss	—	—	—	—	(3,338)	(3,338)
March 31, 2024	<u>492,670,716</u>	<u>\$ 49</u>	<u>\$ 1,148,484</u>	<u>\$ (667,786)</u>	<u>\$ (1,801)</u>	<u>\$ 478,946</u>

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Other Comprehensiv e 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>

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, 2024 AND 2023
(unaudited; in thousands)

	For the Three Months Ended March 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (44,260)	\$ (45,617)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	8,313	7,033
Stock-based compensation expense	13,093	14,036
Loss on disposal of assets	3	5
Loss on extinguishment of long-term debt	1,330	—
Amortization of debt issuance costs and discount	639	709
Noncash lease expense	1,491	988
Change in the fair value of contingent consideration	(271)	300
Accretion of marketable securities purchased at a discount	(842)	(1,147)
Deferred income taxes	78	420
Changes in operating assets and liabilities:		
Accounts receivable, net	3,939	(14,116)
Contract assets	(1,944)	(3,109)
Inventories	7,509	(6,712)
Prepays and other current assets	(5,303)	(10,035)
Other non-current assets	(4,266)	103
Trade payables	(1,673)	11,305
Accrued expenses	3,200	403
Employee benefits payables	(622)	1,294
Contract liabilities	11,205	17,292
Other current liabilities	6,729	2,305
Non-current lease liabilities	(1,425)	(891)
Other non-current liabilities	489	49
Net cash used in operating activities	(2,588)	(25,385)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, equipment and software	(19,177)	(12,674)
Purchases of marketable securities	(79,359)	(76,394)
Maturities of marketable securities	46,280	78,099
Net cash used in investing activities	(52,256)	(10,969)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the exercise of stock options and public warrants	943	771
Proceeds from Employee Stock Purchase Plan	507	1,202
Proceeds from sale of employees restricted stock units to cover taxes	5,119	3,078
Minimum tax withholding paid on behalf of employees for restricted stock units	(5,163)	(1,915)
Payment of contingent consideration	—	(1,000)
Purchase of capped calls related to issuance of convertible senior notes	(43,168)	—
Proceeds from issuance of convertible senior notes	355,000	—
Repayments on Trinity Loan Agreement	(43,215)	—
Payment of debt issuance costs	(11,226)	—
Finance lease principal payments	(90)	(78)
Net cash provided by financing activities	258,707	2,058
Effect of exchange rate changes on cash and cash equivalents	(519)	127
Net increase (decrease) in cash and cash equivalents and restricted cash	203,344	(34,169)
Cash and cash equivalents, and restricted cash, beginning of period	166,434	245,871
Cash and cash equivalents, and restricted cash, end of period	\$ 369,778	\$ 211,702
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 2,270	\$ 3,417
Cash paid for income taxes	26	315
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Unpaid purchases of property, equipment and software	1,580	924
Right-of-use assets obtained in exchange for new operating lease liabilities	—	908
Accrued debt issuance costs	979	—
Issuance of common stock for payment of accrued bonus	1,795	—

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, 2024 AND DECEMBER 31, 2023 AND FOR THE
THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(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 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, 2024, 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, 2024, except for the addition of accounting policies with respect to convertible senior notes and capped call transactions 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, 2023, as filed with the SEC on February 28, 2024.

Convertible Senior Notes

The Company accounts for convertible senior notes under Accounting Standards Codification (“ASC”) ASC 470-20 - *Debt with Conversion and Other Options and Derivatives and Hedging—Contracts in Entity’s Own Equity* (“ASU 2020-06”). The Company records the convertible senior notes as a long-term liability at face value net of debt issuance costs. If any of the conditions to the convertibility of the convertible senior notes is satisfied, or the convertible senior notes become due within one year, then the Company may be required under applicable accounting standards to reclassify the carrying value of the convertible senior notes as a current, rather than a long-term liability.

Debt issuance costs related to the convertible senior notes were capitalized and recorded as a contra-liability and are presented net against the convertible senior notes balance on the condensed consolidated balance sheets. Debt issuance costs consist of underwriting, legal and other direct costs related to the issuance of the convertible senior notes and are amortized to interest expense over the term of the convertible senior notes using the effective interest method.

Capped Call Transactions

Capped call transactions cover the aggregate number of shares of the Company's common stock that will initially underlie the convertible senior notes. The Company determined that the freestanding capped call option contracts qualify as equity under the accounting guidance on indexation and equity classification, and recognized the contract by recording an entry to "Additional paid-in capital" ("APIC") in stockholders' equity in its condensed consolidated balance sheets. The Company also determined that the capped call option contracts meet the definition of a derivative under ASC Topic 815, "Derivatives and Hedging" ("ASC 815"), but are not required to be accounted for as a derivative as they meet the scope exception outlined in ASC 815. The capped call options are recorded in APIC and not remeasured.

