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

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 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 001-40031

BigBear.ai Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**85-4164597**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
7950 Jones Branch Drive 1st Floor North Tower, McLean, VA	**22102**
(Address of Principal Executive Offices)	(Zip Code)

(410) 312-0885
Registrant's telephone number, including area code

Securities 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, $0.0001 par value	**BBAI**	**New York Stock Exchange**
Redeemable warrants, each full warrant exercisable for one share of common stock at an exercise price of $11.50 per share	**BBAI.WS**	**New York Stock Exchange**

Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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, a smaller reporting company or and emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☒

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☒

The aggregate market value of voting stock held by non-affiliates of the Registrant on June 28, 2024, based on the closing price of $1.51 per share for shares of the Registrant's common stock as reported by the New York Stock Exchange, was approximately $149.9 million. Shares of common stock beneficially owned by each executive officer, director, and holder of more than 10% of our common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

There were 289,006,948 shares of our common stock, $0.0001 par value per share, outstanding as of March 21, 2025.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Registrant's 2025 Annual Meeting of Stockholders will be filed with the Commission within 120 days after the close of the Registrant's fiscal year and incorporated by reference in Part III of this Annual Report on Form 10-K.

BIGBEAR.AI HOLDINGS, INC.

Annual Report on Form 10-K

December 31, 2024

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PART I

EXPLANATORY NOTE

This Annual Report on Form 10-K for the fiscal year ended December 31, 2024 ("Annual Report on Form 10-K") of BigBear.ai Holdings, Inc. (the "Company," "us," our") includes a restatement of the following financial statements (collectively, the "Restated Financial Statements") as appearing in the Company's Annual Reports on Form 10-K for the fiscal years ended December 31, 2023 and 2022 and its Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, June 30 and September 30 in each of 2024 and 2023 (collectively, the "Prior Periodic Reports"):

1. Our consolidated balance sheets as of December 31, 2023 and as of December 31, 2022, our consolidated statements of operations and consolidated statements of cash flows for the years ended December 31, 2023 and December 31, 2022 and the accumulated deficit in our consolidated statements of stockholders' equity as of December 31, 2023 and January 1, 2023 (see Note 2, "Restatement of Previously Issued Financial Statements" in Part II, Item 8 of this Annual Report on Form 10-K);

2. Our unaudited condensed consolidated balance sheets as of March 31, June 30 and September 30 in each of 2024 and 2023, our unaudited condensed consolidated statements of operations for the three months ended March 31, the three months and six months ended June 30, and the three months and nine months ended September 30 in each of 2024 and 2023, and our unaudited condensed consolidated statements cash flows for the three months ended March 31, the six months ended June 30, and the nine months ended September 30 in each of 2024 and 2023 (see Note 25, "Restatement of Quarterly Financial Information (Unaudited)" in Part II, Item 8 of this Annual Report on Form 10-K);

3. Management's Discussion and Analysis of Financial Condition and Results of Operations as of and for the fiscal years ended December 31, 2023 and 2022 (see Part II, Item 7. of this Annual Report on Form 10-K).

Restatement Overview

As disclosed by the Company in Item 4.02 of the Form 8-K filed on March 18, 2025, in connection with the preparation of this Annual Report, the audit committee of our board of directors and our board of directors concluded that the Company's convertible notes issued in December 2021 (the "2026 Notes") were ineligible for a scope exception from the bifurcation requirements of ASC 815-15 and, therefore, required bifurcation as a derivative under ASC 815-40 and reported at fair value as of the date of issuance and remeasured to fair value at each reporting date and, therefore, the Prior Periodic Reports would need to be restated. See, Note 2, "Restatement of Previously Issued Financial Statements" and Note 25, "Restatement of Quarterly Financial Information (Unaudited)" in the notes to the consolidated financial statements included in this Annual Report on Form 10-K.

The Items of this Annual Report on Form 10-K that restate information in the Prior Periodic Reports as a result of the Restated Financial Statements include:

1. Part II., Item 7., Management's Discussion and Analysis of Financial Condition and Results of Operations;

2. Part II., Item 8., Financial Statements and Supplementary Data; and

3. Part II., Item 9A., "Controls and Procedures."

We have not filed and do not intend to file amendments to our Prior Periodic Reports. Accordingly, investors should rely only on the Restated Financial Statements and related disclosures included in this Annual Report on Form 10-K for the applicable information or in future filings with the SEC (as applicable).

Internal Control Considerations

In connection with the Company's review of its financial statements leading to the restatement, the Company identified a material weakness in its internal controls over financial reporting which failed to prevent or detect the identified misstatements requiring restatement. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected on a timely basis. Therefore, the Company's management concluded that due to the material weakness in the Company's internal control over financial reporting, the Company's internal control over financial reporting was not effective as of December 31, 2024, and in prior periods. In addition, as a result of the material weakness, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of December 31, 2024. See Item 9A. Controls and Procedures, contained in this Annual Report on Form 10-K for additional information and discussion related to material weakness in internal control over financial reporting and our related remediation activities.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. All statements contained in this Annual Report on Form 10-K other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans and our objectives for future operations, are forward-looking statements. Forward-looking statements generally are accompanied by words such as "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "should," "would," "plan," "predict," "potential," "seem," "seek," "future," "outlook," and similar expressions that predict or indicate future events or trends or that are not statements of historical matters. These forward-looking statements include, but are not limited to, statements regarding BigBear.ai's industry, future events, and other statements that are not historical facts. These statements are based on current expectations and beliefs concerning future developments and their potential effects on us and should not be relied upon as representing BigBear.ai's assessment as of any date subsequent to the date of the release of this Annual Report on Form 10-K. There can be no assurance that future developments affecting us will be those that we have anticipated. Many actual events and circumstances are beyond our control. These forward-looking statements are subject to a number of risks and uncertainties, including those relating to: changes in domestic and foreign business, market, financial, political, and legal conditions; the uncertainty of projected financial information; delays caused by factors outside of our control, including changes in fiscal or contracting policies or decreases in available government funding; changes in government programs or applicable requirements or budgetary constraints, including any potential constraints as a result of recent or future federal government layoffs, including automatic reductions as a result of "sequestration" or similar measures and constraints imposed by any lapses in appropriations for the federal government or certain of its departments and agencies, including government shutdowns or the ability of the U.S. federal government to unilaterally cancel a contract with or without cause, and more specifically, the potential impact of the U.S. DOGE Service Temporary Organization on government spending and terminating contracts for convenience; implementation of spending limits or changes in budgetary constraints; influence by, or competition from, third parties with respect to pending, new, or existing contracts with government customers; changes in our ability to successfully compete for and receive task orders and generate revenue under Indefinite Delivery/Indefinite Quantity contracts; our ability to realize the benefits of our strategic partnerships; risks that the new businesses will not be integrated successfully or that the combined companies will not realize estimated cost savings; failure to realize anticipated benefits of the combined operations; potential delays or changes in the government appropriations or procurement processes, including as a result of events such as war, incidents of terrorism, natural disasters, and public health concerns or epidemics, such as the coronavirus outbreak; and those factors discussed in the Company's reports and other documents filed with the SEC, including under the heading "Risk Factors." If any of these risks materialize or our assumptions prove incorrect, actual results could differ materially from those projected by these forward-looking statements. There may be additional risks that BigBear.ai presently does not know or that BigBear.ai currently believes are immaterial which could also cause actual results to differ from those contained in the forward-looking statements. In addition, forward-looking statements reflect BigBear.ai's expectations, plans or forecasts of future events and views as of the date of the release of this Annual Report on Form 10-K. BigBear.ai anticipates that subsequent events and developments will cause BigBear.ai's assessments to change. However, while BigBear.ai may elect to update these forward-looking statements at some point in the future, BigBear.ai specifically disclaims any obligation to do so. Accordingly, undue reliance should not be placed upon the forward-looking statements.