Recent Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2023-07, Segment Reporting (Topic 280): *Improvements to Reportable Segment Disclosures* ("ASU 280"), which requires a public entity to disclose significant segment expenses and other segment items on an annual and interim basis and provide in interim periods all disclosures about a reportable segment's profit or loss and assets that are currently required annually. ASU 280 requires a public entity to disclose the title and position of the Chief Operating Decision Maker. ASU 280 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. A public entity should apply the amendments in ASU 280 retrospectively to all prior periods presented in the financial statements. The Company is assessing the potential impact of adopting ASU 280 on its financial statements.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): *Improvements to Income Tax Disclosures* ("ASU 740"), which focuses on the rate reconciliation and income taxes paid. ASU 740 requires a public business entity ("PBE") to disclose, on an annual basis, a tabular rate reconciliation using both percentages and currency amounts, broken out into specified categories with certain reconciling items further broken out by nature and jurisdiction to the extent those items exceed a specified threshold. In addition, all entities are required to disclose income taxes paid, net of refunds received disaggregated by federal, state/local, and foreign and by jurisdiction if the amount is at least 5% of total income tax payments, net of refunds received. For PBEs, the new standard is effective for annual periods beginning after December 15, 2024, with early adoption permitted. An entity may apply the amendments in ASU 740 prospectively by providing the revised disclosures for the period ending December 31, 2025 and continuing to provide the pre-ASU 740 disclosures for the prior periods, or may apply the amendments retrospectively by providing the revised disclosures for all period presented. The Company is assessing the potential impact of adopting ASU 740 on its financial statements.

In March 2024, the SEC adopted final rules requiring public entities to provide certain climate-related information in their registration statements and annual reports. As part of the disclosures, entities will be required to quantify certain effects of severe weather events and other natural conditions in a note to their audited financial statements. The rules will be effective for large accelerated filers in annual periods beginning in calendar-year 2025. On April 4, 2024, the SEC voluntarily stayed implementation of the final rule to facilitate the orderly judicial resolution of pending legal challenges to the rule. The Company is assessing the effect of the new rules on our consolidated financial statements and related disclosures.

3. REVENUES

The following table provides information about revenue by recognition model during the three months ended March 31, 2024 and 2023:

Revenues by recognition model	Three Months Ended March 31,	
	2024	2023
Point-in-time	\$ 44,109	\$ 28,662
Over-time	48,658	26,233
Total revenue by recognition model	\$ 92,767	\$ 54,895

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, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
Contract balances		
Accounts receivable, net	\$ 31,167	\$ 35,176
Contract assets	14,895	12,951
Contract liabilities	(150,535)	(139,338)

Changes in contract liabilities for the three months ended March 31, 2024 were as follows:

Contract liabilities, at December 31, 2023	\$	139,338
Customer advances received or billed		68,370
Recognition of unearned revenue		(57,173)
Contract liabilities, at March 31, 2024	\$	150,535

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, 2024 and 2023 was not material.

Backlog

The Company's backlog represents the estimated transaction prices on performance obligations to the Company's customers for which work remains to be performed. The amount of backlog 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 backlog when an enforceable agreement has been reached. Remaining backlog totaled \$1,015,339 as of March 31, 2024, of which approximately 42% is expected to be recognized within 12 months, with the remaining 58% to be recognized beyond 12 months.

Concentration of Credit Risk and Significant Customers

As of March 31, 2024, the Company's customers that accounted for 10% or more of the total accounts receivable, net, were:

	March 31, 2024
Lockheed Martin Corporation	17 %
MDA Corporation	14 %
Northrop Grumman Corporation	13 %

For the three months ended March 31, 2024, the Company's customers that accounted for 10% or more of the total revenue, were as follows:

	Three Months Ended March 31, 2024
MDA Corporation	25 %
U.S. government customer	12 %

Customer Financing

In connection with the signing of two separate multi-launch agreements with commercial customers, the Company entered into subordinated loan and security agreements. The commercial customers may choose to have certain milestone payments financed under the terms of the subordinated loan and security agreements. The receivables will bear no interest until the initial launch dates passes, after which interest will accrue at a fixed rate of 10.8% or 12.6%, respectively based on the commercial customer. Principal and interest payments will be made over 12 quarterly payments from the launch date.

As of March 31, 2024, the Company had \$3,733 customer financing in prepaid and other currents assets and \$16,200 customer financing receivable in other non-current assets on the condensed consolidated balance sheets. Customer financing interest income for the three months ended March 31, 2024 was \$252.

4. CASH AND CASH EQUIVALENTS AND MARKETABLE SECURITIES

Cash and cash equivalents and marketable securities consisted of the following as of March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
Cash and cash equivalents	\$ 365,929	\$ 162,518
Marketable securities, current	126,593	82,255
Marketable securities, non-current	68,566	79,247
Total cash and cash equivalents and marketable securities	<u>\$ 561,088</u>	<u>\$ 324,020</u>

As of March 31, 2024, 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	\$ 329,079	\$ —	\$ —	\$ 329,079	\$ 329,079	\$ —
Certificates of deposit	27,541	8	(1)	27,548	—	27,548
Commercial paper	16,067	—	(10)	16,057	—	16,057
Corporate debt securities	68,010	44	(136)	67,918	—	67,918
Yankee bonds	4,888	3	(6)	4,885	—	4,885
U.S. Treasury securities	57,963	—	(459)	57,504	—	57,504
Mortgage- and asset-backed securities	21,230	24	(7)	21,247	—	21,247
Total	<u>\$ 524,778</u>	<u>\$ 79</u>	<u>\$ (619)</u>	<u>\$ 524,238</u>	<u>\$ 329,079</u>	<u>\$ 195,159</u>

The following table presents the Company's marketable securities with unrealized losses by investment category and the length of time the marketable securities have been in a continuous loss position as of March 31, 2024:

	In Loss Position for Less than 12 Months		In Loss Position for Greater than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Certificates of deposit	\$ 12,659	\$ (1)	\$ —	\$ —	\$ 12,659	\$ (1)
Commercial paper	14,373	(10)	—	—	14,373	(10)
Corporate debt securities	48,488	(130)	1,244	(6)	49,732	(136)
Yankee bonds	2,178	(6)	—	—	2,178	(6)
U.S. Treasury securities	57,504	(459)	—	—	57,504	(459)
Mortgage- and asset-backed securities	6,764	(6)	472	(1)	7,236	(7)
Total	<u>\$ 141,966</u>	<u>\$ (612)</u>	<u>\$ 1,716</u>	<u>\$ (7)</u>	<u>\$ 143,682</u>	<u>\$ (619)</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, 2024, 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, 2024:

	Amortized Cost	Fair Value
Due within one year	\$ 456,006	\$ 455,672
Due within one to two years	68,772	68,566
Total	<u>\$ 524,778</u>	<u>\$ 524,238</u>

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

As of March 31, 2024 and December 31, 2023 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, 2024				
		Level 1	Level 2	Level 3	Total	
Assets:						
Cash equivalents:						
Money market accounts	\$	329,079	\$	—	\$	329,079
Marketable securities, current:						
Certificates of deposit		—	27,548	—	27,548	
Commercial paper		—	16,057	—	16,057	
Corporate debt securities		—	39,300	—	39,300	
Yankee bonds		—	4,146	—	4,146	
U.S. Treasury securities		39,451	—	—	39,451	
Mortgage- and asset-backed securities		—	91	—	91	
Marketable securities, non-current						
Corporate debt securities		—	28,618	—	28,618	
Yankee bonds		—	739	—	739	
U.S. Treasury securities		18,053	—	—	18,053	
Mortgage- and asset-backed securities		—	21,156	—	21,156	
Total	\$	386,583	\$	137,655	\$	524,238
Liabilities:						
Other non-current liabilities:						
Contingent consideration	\$	—	\$	—	\$	785
Total	\$	—	\$	—	\$	785

		December 31, 2023				
		Level 1	Level 2	Level 3	Total	
Assets:						
Cash equivalents:						
Money market accounts	\$	121,491	\$	—	\$	121,491
Marketable securities, current:						
Certificates of deposit		—	24,590	—	24,590	
Commercial paper		—	10,484	—	10,484	
Corporate debt securities		—	41,871	—	41,871	
Yankee bonds		—	2,676	—	2,676	
U.S. Treasury securities		2,633	—	—	2,633	
Marketable securities, non-current						
Corporate debt securities		—	10,968	—	10,968	
U.S. Treasury securities		54,900	—	—	54,900	
Mortgage- and asset-backed securities		—	13,380	—	13,380	
Total	\$	179,024	\$	103,969	\$	282,993
Liabilities:						
Other non-current liabilities:						
Contingent consideration	\$	—	\$	—	\$	1,056
Total	\$	—	\$	—	\$	1,056

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, 2024.

6. INVENTORIES

Inventories as of March 31, 2024 and December 31, 2023 consisted of the following:

	March 31, 2024	December 31, 2023
Raw materials	\$ 42,142	\$ 45,062
Work in process	48,821	53,628
Finished goods	8,938	9,167
Total inventories	<u>\$ 99,901</u>	<u>\$ 107,857</u>

7. PREPAIDS AND OTHER CURRENT ASSETS

Prepays and other current assets as of March 31, 2024 and December 31, 2023 consisted of the following:

	March 31, 2024	December 31, 2023
Prepaid expenses and deposits	\$ 59,460	\$ 48,031
Government grant receivables	9,631	9,940
Customer financing receivables	3,733	3,733
Other current assets	5,782	5,245
Total prepaids and other current assets	<u>\$ 78,606</u>	<u>\$ 66,949</u>

8. 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 began 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.

On October 18, 2023, the Company sold one of the Company's held for sale helicopters to a purchaser unaffiliated with the Company. As of March 31, 2024, the Company's remaining helicopter continued to be classified as held for sale with a carrying amount of \$8,532.

9. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net, as of March 31, 2024 and December 31, 2023 consisted of the following:

	March 31, 2024	December 31, 2023
Buildings and improvements	\$ 62,825	\$ 59,730
Machinery, equipment, vehicles and office furniture	91,436	82,973
Computer equipment, hardware and software	12,773	11,624
Launch site assets	13,856	14,193
Construction in process	19,607	25,999
Property, plant and equipment—gross	200,497	194,519
Less accumulated depreciation and amortization	(52,410)	(49,110)
Property, plant and equipment—net	<u>\$ 148,087</u>	<u>\$ 145,409</u>

Depreciation expense recorded in the condensed consolidated statements of operations and comprehensive loss during the three months ended March 31, 2024 and 2023 consisted of the following:

	Three Months Ended March 31,	
	2024	2023
Depreciation expense		
Cost of revenues	\$ 2,749	\$ 2,352
Research and development	1,392	818
Selling, general and administrative	624	388
Total depreciation expense	<u>\$ 4,765</u>	<u>\$ 3,558</u>

10. GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill

The carrying amount of goodwill for the Space Systems reportable segment was \$71,020 as of March 31, 2024 and December 31, 2023.