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. In addition, statements that contain "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Annual Report on Form 10-K. While we believe that this information provides a reasonable basis for these statements, this information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

It is not possible to predict or identify all such risks. Accordingly, undue reliance should not be placed upon the forward-looking statements. 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.

Part I

Item 1. Business

Company Overview

BigBear.ai Holdings, Inc.'s ("BigBear.ai" or the "Company") is an AI-driven technology solutions company. We provide technology that helps organizations operationalize AI: making faster, more informed decisions by analyzing complex data and providing actionable insights in areas of critical national security, defense and related markets. Many of our customers rely on BigBear.ai's specialized resources to supplement their technical and operational staff for long-term engagements. Hence we provide both software and services to our customers.

On February 29, 2024, the Company completed the acquisition of Pangiam Intermediate Holdings, LLC ("Pangiam" or the "Pangiam Acquisition"), a leader in vision AI for the global trade, travel, and digital identity industries. The combination of BigBear.ai and Pangiam creates one of the industry's most comprehensive vision and edge AI portfolios, combining facial recognition, image-based anomaly detection and advanced biometrics with BigBear.ai's computer vision and predictive analytics capabilities. We believe the acquisition of Pangiam positions us as a foundational leader in how artificial intelligence is operationalized at the edge.

US defense initiatives

On January 11, 2024, the Department of Defense (DoD) released its inaugural National Defense Industrial Strategy (NDIS), defining priorities for industry to realize a national modernized defense industrial ecosystem. It was a call to action for companies like BigBear.ai to provide the required capabilities at the speed and scale necessary for the U.S. military to engage and prevail in a near-peer conflict.

In alignment with the National Defense Strategy (NDS) released in 2022, the Federal Government is focused on fortifying supply chains and enabling international interoperability and collaboration to deter adversarial entities from impacting critical infrastructure. BigBear.ai is consistently delivering to this need, playing a role in providing an orchestrated ecosystem of trusted and secure collaboration.

National Security

BigBear.ai brings over 30 years of experience delivering capabilities into operational environments for critical missions. We have long supported the national security mission through the DoD, Department of Homeland Security (DHS), and the Intelligence Community (IC).

- **Operational Readiness:** Our approach to operational readiness streamlines the existing complex processes of organizing and forecasting manpower, equipment, and supply chain data. BigBear.ai combines subject matter expertise with technology to connect the enterprise, provide insights on process performance and recommendations for managing risk. Our capabilities deliver course of action decision support and event prediction and forecasting, which provides decision makers with insights at the speed of operational relevance.

- **Autonomy at the Edge**: Our approach is to orchestrate and fuse data and artificial intelligence at the edge, even in distributed and/or disconnected environments. BigBear.ai offers proven computer vision, anomaly/event detection, and descriptive and predictive analytics to support operations and break down silos between vendors and systems.

- **Contested Logistics**: Our approach to enabling our military, intelligence, and federal agencies is to facilitate the safe transport of goods and people in contested environments and at points of entry.

Supply Chain Management (SCM)

BigBear.ai brings decades of experience supporting complex manufacturers, suppliers, and logistics operations to our SCM portfolio.

- **Digital Twin**: Our approach to Modeling & Simulation enables our customers and partners to capture the behavior of complex interdependent processes and execute rapid course-of-action analysis. Our tools play a critical role in aiding capital investment strategies, building design, layouts, and equipment purchases for manufacturing, logistics, business processes, and other operational systems.

Digital Identity

BigBear.ai offers software assets that are tailored for digital identity and biometrics, leveraging advanced vision AI technology. These assets represent a cornerstone of our commitment to innovation in identity verification and security. Through the integration of sophisticated algorithms and machine learning capabilities, our software solutions empower organizations to authenticate individuals with unparalleled accuracy and efficiency. These digital identity offerings are no longer restricted to national security uses, but are increasingly expanding into the personal finance world, enabling a frictionless user experience in an ever growing number of settings. BigBear.ai is dedicated to remaining at the forefront of technological advancement in the realm of identity verification and biometrics.

Research & Development

Our team has decades of combined experience developing and deploying software products in a variety of environments. Historically, much of our research and development has been funded and directed by defense and intelligence customers for their specific needs and objectives. Following the strategic call to action by DoD to connect sensors across all branches of the armed forces powered by artificial intelligence, we made targeted investments into foundational software capabilities that move us closer to our goal of providing the critical infrastructure for AI. We expect these investments to continue in 2025.

Customers

BigBear.ai has a global footprint of customers spanning the public and private sector, including U.S. defense and intelligence agencies, border protection, transportation security, manufacturing, distribution and logistics, as well as travel, entertainment and tourism. We are proud of the trusted, multi-decade relationships we have with our customers and work hard to grow and maintain those relationships every day.

Revenue Mix

A significant portion of our revenue is from contracts with public sector agencies, including the Federal Government. Due to the sensitive and oftentimes classified nature of our work with these customers, a significant portion of BigBear.ai’s contracts still require our team members to co-locate on-premises to tailor our solutions for these unique environments and use cases. However, as we have continued to mature and expand our portfolio, our pipeline has begun to reflect our customers’ desire to more rapidly integrate our capabilities into their current operating environments.

Competitive Advantage

BigBear.ai’s principle competitive advantage is that we are an organization built on a mission-first culture that focuses on delivering outcomes. Our people are the lifeblood of our business and we have a history of recruiting and retaining high-caliber talent. BigBear.ai is comprised of hundreds of employees with domain expertise and hands-on experience in the environments that our customers work in. We are focused on creating technology that solves real customer problems, and our team is a critical part of understanding the evolving challenges our customers face every day.

Market Opportunity

BigBear.ai operationalizes artificial intelligence at the edge in multiple large, diverse and rapidly evolving addressable markets. Our key addressable markets include Edge AI, Vision AI, and Digital Twin.