Intangible Assets

The components of intangible assets consisted of the following as of March 31, 2024 and December 31, 2023:

	March 31, 2024		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<i>Finite-Lived Intangible Assets</i>			
Developed Technology	\$ 56,065	\$ (18,358)	\$ 37,707
Capitalized software	13,287	(7,934)	5,353
Customer relationships	16,122	(3,542)	12,580
Trademarks and tradenames	10,104	(1,994)	8,110
Backlog	3,491	(3,491)	—
Other	1,252	(457)	795
<i>Indefinite-Lived Intangible Assets</i>			
In-process Technology	2,300	—	2,300
Total	\$ 102,621	\$ (35,776)	\$ 66,845
	December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<i>Finite-Lived Intangible Assets</i>			
Developed Technology	\$ 56,065	\$ (16,649)	\$ 39,416
Capitalized software	11,690	(7,454)	4,236
Customer relationships	16,135	(3,234)	12,901
Trademarks and tradenames	10,106	(1,789)	8,317
Backlog	3,491	(3,366)	125
Other	1,222	(423)	799
<i>Indefinite-Lived Intangible Assets</i>			
In-process Technology	2,300	—	2,300
Total	\$ 101,009	\$ (32,915)	\$ 68,094

Amortization expense recorded in the condensed consolidated statements of operations and comprehensive loss during the three months ended March 31, 2024 and 2023, respectively consisted of the following:

	Three Months Ended March 31,	
	2024	2023
Cost of revenues	\$ 1,773	\$ 1,782
Research and development	11	48
Selling, general and administrative	1,300	1,490
Total amortization expense	\$ 3,084	\$ 3,320

The following table outlines the estimated future amortization expense related to intangible assets held as of March 31, 2024:

2024 (for the remaining period)	\$ 9,623
2025	9,812
2026	9,640
2027	8,661
2028	7,672
Thereafter	19,137
Total	\$ 64,545

11. LOAN AGREEMENTS

Indenture and Notes

On February 6, 2024, the Company issued \$355,000 aggregate principal amount of its 4.250% Convertible Senior Notes due 2029 (the “Notes”). The Notes were issued pursuant to, and are governed by, an indenture (the “Indenture”), dated as of February 6, 2024, between the Company and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”).

The Notes are the Company’s senior, unsecured obligations and are (i) equal in right of payment with the Company’s existing and future senior, unsecured indebtedness; (ii) senior in right of payment to the Company’s future indebtedness that is expressly subordinated to the Notes in right of payment; (iii) effectively subordinated to the Company’s existing and future secured indebtedness, including borrowings under its equipment financing agreement, to the extent of the value of the collateral securing that indebtedness; and (iv) structurally subordinated to all existing and future indebtedness and other liabilities, including trade payables, and (to the extent the Company is not a holder thereof) preferred equity, if any, of the Company’s subsidiaries.

The Notes accrue interest at a rate of 4.250% per annum, payable semi-annually in arrears on February 1 and August 1 of each year, beginning on August 1, 2024. The Notes mature on February 1, 2029, unless earlier converted, redeemed or repurchased. Before November 1, 2028, noteholders have the right to convert their Notes only upon the occurrence of certain events. From and after November 1, 2028, noteholders may convert their Notes at any time at their election until the close of business on the second scheduled trading day immediately before the maturity date. The Company will settle conversions by paying or delivering, as applicable, cash, shares of its common stock or a combination of cash and shares of its common stock, at the Company’s election. The initial conversion rate is 195.1029 shares of common stock per \$1 principal amount of Notes, which represents an initial conversion price of approximately \$5.13 per share of common stock. The conversion rate and conversion price are subject to customary adjustments upon the occurrence of certain events. In addition, if certain corporate events that constitute a “Make-Whole Fundamental Change” (as defined in the Indenture) occur, then the conversion rate will, in certain circumstances, be increased for a specified period of time. As of March 31, 2024, the Notes were not convertible at the option of the holder.

As of March 31, 2024, there was \$355,000 outstanding under the Notes, before unamortized discount and debt issuance costs of \$11,171. As of March 31, 2024, the effective interest rate under the Notes was 5.0%.

Capped Call Transactions

In connection with the pricing of the Notes, on February 1, 2024 and February 2, 2024, the Company entered into privately negotiated capped call transactions (the “Capped Call Transactions”) with certain financial institutions. Collectively, the Capped Call Transactions cover, subject to customary adjustments, the number of shares of common stock initially underlying the Notes. The cost of the Capped Call Transactions was \$43,168. The Capped Call Transactions are expected generally to reduce or offset the potential dilution to the Company’s common stock upon exercise of the Notes and/or the Company’s election to offset the cash payments the Company is required to make in excess of the principal amount of the Notes upon conversion of the Notes in the event that the market price per share of the Company’s common stock is greater than the strike price of the Capped Call Transactions (which initially corresponds to the initial conversion price of the Notes and is subject to certain adjustments under the terms of the Capped Call Transactions), with such reduction and/or offset subject to a cap based on the cap price of the Capped Call Transactions. The Capped Call Transactions have an initial cap price of \$8.04 per share of the Company’s common stock, which represents a premium of 100% over the last reported sale price of the Company’s common stock on February 1, 2024.