BigBear.ai has been a trusted partner to our customers for decades—we take that trust seriously and we work every day to keep it. Because of our history in complex systems integration, operating systems artificial intelligence, and Data and AI orchestration, we are well positioned to deliver solutions to solve for at-scale, production grade decision intelligence with both current and related new customers.

Growth Strategy

The long-term underlying growth in the business comes from technology-enabled solutions, particularly in the areas of national security and critical infrastructure. This includes new government contract wins and growing scope on existing contracts, as well digital identity solutions in the US and overseas.

Company Footprint and Management

As of December 31, 2024, we had 630 employees, the vast majority of which hold an active security clearance. Approximately 53% of our workforce is comprised of software engineers, data scientists, cloud/systems engineers, analysts, and cyber subject-matter experts.

BigBear.ai has headquarters in McLean, Virginia, with additional office locations in Ann Arbor, Michigan; Chantilly, Virginia; and Charlottesville, Virginia. In addition, many of our team members work at secure customer facilities across the U.S.

The BigBear.ai executive team is a driving force behind the company's success. With strong industry experience and knowledge of both government and commercial markets, our diverse executives are shaping the Company's vision and market penetration strategies, while ensuring operational excellence. Further, the leadership team is committed to maintaining a corporate culture and employee value proposition that attracts and retains the brightest talent in the industry.

Competition

Our main sources of current and potential competition fall into several categories:

- System integrators that develop and provide custom software solutions;
- Agency or corporate IT organizations that develop internal solutions for their enterprises;
- Commercial enterprise and point solution software providers;
- Public cloud providers offering discrete tools and micro-services with artificial intelligence, analytics and data management tools or functionality
- In many cases, we compete with the internal software development efforts of our potential customers. Organizations frequently attempt to build their own decision support and analytics platforms using a patchwork of custom development, outside consultants, IT services companies, packaged and open-source software, and significant internal IT resources, before turning to BigBear.ai. We also face competition from government contractors and system integrators who are building custom solutions in the same industries.

Seasonality

We generally experience seasonality in the timing of recognition of revenue as a result of the timing of the execution of our contracts, as we have historically executed many of our contracts in the third and fourth quarters due to the fiscal year ends and procurement cycles of our customers. See "*Risk Factors—Risks Related to Our Business and Industry—Our sales efforts involve considerable* *time and expense and our sales cycle is often long and unpredictable*" and "*Risk Factors—Risks Related to Our Business and Industry—Our results of operations and our key business measures are likely to fluctuate significantly on a quarterly basis in future periods and may not fully reflect the underlying performance of our business, which makes our future results difficult to predict and could cause our results of operations to fall below expectations*." Additionally, recurring delays in the federal government's budgeting process can adversely affect the award of new contracts or growth on existing contracts during continuing resolutions.

Regulatory

Our business activities are subject to various federal, state, local, and foreign laws, rules, and regulations. Compliance with these laws, rules, and regulations has not had, and is not expected to have, a material effect on our capital expenditures, results of operations and competitive position as compared to prior periods. Nevertheless, compliance with existing or future governmental or international regulatory bodies regulations, including, but not limited to, those pertaining to global trade, consumer and data protection, and taxes, could have a material impact on our business in subsequent periods.

For more information on the potential impacts of government regulations affecting our business, see the section titled "*Risk Factors*" contained in this Annual Report on Form 10-K.

Intellectual Property

We believe that our intellectual property rights are valuable and important to our business. We rely on a combination of patents, copyrights, trademarks, trade secrets, know-how, contractual provisions, and confidentiality procedures to protect our intellectual property rights.

We seek to protect our proprietary inventions relevant to our business through patent protection in the United States and abroad; however, we are not dependent on any particular patent or application for the operation of our business. In addition to the protection provided by our intellectual property rights, we enter into proprietary information and invention assignment agreements or similar agreements with our employees, consultants, and contractors. We further control the use of our proprietary technology and intellectual property rights through provisions in our agreements with customers.

Human Capital

Our employees are critical to the success of our business. As of December 31, 2024, we had approximately 630 full-time employees, substantially all of which are employed in the United States. We also engage part-time employees, independent contractors, and third-party personnel to supplement our workforce.

Notably, none of our employees are affiliated with labor unions, and we pride ourselves on maintaining uninterrupted operations free from labor disputes. This underscores the strength of our employee relations.

Our human capital resources objectives include recruiting, retaining, training, and motivating our personnel. The principal purposes of our incentive compensation policies are to attract, retain, and reward personnel through the granting of equity-based and cash-based compensation awards, in order to increase stockholder value and the success of our company by motivating such individuals to perform to the best of their ability and achieve our objectives. We foster a culture that encourages open dialogue and active engagement on matters crucial to employee contentment. Empowering our employees to contribute significantly to the company's trajectory and achievements is integral to our ethos.

Item 1A. Risk Factors

Investing in our securities involves a high degree of risk. You should carefully review and consider the following risk factors and the other information contained in this Annual Report on Form 10-K, including the audited consolidated financial statements and notes to the consolidated financial statements included herein.

These risk factors are not exhaustive. You should carefully consider the following risk factors in addition to the other information included in this Annual Report on Form 10-K, including matters addressed in the section entitled "Cautionary Note Regarding Forward-Looking Statements." The Company may face additional risks and uncertainties that are not presently known to it, or that BigBear.ai currently deems immaterial, which may also impair the Company's business or financial condition. The realization of any of these risks and uncertainties could have a material adverse effect on our reputation, business, financial condition, results of operations, growth and future prospects as well as our ability to accomplish our strategic objectives. In that event, the market price of our common stock could decline and you could lose all or part of your investment.

The following discussion should be read in conjunction with the audited consolidated financial statements and notes to those financial statements included herein. Additional risks, beyond those summarized below may apply to our activities or operations as currently conducted or as we may conduct them in the future or in the markets in which we operate or may in the future operate. Consistent with the foregoing, we are exposed to a variety of risks, including risks associated with:

- a significant portion of our business being dependent on sales to the public/government sector, including the risk that we may not receive or maintain government contracts or may not receive the full benefit of such contracts;
- the U.S. government's budget deficit and the national debt, as well as any inability of the U.S. government to complete its budget process for any government fiscal year and consequently having to shut down or operate on funding levels equivalent to its prior fiscal year;
- our limited operating history as a combined company, which makes it difficult to evaluate our current business and future prospects;
- our ability to sustain our revenue growth in the future;
- our ability to execute our strategy to grow our business and increase our sales and the number and types of markets we compete in;
- the length of our sales cycle and the time and expense associated with it;
- our ability to grow our customer base and to expand our relationships with our existing customers, including with our government customers;
- our reliance on customers in the public/government sector including the U.S. government, whose contracts are often only partially funded, subject to immediate termination, and heavily regulated and audited;
- the market and our customers accepting and adopting our products, including future new product offerings;
- the impact of health epidemics, on our business, financial condition, growth and the actions we may take in response thereto;
- competition in our industry;
- our ability to gain contracts on favorable terms, including with our government customers;
- our ability to grow, maintain and enhance our brand and reputation;
- risks related to security and our technology, including cybersecurity;
- our ability to maintain competitive pricing for our products;
- our ability to secure financing necessary to operate and grow our business as planned, including through acquisitions;
- the high degree of uncertainty of the level of demand for, and market utilization of, our solutions and products;
- our estimates and projections may prove to be inaccurate and certain of our assets may be at risk of future impairment;