The Capped Call Transactions do not meet the criteria for separate accounting as a derivative as they are indexed to the Company’s stock. The premiums paid for the Capped Call Transactions have been included as a net reduction to additional paid-in capital within shareholders’ equity.

Trinity Master Equipment Financing Agreement

On December 29, 2023 (the “Effective Date”), the Company and certain of its subsidiaries (the “Subsidiaries”, together with the Company, the “Borrowers”), entered into a Master Equipment Financing Agreement (the “Trinity Loan Agreement”) with Trinity Capital, Inc., a Maryland corporation (the “Lender”) to provide financing for certain equipment and other property (the “Equipment”). The Trinity Loan Agreement provides that the Lender shall provide equipment financing in the aggregate of up to \$120,000 (the “Conditional Commitment”), with advances (“Draws”) to be made as follows: (i) \$70,000 on the Effective Date (the “Effective Date Draw”); and (ii) \$40,000 to be drawn on the Effective Date (the “Blanket Lien Draw”), with each of the Effective Date Draw and Blanket Lien Draw payable over sixty (60) months beginning January 2024, with the final payments due in January 2029. After the Blanket Lien Draw is repaid in full, Borrowers may make Draws as follows: (x) \$30,000 to be drawn in not more than three advances of at least \$10,000 each at the Borrowers’ option no later than the date that is 18 months after the Effective Date; and (y) \$20,000 to be drawn at Borrower’s option between January 1, 2025 and June 30, 2025 (such date, the “Termination Date”), subject to customary conditions.

The Company repaid an existing term loan with the proceeds from the Trinity Loan Agreement and Blanket Lien Draw. The monthly payment factors under the Trinity Loan Agreement and Blanket Lien Draw have a term of sixty (60) months and a rate factor of 0.022266. In connection with the Trinity Loan Agreement, the Company issued warrants to Lender to acquire 728,835 shares of the Company's common stock at an exercise price of \$4.87 per share (see Note 12).

On February 8, 2024, the Company paid off all obligations under the Blanket Lien Draw in the amount of \$38,778, which includes principal, unpaid interest and legal fees, resulting in a loss on extinguishment of debt of \$1,330 for the three months ended March 31, 2024.

As of March 31, 2024, there was \$66,790 outstanding under the Trinity Loan Agreement, before unamortized discount and debt issuance costs of \$3,077, of which \$10,996 is classified as current installments of long-term borrowings in the Company's condensed consolidated balance sheets, with the remainder classified as long-term borrowings, net, excluding current installments. As of March 31, 2024, the effective interest rate under the Trinity Loan Agreement was 14.8%. The Company is required to pay an end of term charge of \$700 upon repayment of the Effective Date Draw.

The future principal payments under the Trinity Loan Agreement as of March 31, 2024 were as follows:

2024 (for the remaining period)	\$	8,094
2025		12,071
2026		13,663
2027		15,464
2028		17,498
Total	\$	66,790

12. WARRANTS

Equity Classified Common Stock Warrants

In connection with the Trinity Loan Agreement, the Company also issued to Lender a warrant ("Warrant"), dated December 29, 2023, to purchase up to 728,835 shares of the Company's common stock, at an exercise price of \$4.87 per share, payable in cash or on a cashless basis according to the formula set forth in the Warrant. The exercise price of the Warrant and the number of shares issuable upon exercise of the Warrant are subject to adjustments for stock splits, combinations, stock dividends or similar events. The Warrant is exercisable until December 29, 2027. The Warrant also provides for an automatic cashless exercise upon expiration if the value of one share of the Company's common stock is greater than the exercise price of the warrant.

The warrants were classified as equity in accordance with ASC 480, *Distinguishing Liabilities from Equity*, as the agreements provide for the settlement of the instruments in shares of common stock. The proceeds from the Trinity Loan Agreement were allocated to the loan and warrants based on the relative fair value at inception, resulting in a reduction to the loan amount and amortized to interest expense over the term of the loan. The warrants are recognized as additional paid-in capital, a component of equity in the consolidated balance sheets.

13. 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 were initially 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 95,685,029 shares of common stock as equity awards to participants under the 2021 Plan as of March 31, 2024. There were 76,406,661 shares of common stock available for grant as of March 31, 2024.

The Rocket Lab 2013 Stock Option and Grant Plan (the “2013 Plan”) was terminated, and accordingly, no shares are available for future issuance under the 2013 Plan following the closing of the Company’s business combination with Vector Acquisition Corporation in 2021. 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, 2024 and 2023 consisted of the following:

	Three Months Ended March 31,	
	2024	2023
Stock-based compensation		
Cost of revenues	\$ 3,503	\$ 3,813
Research and development	3,985	5,022
Selling, general and administrative	5,605	5,201
Total stock-based compensation expense	\$ 13,093	\$ 14,036

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. All options had vested as of March 31, 2024.

Restricted Stock Units

During the three months ended March 31, 2024 and 2023, the Company granted 7,221,561 and 3,361,528 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 periods of approximately four years as the employees provide service.

As of March 31, 2024, the total unrecognized compensation expense related to unvested performance-based restricted stock units granted under the 2013 Plan and 2021 Plan was \$98,340 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, 2024 and 2023. As of March 31, 2024, 16,768,828 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, 2024 and 2023 was \$939 and \$770, respectively. As of March 31, 2024, the total unrecognized compensation expense related to the 2021 ESPP was \$1,197 and will be recognized over the remaining offering period.