- substantial regulation and the potential for unfavorable changes to, or failure by us to comply with, these regulations, which could substantially harm our business and operating results;
- issues raised by the use of AI (including machine learning) in our platforms and business may result in reputational harm or liability;
- our dependency upon third-party service providers for certain technologies;
- increases in costs, disruption of supply or shortage of materials, which could harm our business;
- developments and projections relating to our competitors and industry;
- the unavailability, reduction or elimination of government and economic incentives, which could have a material adverse effect on our business, prospects, financial condition and operating results;
- our existing debt and our ability to refinance it on more favorable terms;
- our management team's limited experience managing a public company;
- our ability to hire, retain, train and motivate qualified personnel and senior management and ability to deploy our personnel and resources to meet customer demand;
- our ability to successfully execute future joint ventures, channel sales relationships, partnerships, strategic alliances and subcontracting opportunities;
- our ability to grow through acquisitions and successfully integrate any such acquisitions;
- our ability to successfully maintain, protect, enforce and grow our intellectual property rights;
- our compliance with governmental laws, trade controls, economic sanctions, customs requirements and other regulations we are subject to;
- the possibility of our need to defend ourselves against fines, penalties and injunctions if we are determined to be promoting products for unapproved uses or otherwise found to have violated a law or regulation;
- concentration of ownership among our existing executive officers, directors and their respective affiliates, which may prevent new investors from influencing significant corporate decisions;
- the effect of economic uncertainty, including high inflation, reduced spending or suspension of investment in new or enhanced projects, and concerns of economic depression or recession;
- natural disasters, geopolitical conflicts, or other natural or man-made catastrophic events could disrupt and impact our business;
- our significant increased expenses and administrative burdens as a public company;
- the volatility of the market for our securities, including our common stock;
- our ability to satisfy the continued listing requirements of the NYSE in the future;
- our internal controls over financial reporting, including our ability to remedy the identified material weakness as well as any potential future material weaknesses;
- our ability to integrate Pangiam successfully and realize the estimate cost savings expected from the combined companies;
- any failure to realize anticipated benefits of the Pangiam acquisition; and
- other factors detailed below.

Risks Related to Our Business and Industry

We have a limited operating history, which makes it difficult to evaluate our prospects and future results of operations.

Since we commenced operations, our business has expanded organically through the delivery of enhanced solutions and expanded product offerings to our customers and through acquisitions. As a result of our limited operating history and evolving business, our ability to forecast our future results of operations is limited and subject to several uncertainties, including our ability to plan for and model future growth. Our historical revenue growth should not be considered indicative of our future performance. Further, in future periods, our revenue growth could slow. We have encountered and will encounter risks and uncertainties frequently experienced by growing companies in rapidly changing industries, such as the risks and uncertainties described herein. If our assumptions regarding these risks and uncertainties, which we use to plan our business, are incorrect or change, or if we do not address these risks successfully, our business could be adversely affected.

We may not be able to sustain our revenue growth rate in the future.

Although our revenue has increased in recent periods, there can be no assurances that revenue will continue to grow or do so at current rates, and you should not rely on the revenue of any prior quarterly or annual period as an indication of our future performance. Our revenue growth rate may decline in future periods. We may not achieve or maintain profitability in future periods or, if we are profitable, we may not fully achieve our profitability targets. In addition, while we remain focused on operating efficiently, we anticipate that our operating expenses will continue to increase in the future. As we continue to expand our business and the breadth of our operations, upgrade our infrastructure, hire additional employees, expand into new markets, invest in research and development, invest in sales and marketing, and incur costs associated with general administration, including expenses related to being a public company, we expect that our costs of revenue and operating expenses will continue to increase. Many factors may contribute to declines in our revenue growth rate, including increased competition, slowing demand for our products and services from existing and new customers, a failure by us to continue capitalizing on growth opportunities including expansion into the commercial marketplace, strategic acquisitions, the wind down of significant contracts, terminations of existing contracts or failure to exercise existing options by our customers, our failure to execute on the existing backlog of customer contracts, the maturation of our business, and a contraction of our overall market, among others. If our revenue growth rate declines, our business, financial condition, and results of operations could be adversely affected.

Our results of operations and cash flows are substantially affected by our mix of fixed-price and time-and-material type contracts. Our profits may decrease and/or we may incur significant unanticipated costs if we do not accurately estimate the costs of these engagements.

We generate most of our revenue through various time-and-material and fixed-price contracts. For the years ended December 31, 2024 revenue from time-and-material and fixed-price contracts was 56% and 29% of revenue, respectively. Some of our arrangements with our customers are on fixed-price contracts, rather than contracts in which payment to us is determined on a time and materials or other basis. These fixed-price contracts allow us to benefit from cost savings, but subject us to the risk of potential cost overruns, particularly for firm fixed-price contracts because we assume all of the cost burden. If our initial estimates are incorrect, we can lose money on these contracts. U.S. government contracts can expose us to potentially large losses because the U.S. government can hold us responsible for completing a project or, in certain circumstances, require us to pay the entire cost of its replacement by another provider regardless of the size or foreseeability of any cost overruns that occur over the life of the contract. Because many of these contracts involve new technologies and applications and can last for years, unforeseen events, such as technological difficulties, fluctuations in the price of labor, raw materials, a significant increase in inflation in the U.S. or other countries, problems with our suppliers and cost overruns, can result in the contractual price becoming less favorable or even unprofitable to us over time. Our failure to estimate accurately the resources and schedule required for a project, or our failure to complete our contractual obligations in a manner consistent with the project plan upon which our fixed-price contract was based, could adversely affect our overall profitability and could have a material adverse effect on our business, financial condition, and results of operations. We are consistently entering into contracts for large projects that magnify this risk. We have been required to commit unanticipated additional resources to complete projects in the past, which has occasionally resulted in losses on those contracts. We could experience similar situations in the future. In addition, we may fix the price for some projects at an early stage of the project engagement, which could result in a fixed price that is too low. Therefore, any changes from our original estimates could adversely affect our business, financial condition, and results of operations.

Our sales efforts involve considerable time and expense and our sales cycle is often long and unpredictable.