14. LEASES

The Company has operating and finance leases for properties, vehicles and equipment. The Company's leases have remaining lease terms of less than one year to twenty-six 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 other material changes in the Company's lease portfolio since December 31, 2023.

15. 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 14).

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.

In connection with the acquisition of SolAero Holdings, Inc. in January 2022, 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, 2024, which primarily is related to the solar panel module agreement, was \$7,146 included in other current liabilities in the Company's condensed consolidated balance sheets.

16. INCOME TAXES

Income tax provision and the effective tax rate for the three months ended March 31, 2024 and 2023 were as follows:

	Three Months Ended March 31,	
	2024	2023
Income tax provision	\$ (5)	\$ (526)
Effective tax rate	(0.0)%	(1.2)%

The tax provisions for the three months ended March 31, 2024 and 2023 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 US 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, 2024, the Company anticipates that \$3,885 of uncertain tax positions will be settled within the next twelve months.

17. 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 or the if-converted method, whichever is more dilutive. Potentially dilutive shares are comprised of restricted stock units and stock options. For the three months ended March 31, 2024 and 2023, 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, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
<u>Numerator</u>		
Net loss attributable to common stockholders-basic and diluted	\$ (44,260)	\$ (45,617)
<u>Denominator</u>		
Weighted average common shares outstanding-basic and diluted	489,994,709	476,199,710
Net loss per share attributable to common stockholders-basic and diluted	\$ (0.09)	\$ (0.10)

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,	
	2024	2023
Stock options and restricted stock units	29,772,128	29,851,750
Common stock warrants	728,835	—
Shares underlying our convertible senior notes	69,261,530	—

18. 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 customers on a dedicated mission or ride share basis. Space Systems is comprised of spacecraft engineering and design services, spacecraft components, spacecraft manufacturing and on-orbit 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, 2024 and 2023:

	Three Months Ended March 31,			
	2024		2023	
	Launch Services	Space Systems	Launch Services	Space Systems
Revenues	\$ 32,719	\$ 60,048	\$ 19,621	\$ 35,274
Cost of revenues	24,312	44,281	20,379	28,159
Gross profit (loss)	\$ 8,407	\$ 15,767	\$ (758)	\$ 7,115

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.

19. RELATED PARTY TRANSACTIONS

As of March 31, 2024 and December 31, 2023, 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, 2023 and 2022 and related notes in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 as filed with the SEC on February 28, 2024. 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, 2023 as filed with the SEC on February 28, 2024. 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, on-orbit management solutions, and space data applications. 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 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 over 180 spacecraft to orbit for government and commercial customers across 42 successful missions through March 31, 2024. In 2023, Electron was the second most frequently orbital launched rocket by companies operating in the United States and maintained Rocket Lab as the fourth most frequent orbital 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 high 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 initiatives are supported by the design and manufacture of our family of advanced configurable 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 family of advanced configurable 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 family of advanced configurable 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, full spacecraft manufacturing, ground services and mission operations to provide customers with streamlined access to orbit with Rocket Lab as a single mission partner.

Recent Developments

Neutron Update

We have begun our test campaign related to the Archimedes engine for the Neutron launch vehicle and updated the schedule for first flight to no earlier than mid-2025.

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 2021, approximately 12 launch vehicles in 2022 and approximately 11 launch vehicles in 2023. We built approximately three launch vehicles through the three months ended March 31, 2024. We launched six vehicles in 2021, nine vehicles in 2022 and ten vehicles in 2023. We have launched four vehicles through the three months ended March 31, 2024 and launched five vehicles through May 6, 2024. 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, 2024 and 2023

We generated \$92.8 million and \$54.9 million in revenue for the three months ended March 31, 2024 and 2023, respectively, representing a year-on-year increase in revenue of approximately 69%. This year-on-year increase primarily resulted from space systems growth of \$24.8 million and launch growth of \$13.1 million due to a higher launch cadence with four launch missions completed in the three months ended March 31, 2024, versus three launch missions completed in the three months ended March 31, 2023 and higher revenue value per launch.

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, 2024 and 2023

In the three months ended March 31, 2024 and 2023, our revenue value per launch was \$8.2 million and \$6.5 million, respectively. Meanwhile, cost per launch for the three months ended March 31, 2024 and 2023 was \$6.1 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 \$1,046.1 million as of December 31, 2023 to \$1,015.3 million as of March 31, 2024, of which \$215.6 million is related to Launch Services and \$799.7 million is related to Space Systems. The decrease was primarily a result of recognizing revenue on contracts during the period, partially offset by bookings during the period.