Our results of operations may fluctuate, in part, because of the intensive nature of our sales efforts and the length and unpredictability of our sales cycle. As part of our sales efforts, we invest considerable time and expense evaluating the specific organizational needs of our potential customers and educating these potential customers about the technical capabilities and value of our products and services. In the "land" phase of our business model, we often deploy prototype capabilities to potential customers at no or minimal cost initially to them for evaluation purposes, and there is no guarantee that we will be able to convert these engagements into long-term sales arrangements. In addition, we currently have a limited direct sales force, and our sales efforts have historically depended on the significant involvement of our senior management team. The length of our sales cycle, from initial demonstration to sale of our products and services, tends to be long and varies substantially from customer to customer. For commercial customers, our sales cycle often lasts six to nine months but can extend to a year or more for some customers. Our government customers often undertake a significant evaluation process that results in a lengthy sales cycle, in many cases over twelve months, requiring approvals of multiple management personnel and contracting personnel than would be typical of a commercial organization. Due to the length, size, scope, and stringent requirements of these evaluations, we typically provide short-term Minimally Viable Products (MVP) deployments of our solutions at substantially lower costs. Because decisions to purchase our solutions and services involve significant financial commitments, potential customers generally evaluate our software at multiple levels within their organization, each of which often have specific requirements, and typically involve their senior management.

Our results of operations depend on sales to enterprise customers, which make product purchasing decisions based in part or entirely on factors, or perceived factors, not directly related to the features of the software, including, among others, that customer's projections of business growth, uncertainty about economic conditions (including as a result of the ongoing conflicts in Ukraine, the Middle East, and Africa), capital budgets, anticipated cost savings from the implementation of our software, potential preference for such customer's internally-developed software solutions, perceptions about our business and software, more favorable terms offered by potential competitors, and previous technology investments. In addition, certain decision makers and other stakeholders within our potential customers tend to have vested interests in the continued use of internally developed or existing software, which may make it more difficult for us to sell our software and services. As a result of these and other factors, our sales efforts typically require an extensive effort throughout a customer's organization, a significant investment of human resources, expense and time, including by our senior management, and there can be no assurances that we will be successful in making a sale to a potential customer. If our sales efforts to a potential customer do not result in sufficient revenue to justify our investments, our business, financial condition, and results of operations could be adversely affected.

Historically, existing customers have expanded their relationships with us, which has resulted in a limited number of customers accounting for a substantial portion of our revenue. If existing customers do not make subsequent purchases from us or renew their contracts with us, if those renewals are otherwise delayed, or if our relationships with our largest customers are impaired or terminated, our revenue could decline, and our results of operations would be adversely impacted.

We derive a significant portion of our revenue from existing customers that expand their relationships with us. Increasing the size and number of the deployments to our existing customers is a major part of our growth strategy. We may not be effective in executing this or any other aspect of our growth strategy. For example, revenue earned from customers contributing in excess of 10% of consolidated revenues were derived from four customers comprising 52% of revenue for the twelve months ended December 31, 2024.

Each of our contracts with these customers includes termination for convenience provisions whereby the customer can unilaterally elect to terminate the contract. In the event of a termination, we may generally recover only our incurred or committed costs and settlement expenses and profit on work completed prior to the termination. Our 2024 revenues from these significant customers were mainly earned from large multi-year contracts. As of December 31, 2024, about $52 million of our approximate $418 million of total backlog is attributable to these significant customers. The estimated completion dates for these contracts range from 2024 to 2026. Of the $52 million of backlog related to these significant customers as of December 31, 2024 we expect to recognize approximately 98% of that amount as revenue by the end of 2025, with the remainder to be recognized as revenue by the end of 2027. As a result, the contracts comprising our backlog may not result in actual revenue in any particular period or at all, and the actual revenue from such contracts may differ from our backlog estimates. The timing of receipt of revenues, if any, on projects included in backlog could change because many factors affect the scheduling of missions and adjustments to contracts may also occur. The failure to realize some portion of our backlog could adversely affect our revenues and gross margins. Furthermore, the presentation of our financial results requires us to make estimates and assumptions that may affect revenue recognition and changes in estimates are likely to occur from period to period. Accordingly, actual results could differ significantly from our estimates.

There are inherent risks whenever a large percentage of total revenues are concentrated with a limited number of customers. Our concentration of revenue among a few of our customers increases the risk of quarterly fluctuations in our operating results and our sensitivity to any material, adverse developments experienced by our significant customers. Further, it is not possible for us to predict the future level of demand for our products and services that will be generated by these customers. As previously described, the terms of our contracts with these significant customers permit them to unilaterally terminate our arrangement at any time (subject to notice and certain other provisions). In addition, the terms and conditions under which we do business generally do not include commitments by those customers to purchase any specific quantities of products or services from us or to renew their contracts after the initial period. Even in those instances where we enter into an arrangement under which a significant customer agrees to purchase an agreed portion of its product or service needs from us (provided we meet our contractual obligations), the arrangement often includes pricing schedules with substantial price concessions that may apply regardless of the volume of products or services purchased, and those material customers may not purchase the volume of products or services we expect. If any of these major customers experience declining or delayed sales due to market, economic or competitive conditions, we could be pressured to reduce the prices we charge for our products and services or we could lose the customer. Any such development could have an adverse effect on our margins and financial position, and would negatively affect our sales and results of operations and/or trading price of our common stock. There can be no assurance that our sales will not continue to be sufficiently concentrated among a limited number of customers.

Certain customers, including customers that represent a significant portion of our business, have in the past reduced their spend with us as a result of budgetary pressure, which has reduced our anticipated future payments or revenue from these customers. It is not possible for us to predict the future level of demand from our larger customers for our solutions and services.

While we generally engage customers through contracts with terms up to five years in length, our customers sometimes enter into shorter-term contracts, such as six-month engagements for specific capability developments or enhancements, which may not provide for automatic renewal and may require the customer to opt-in to extend the term. Our customers have no obligation to renew, upgrade, or expand their agreements with us after the terms of their existing agreements have expired. In addition, many of our customer contracts permit the customer to terminate their contracts with us with little or no notice required. If one or more of our customers terminate their contracts with us, whether for convenience, for default in the event of a breach by us, or for other reasons specified in our contracts, as applicable; if our customers elect not to renew their contracts with us; if our customers renew their contractual arrangements with us for shorter contract lengths or for a reduced scope; or if our customers otherwise seek to renegotiate terms of their existing agreements on terms less favorable to us, our business and results of operations could be adversely affected. This adverse impact would be even more pronounced for customers that represent a material portion of our revenue or business operations.