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 42 times delivering over 180 spacecraft to orbit, including one suborbital launch, through March 31, 2024. We have flight hardware and spacecraft that have flown on over 1,700 missions, including legacy missions enabled by Sinclair Interplanetary (acquired April 2020), Advanced Space Solutions, Inc (acquired October 2021), Planetary Space Corporation (acquired November 2021) and SolAero Technologies (acquired January 2022). Our growth opportunity is dependent on our ability to expand our addressable launch services market with larger volumetric and higher mass payload 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 improve 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 based 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 and space systems solutions. 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 sales and business development, 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, design software licenses, validation and testing expense, prototype parts and materials, facilities 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 capacity Neutron launch vehicle, Electron's first stage recovery, and family of advanced configurable spacecraft features and capabilities, as well as 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, risk management and related insurance, travel, allocated overhead and other marketing, communications and administrative expenses. We also expect to further invest in our corporate infrastructure and incur additional expenses associated with operating as a public company, including increased legal and accounting costs, investor relations 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 Income (Expense), Net

Interest income (expense), net consists primarily of interest expense incurred on debt and 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.

Results of Operations

Comparison of the Three Months Ended March 31, 2024 and 2023

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, 2024 and 2023 (in thousands, except percentages):

	Three Months Ended March 31,			
	2024		2023	
	\$	%	\$	%
Revenues	\$ 92,767	100.0 %	\$ 54,895	100.0 %
Cost of revenues	68,593	73.9 %	48,538	88.4 %
Gross profit	24,174	26.1 %	6,357	11.6 %
Operating expenses:				
Research and development, net	38,504	41.5 %	23,905	43.5 %
Selling, general and administrative	28,749	31.0 %	28,469	51.9 %
Total operating expenses	67,253	72.5 %	52,374	95.4 %
Operating loss	(43,079)	(46.4) %	(46,017)	(83.8) %
Other income (expense):				
Interest expense, net	(898)	(1.0) %	(685)	(1.2) %
Gain on foreign exchange	311	0.3 %	134	0.2 %
Other (expense) income, net	(589)	(0.6) %	1,477	2.7 %
Total other (expense) income, net	(1,176)	(1.3) %	926	1.7 %
Loss before income taxes	(44,255)	(47.7) %	(45,091)	(82.1) %
Provision for income taxes	(5)	—	(526)	(1.0) %
Net loss	<u>\$ (44,260)</u>	<u>(47.7) %</u>	<u>\$ (45,617)</u>	<u>(83.1) %</u>

Revenues

(in thousands, except percentages)	Three Months Ended March 31,		\$ Change	% Change
	2024	2023		
Revenues	\$ 92,767	\$ 54,895	\$ 37,872	69 %

Revenue increased by \$37.9 million, or 69%, for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023. Launch Services revenue was \$32.7 million for the three months ended March 31, 2024, an increase of \$13.1 million, or 67%, primarily due to a higher launch cadence with four launch missions completed in the three months ended March 31, 2024, versus three launch missions completed in the three months ended March 31, 2023 and higher revenue value per launch. Space systems revenue was \$60.0 million for the three months ended March 31, 2024, an increase of \$24.8 million, or 70%, primarily due to spacecraft manufacturing growth.

Cost of Revenues

(in thousands, except percentages)	Three Months Ended March 31,		\$ Change	% Change
	2024	2023		
Cost of revenues	\$ 68,593	\$ 48,538	\$ 20,055	41 %

Cost of revenues increased by \$20.1 million, or 41%, for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023. Launch Services cost of revenues was \$24.3 million in the three months ended March 31, 2024, an increase of \$3.9 million, or 19%, primarily due to the higher launch cadence referenced above. Space systems cost of revenue was \$44.3 million in the three months ended March 31, 2024, an increase of \$16.1 million, or 57%, primarily due to spacecraft manufacturing growth. Cost of revenues for the three months ended March 31, 2024 decreased to 74% of total revenue as compared to 88% during the three months ended March 31, 2023.

Research and Development, Net

(in thousands, except percentages)	Three Months Ended March 31,		\$ Change	% Change
	2024	2023		
Research and development, net	\$ 38,504	\$ 23,905	\$ 14,599	61 %

Research and development expense increased by \$14.6 million, or 61%, for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023, primarily due to Neutron development progress, increased staff cost as a result of hiring and prototype spend focused on expanding our spacecraft and spacecraft components product portfolio.

Selling, General and Administrative

(in thousands, except percentages)	Three Months Ended March 31,		\$ Change	% Change
	2024	2023		
Selling, general and administrative	\$ 28,749	\$ 28,469	\$ 280	1 %

Selling, general and administrative expense increased by \$0.3 million, or 1%, for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023, primarily due a \$0.4 million increase in stock-based compensation.

Interest Expense, Net

(in thousands, except percentages)	Three Months Ended March 31,		\$ Change	% Change
	2024	2023		
Interest expense, net	\$ (898)	\$ (685)	\$ (213)	31 %

Interest expense, net of interest income increased by \$0.2 million, or 31%, for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023, primarily due to an increase of interest expense as a result of increased debt due to the issuance of senior convertible notes.

Gain on Foreign Exchange

(in thousands, except percentages)	Three Months Ended March 31,		\$ Change	% Change
	2024	2023		
Gain on foreign exchange	\$ 311	\$ 134	\$ 177	132 %

Gain on foreign exchange increased by \$0.2 million, or 132%, for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023, primarily due to our New Zealand intercompany loan denominated in New Zealand Dollars.

Other (Expense) Income, Net

(in thousands, except percentages)	Three Months Ended March 31,		\$ Change	% Change
	2024	2023		
Other (expense) income, net	\$ (589)	\$ 1,477	\$ (2,066)	(140)%

Other expense increased by \$2.1 million, or 140%, for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023, primarily due to a loss on extinguishment of debt of \$1.3 million in the three months ended March 31, 2024.