Our ability to renew or expand our customer relationships may decrease or vary due to a number of factors, including our customers' satisfaction or dissatisfaction with our solutions and services, the frequency and severity of software and implementation errors, our software's reliability, our pricing, the effects of general economic conditions and budgets, competitive offerings or alternatives, or reductions in our customers' spending levels. Achieving such renewal or expansion of our customer contracts may require us to increasingly engage in sophisticated and costly sales efforts that may not result in additional sales. If our customers do not renew or expand their agreements with us or if they renew their contracts for shorter lengths or on other terms less favorable to us, our revenue may decline or grow more slowly than expected, and our business could suffer. Additionally, if the contract awards process for our government customers is delayed due to budgetary constraints, political instability or other governmental delays in the awards process, expected revenues could be delayed, which could have a material adverse effect on our business. Our business, financial condition, and results of operations would also be adversely affected if we face difficulty collecting our accounts receivable from our customers or if we are required to refund customer deposits.

We may not realize the full deal value of our customer contracts, which may result in lower than expected revenue.

As of December 31, 2024 and December 31, 2023, the total remaining deal value of the contracts that we had been awarded by, or entered into with, commercial and government customers, including existing contractual obligations and contract options available to those customers was approximately $418 million and $168 million, respectively.

The majority of these contracts contain termination for convenience provisions. Additionally, the U.S. federal government is prohibited from exercising contract options more than one year in advance. As a result, there can be no guarantee that our customer contracts will not be terminated or that contract options will be exercised.

We may not realize all of the revenue from the full deal value of our customer contracts. This is because the actual timing and amount of revenue under contracts included are subject to various contingencies, including exercise of contractual options, customers terminating their contracts, and renegotiations of contracts. For example, the U.S. Federal government has increasingly relied upon multi-year contracts with pre-established terms and conditions, such as IDIQ contracts, which generally require those contractors who have previously been awarded the IDIQ to engage in an additional competitive bidding process before a task order is issued. In addition, delays in the completion of the U.S. government's budgeting process, the use of continuing resolutions, and a potential lapse in appropriations, or similar events in other jurisdictions, could adversely affect our ability to timely recognize revenue under certain government contracts.

Indemnity provisions in various agreements to which we are a party potentially expose us to substantial liability for infringement, misappropriation or other violation of intellectual property rights, data protection and other losses.

Our agreements with our customers and other third parties may include indemnification provisions under which we agree to indemnify or otherwise be liable for losses suffered or incurred as a result of certain claims relating to or arising from our software, services, platform, our acts or omissions under such agreements or other contractual obligations. In some cases, the liability is not limited and we may still incur substantial liability related to such agreements, and we may be required to cease providing certain functions or features on our platform as a result of any such claims. Even if we succeed in contractually limiting our liability, such limitations may not be enforceable. Any dispute with a customer or other third party with respect to such obligations could have adverse effects on our relationship with such customer or other third party and other existing or prospective customers, reduce demand for our platform and adversely affect our business, financial conditions and results of operations. In addition, our insurance may not be adequate to indemnify us for all liability that may be imposed on us or otherwise protect us from liabilities or damages with respect to claims, including claims on such matters as alleged compromises of customer data, which may be substantial. Any such coverage may not continue to be available to us on acceptable terms or at all.

Our results of operations and our key business measures are likely to fluctuate significantly on a quarterly basis in future periods and may not fully reflect the underlying performance of our business, which makes our future results difficult to predict and could cause our results of operations to fall below expectations.

Our quarterly results of operations, including cash flows, have fluctuated significantly in the past and are likely to continue to do so in the future. Accordingly, the results of any one quarter should not be relied upon as an indication of future performance. Our quarterly results, financial position, and operations are likely to fluctuate as a result of a variety of factors, many of which are outside of our control, and as a result, may not fully reflect the underlying performance of our business. Fluctuation in quarterly results may negatively impact the value of our common stock.

The timing of our sales cycles is unpredictable and is impacted by factors such as government budgeting and appropriation cycles, varying commercial fiscal years, and changing economic conditions. This can impact our ability to plan and manage margins and cash flows. Our sales cycles are often long, and it is difficult to predict exactly when, or if, we will make a sale with a potential customer or how quickly we can move them from the "land" phase into the profitable "expand" phase. As a result, large individual sales have, in some cases, occurred in quarters subsequent to those we anticipated, or have not occurred at all. The loss or delay of one or more large sales transactions in a quarter would impact our results of operations and cash flow for that quarter and any future quarters in which revenue from that transaction is lost or delayed. In addition, downturns in new sales may not be immediately reflected in our revenue because we generally recognize revenue over the term of our contracts. The timing of customer billing and payment varies from contract to contract. A delay in the timing of receipt of such collections, or a default on a large contract, may negatively impact our liquidity for the period and in the future. Because a substantial portion of our expenses are relatively fixed in the short-term and require time to adjust, our results of operations and liquidity would suffer if revenue falls below our expectations in a particular period.

Other factors that may cause fluctuations in our quarterly results of operations and financial position include, without limitation, those listed below:

- the success of our sales and marketing efforts, including the success of pilot deployments;
- our ability to increase our margins;
- the timing of expenses and revenue recognition;
- the timing and amount of payments received from our customers;
- termination of one or more large contracts by customers, including for convenience;
- the time and cost-intensive nature of our sales efforts and the length and variability of sales cycles;
- the amount and timing of operating expenses related to the maintenance and expansion of our business and operations;
- the timing and effectiveness of new sales and marketing initiatives;
- changes in our pricing policies or those of our competitors;
- the timing and success of new products, features, and functionality introduced by us or our competitors;
- cyberattacks and other actual or perceived data or security breaches;
- our ability to hire and retain employees, in particular, those responsible for the development, operations and maintenance, and selling or marketing of our software; and our ability to develop and retain talented sales personnel who are able to achieve desired productivity levels in a reasonable period of time and provide sales leadership in areas in which we are expanding our sales and marketing efforts;
- the amount and timing of our stock-based compensation expenses;
- changes in the fair value of derivatives, including the convertible features of our 2029 Convertible Notes and our 2026 Convertible Notes, that are remeasured quarterly
- changes in the way we organize and compensate our sales teams;
- changes in the way we operate and maintain our software;
- changes in the competitive dynamics of our industry;

- the cost of and potential outcomes of future claims or litigation, which could have a material adverse effect on our business;
- changes in laws and regulations that impact our business, such as the Federal Acquisition Streamlining Act of 1994 ("*FASA*");
- indemnification payments to our customers or other third parties;
- ability to scale our business with increasing demands;
- the timing of expenses related to any future acquisitions; and
- general economic, regulatory, and market conditions, including the impact of ongoing conflicts in Ukraine, the Middle East, and Africa which may cause financial market volatility.

In addition, our contracts generally contain termination for convenience provisions, and we may be obligated to repay prepaid amounts or otherwise not realize anticipated future revenue should we fail to provide future services as anticipated. These factors make it difficult for us to accurately predict financial metrics for future periods.

The variability and unpredictability of our quarterly results of operations, cash flows, or other operating metrics could result in our failure to meet our expectations or those of analysts that may cover us or investors with respect to revenue or other key metrics for a particular period. If we fail to meet or exceed such expectations for these or any other reasons, the trading price of our common stock could fall, and we could face costly lawsuits, including securities class action suits.

Our results of operations and earnings may not meet guidance or expectations.

We have provided and may continue to provide public guidance on expected results of operations for future periods. This guidance is comprised of forward-looking statements subject to risks and uncertainties, including the risks and uncertainties described in this Annual Report on Form 10-K and in our other public filings and public statements, and is based necessarily on assumptions we make at the time we provide such guidance. Our guidance may not always be accurate. We may also choose to withdraw guidance or lower guidance in future periods. If, in the future, our results of operations for a particular period do not meet guidance or the expectations of investment analysts, if we reduce guidance for future periods, or if we withdraw guidance, the market price of our common stock could decline significantly.

Our software is complex and may have a lengthy implementation process, and any failure of our software to satisfy our customers or perform as desired could harm our business, results of operations, and financial condition.

Our software and services are complex and are deployed in a wide variety of environments. Implementing our software can be a complex and lengthy process since we often configure our existing software for a customer's unique environment. Inability to meet the unique needs of our customers may result in customer dissatisfaction and/or damage to our reputation, which could materially harm our business. Further, the proper use of our software may require training of the customer and the initial or ongoing services of our technical personnel over the contract term. If training and/or ongoing services require more of our expenditures than we originally estimated, our margins will be lower than projected.

In addition, if our customers do not use our software correctly or as intended, inadequate performance or outcomes may result. It is possible that our software may also be intentionally misused or abused by customers or their employees or third parties who obtain access and use of our software. Similarly, our software is sometimes used by customers with smaller or less sophisticated IT departments, potentially resulting in sub-optimal performance at a level lower than anticipated by the customer. Because our customers rely on our software and services to address important business goals and challenges, the incorrect or improper use or configuration of our software, failure to properly train customers on how to efficiently and effectively use our software, or failure to properly provide implementation or analytical or maintenance services to our customers may result in contract terminations or non-renewals, reduced customer payments, negative publicity, or legal claims against us. For example, as we continue to expand our customer base, any failure by us to properly provide these services may result in lost opportunities for follow-on expansion sales of our software and services.

Furthermore, if customer personnel are not well trained in the use of our software, customers may defer the deployment of our software and services, may deploy them in a more limited manner than originally anticipated, or may not deploy them at all. If there is substantial turnover of the company or customer personnel responsible for procurement and use of our software, our software may go unused or be adopted less broadly, and our ability to make additional sales may be substantially limited, which could negatively impact our business, results of operations, and growth prospects.

If we do not successfully develop and deploy new technologies to address the needs of our customers, our business and results of operations could suffer.

Our success has been based on our ability to design software that enables the integration of large amounts of data to facilitate advanced data analysis, knowledge management, and decision support in real-time. We spend substantial amounts of time and money researching and developing new technologies and enhanced versions of existing features to meet our customers' and potential customers' rapidly evolving needs. There is no assurance that our enhancements to our software or our new product features, capabilities, or offerings, including new products or modules, will be compelling to our customers or gain market acceptance. If our research and development investments do not accurately anticipate customer demand or if we fail to develop our software in a manner that satisfies customer preferences in a timely and cost-effective manner, we may fail to retain our existing customers or increase demand for our software.

The introduction of new products and services by competitors or the development of entirely new technologies to replace existing offerings could make our software obsolete or adversely affect our business, financial condition, and results of operations. We may experience difficulties with software development, design, or marketing that delay or prevent our development, introduction, or implementation of new software, features, or capabilities. We have in the past experienced delays in our internally planned release dates of new features and capabilities, and there can be no assurance that new software, features, or capabilities will be released according to schedule. Any delays could result in adverse publicity, loss of revenue or market acceptance, or claims by customers brought against us, any of which could harm our business. Moreover, the design and development of new software or new features and capabilities to our existing software may require substantial investment, and we have no assurance that such investments will be successful. If customers do not widely adopt our new software, experiences, features, and capabilities, we may not be able to realize a return on our investment and our business, financial condition, and results of operations may be adversely affected.

Our new and existing software and changes to our existing software could fail to attain sufficient market acceptance for many reasons, including:

- our failure to predict market demand accurately in terms of product functionality and to supply offerings that meet this demand in a timely fashion;
- product defects, errors, or failures or our inability to satisfy customer service level requirements;
- negative publicity or negative private statements about the security, performance, or effectiveness of our software or product enhancements;
- delays in releasing to the market our new offerings or enhancements to our existing offerings, including new product modules;
- introduction or anticipated introduction of competing software or functionalities by our competitors;
- inability of our software or product enhancements to scale and perform to meet customer demands;

- receiving qualified or adverse opinions in connection with security or penetration testing, certifications or audits, such as those related to IT controls and security standards and frameworks or compliance;
- poor business conditions for our customers, causing them to delay software purchases;
- reluctance of customers to purchase proprietary software products;
- reluctance of our customers to purchase products hosted by our vendors and/or service interruption from such providers; and
- reluctance of customers to purchase products incorporating open source software.

If we are not able to continue to identify challenges faced by our customers and develop, license, or acquire new features and capabilities to our software in a timely and cost-effective manner, or if such enhancements do not achieve market acceptance, our business, financial condition, results of operations, and prospects may suffer and our anticipated revenue growth may not be achieved.

Because we derive, and expect to continue to derive, a substantial percentage of our revenue from customers purchasing our software, market acceptance of these products, and any enhancements or changes thereto, is critical to our success.

The competitive position of our software depends in part on its ability to operate with third-party products and services, and if we are not successful in maintaining and expanding the compatibility of our software with such third-party products and services, our business, financial condition, and results of operations could be adversely impacted.

The competitive position of our software depends in part on its ability to operate with products and services of third parties, software services, and infrastructure, including but not limited to, in connection with our joint ventures, channel sales relationships, platform partnerships, strategic alliances, and other similar arrangements where applicable. As such, we must continuously modify and enhance our software to adapt to changes in, or to be integrated or otherwise compatible with, hardware, software, networking, browser, and database technologies. In the future, one or more technology companies may choose not to support the operation of their hardware, software, or infrastructure, or our software may not support the capabilities needed to operate with such hardware, software, or infrastructure. In addition, to the extent that a third-party were to develop software or services that compete with ours, that provider may choose not to support one or more of our offerings. We intend to facilitate the compatibility of our software with various third-party hardware, software, and infrastructure by maintaining and expanding our business and technical relationships. If we are not successful in achieving this goal, our business, financial condition, and results of operations could be adversely impacted.

If we fail to manage future growth effectively, our business could be harmed.