Provision for Income Taxes

(in thousands, except percentages)	Three Months Ended March 31,		\$ Change	% Change
	2024	2023		
Provision for income taxes	\$ (5)	\$ (526)	\$ 521	(99)%

We recorded income tax expense of \$0.0 million for the three months ended March 31, 2024 and income tax expense of \$0.5 million for the three months ended March 31, 2023. The effective tax rate was (0.0)% for the three months ended March 31, 2024, compared to (1.2)% for the three months ended March 31, 2023. 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, convertible senior notes, term note debt, research and development grant proceeds, and cash flows from the sale of our products and services. As of March 31, 2024, we had \$365.9 million of cash and cash equivalents and \$195.2 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 our 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.

Material Cash Requirements

As of March 31, 2024, we had outstanding \$421.8 million in aggregate principal amount of indebtedness under our convertible senior notes and equipment financing agreement, of which \$11.0 million was scheduled to become due in the following twelve months. As of March 31, 2024, our total minimum lease payments was \$107.2 million, of which \$10.9 million is due in the following twelve months. For details regarding our indebtedness and lease obligations at March 31, 2024, refer to Note 11, Loan Agreements, and Note 14, Leases, to our consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Our capital expenditures for the three months ended March 31, 2024 were \$19.2 million. 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, 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

As of March 31, 2024, there was \$355.0 million outstanding under our 4.250% Convertible Senior Notes due 2029, before unamortized discount and debt issuance costs of \$11.2 million. In addition, as of March 31, 2024, there was \$66.8 million outstanding under the Trinity Loan Agreement, before unamortized discount and debt issuance costs of \$3.1 million.

See Note 11 of Item 1 for additional information on our outstanding loan agreements.

Cash Flows

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

(in thousands)	Three Months Ended March 31,	
	2024	2023
Net cash provided by (used in):		
Operating activities	\$ (2,588)	\$ (25,385)
Investing activities	(52,256)	(10,969)
Financing activities	258,707	2,058
Effect of exchange rate changes	(519)	127
Net increase (decrease) in cash, cash equivalents, and restricted cash	<u>\$ 203,344</u>	<u>\$ (34,169)</u>

Cash Flows from Operating Activities

Net cash used in operating activities was \$2.6 million for the three months ended March 31, 2024 and consisted of \$44.3 million in net loss, \$23.8 million in non-cash activities and \$17.8 million in cash provided by operating assets and liabilities. Included in the non-cash activities are \$13.1 million in stock-based compensation expense and \$8.3 million in depreciation and amortization. Included in the cash provided by operating assets and liabilities are \$11.2 million in contract liabilities, \$7.5 million in inventory, \$6.7 million in other current liabilities and \$3.9 million in accounts receivable, offset by cash used in operating assets and liabilities including \$5.3 million in prepaids and other assets and \$4.3 million in other non-current assets.

Cash Flows from Investing Activities

Cash used in investing activities for the three months ended March 31, 2024 of \$52.3 million was primarily driven by \$33.1 million of net cash used in investing activities related to purchases and maturities of marketable securities and \$19.2 million of capital equipment and infrastructure investments.

Cash Flows from Financing Activities

Cash provided by financing activities for the three months ended March 31, 2024 of \$258.7 million was primarily related to \$355.0 million of proceeds from the issuance of convertible senior notes, partially offset by \$43.2 million of repayments on Trinity Loan Agreement, \$43.2 million purchase of capped calls related to the issuance of convertible senior notes and \$11.2 million of debt issuance costs.

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, 2023, as filed with the SEC on February 28, 2024.

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, interest rates and inflation.

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 "Loss on 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, 2024, we had cash and cash equivalents of \$365.9 million, comprised primarily of operating accounts and money market instruments and \$195.2 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.

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, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon such evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective as of March 31, 2024.

Changes in Internal Control over Financial Reporting

During the period covered by this Quarterly Report on Form 10-Q, there were no changes in the our internal control over financial reporting ("ICFR") identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 of the Exchange Act that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

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

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, 2023, as filed with the SEC on February 28, 2024.

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

Insider Trading Arrangements

During the three months ended March 31, 2024, none of the Company's directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934) adopted, terminated or modified a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K).

Item 6. Exhibits

Exhibit Number	Description
4.1	Indenture, dated February 6, 2024, between the Company and U.S. Bank Trust Company, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Form 8-K filed by Rocket Lab USA, Inc. on February 7, 2024).
4.2	Form of 4.250% Convertible Senior Note due 2029 (included in Exhibit 4.1) (incorporated by reference to Exhibit 4.2 to the Form 8-K filed by Rocket Lab USA, Inc. on February 7, 2024).
10.1	Form of Capped Call Confirmation (incorporated by reference to Exhibit 10.1 to the Form 8-K filed by Rocket Lab USA, Inc. on February 7, 2024).
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 6, 2024	By: <u>/s/ Peter Beck</u> Peter Beck <i>President, Chief Executive Officer and Chairman</i> <i>(Principal Executive Officer)</i>
May 6, 2024	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 6, 2024

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 6, 2024

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, 2024, 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 6, 2024

By: /s/ Peter Beck

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

Date: May 6, 2024

By: /s/ Adam Spice

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