We operate in a growing market and have experienced and may experience significant expansion of our operations. Additionally, we have experienced inorganic growth through various acquisitions and may experience additional inorganic growth through future acquisitions. This growth may place a strain on our employees, management systems, operational, financial, and other resources. As we have grown, we have increasingly managed larger and more complex deployments of our software and services with a broader base of government and commercial customers. As we continue to grow, we face challenges of integrating, developing, retaining, and motivating a rapidly growing employee base. In the event of continued growth of our operations, our operational resources, including our information technology systems, our employee base, or our internal controls and procedures may not be adequate to support our operations and deployments. Managing our growth may require significant expenditures and allocation of valuable management resources, improving our operational, financial, and management processes and systems, and effectively expanding, training, and managing our employee base. If we fail to achieve the necessary level of efficiency in our organization as it grows, our business, financial condition, and results of operations would be harmed. As our organization continues to grow, we may find it increasingly difficult to maintain the benefits of our traditional company culture, including our ability to quickly respond to customers, and avoid unnecessary delays that may be associated with a formal corporate structure. This could negatively affect our business performance or ability to hire or retain personnel in the near or long-term.

Our ability to forecast our future results of operations is subject to a number of uncertainties, including our ability to effectively plan for and model future growth. We may encounter risks and uncertainties frequently experienced by growing companies in rapidly changing industries. If we fail to achieve the necessary level of efficiency in our organization as it grows, or if we are not able to accurately forecast future growth, our business, financial condition, and results of operations would be harmed.

If we are unable to hire, retain, train, and motivate qualified personnel and senior management and deploy our personnel and resources to meet customer demand around the world, our business could suffer.

Our ability to compete in the highly competitive technology industry depends upon our ability to attract, motivate, and retain qualified personnel. We are highly dependent on the continued contributions of our management team, including their customer relationships, expertise in science and technology, business development experience, and innovative management in both public and private sectors. These contributions are integral to our growth and would be difficult to replace. Some of our executive officers and key personnel are at-will employees and may terminate their employment relationship with us at any time. The loss of the services of our key personnel and any of our other executive officers, and our inability to find suitable replacements, could result in a decline in sales, delays in product development, and harm to our business and operations.

At times, we have experienced, and we may continue to experience, difficulty in hiring and retaining personnel with appropriate qualifications, and we may not be able to fill positions in a timely manner or at all. Potential candidates may not perceive our compensation package, including our equity awards, as favorably as personnel hired prior to our listing. In addition, our recruiting personnel, methodology, and approach may need to be altered to address a changing candidate pool and profile. We may not be able to identify or implement such changes in a timely manner. In addition, we may incur significant costs to attract and recruit skilled personnel, and we may lose new personnel to our competitors or other technology companies before we realize the benefit of our investment in recruiting and training them. As we move into new geographies, we will need to attract and recruit skilled personnel in those geographic areas, but it may be challenging for us to compete with traditional local employers in these regions for talent. If we fail to attract new personnel or fail to retain and motivate our current personnel who can meet our growing technical, operational, and managerial requirements on a timely basis or at all, our business may be harmed. In addition, certain personnel may be required to receive various security clearances and substantial training to work on certain customer engagements or to perform certain tasks. Necessary security clearances may be delayed or unsuccessful, which may negatively impact our ability to perform on our U.S. and non-U.S. government contracts in a timely manner or at all.

Our success depends on our ability to effectively source and staff people with the right mix of skills and experience to perform services for our customers, including our ability to transition personnel to new assignments on a timely basis. If we are unable to effectively utilize our personnel on a timely basis to fulfill the needs of our customers, our business could suffer.

We face intense competition for qualified personnel, especially software engineers and data scientists, in major U.S. markets, where a large portion of our personnel are based. We incur costs related to attracting, relocating, and retaining qualified personnel in these highly competitive markets, including leasing real estate in prime areas in these locations. Further, many of the companies with which we compete for qualified personnel have greater resources than we have. Additionally, laws and regulations, such as restrictive immigration laws, may limit our ability to recruit outside of the United States. If we fail to attract new personnel or to retain our current personnel, our business and operations could be harmed.

We seek to retain and motivate existing personnel through our compensation practices, company culture, and career development opportunities. We may need to invest significant amounts of cash and equity for new and existing employees, and we may never realize returns on these investments. If the perceived value of our equity awards declines, or if the mix of equity and cash compensation that we offer is less attractive than that of our competitors, it may adversely affect our ability to recruit and retain highly skilled personnel. Employees may also be more likely to leave us if the shares of our capital stock they own or the shares of our capital stock underlying their equity incentive awards have significantly reduced in value or the vested shares of our capital stock they own or vested shares of our capital stock underlying their equity incentive awards have significantly appreciated. In addition, many of our employees may receive significant proceeds from sales of our equity in the public markets, which may reduce their motivation to continue to work for us. Any of these factors could harm our business, financial condition, and results of operations.

If we are unable to successfully deploy our marketing and sales organization in a timely manner, or at all, or to successfully hire, retain, train, and motivate our sales personnel, our growth and long-term success could be adversely impacted.

We currently have a growing, but limited, direct sales force and our sales efforts have historically depended on the significant direct involvement of our senior management team. The successful execution of our strategy to increase our sales to existing customers, identify and engage new customers, and enter new markets will depend, among other things, on our ability to successfully build and expand our sales organization and operations. Identifying, recruiting, training, and managing sales personnel requires significant time, expense, and attention, including from our senior management and other key personnel, which could adversely impact our business, financial condition, and results of operations in the short and long term.

In order to successfully scale our unique sales model, we must, and we intend to continue to, increase the size of our direct sales force, both in the United States and outside of the United States, to generate additional revenue from new and existing customers while preserving the cultural and mission-oriented elements of our company. If we do not hire enough qualified sales personnel, our future revenue growth and business could be adversely impacted. It may take a significant period of time before our sales personnel are fully trained and productive, particularly in light of our unique sales model, and there is no guarantee we will be successful in adequately training and effectively deploying our sales personnel. In addition, we may need to invest significant resources in our sales operations to enable our sales organization to run effectively and efficiently, including supporting sales strategy planning, sales process optimization, data analytics and reporting, and administering incentive compensation arrangements. Furthermore, hiring personnel in new countries requires additional setup and upfront costs that we may not recover if those personnel fail to achieve full productivity in a timely manner. Our business would be adversely affected if our efforts to build, expand, train, and manage our sales organization are not successful. We periodically change and make adjustments to our sales organization in response to market opportunities, competitive threats, management changes, product introductions or enhancements, acquisitions, sales performance, increases in sales headcount, cost levels, and other internal and external considerations. Any future sales organization changes may result in a temporary reduction of productivity, which could negatively affect our rate of growth. In addition, any significant change to the way we structure and implement the compensation of our sales organization may be disruptive or may not be effective and may affect our revenue growth. If we are unable to attract, hire, develop, retain, and motivate qualified sales personnel, if our new sales personnel are unable to achieve sufficient sales productivity levels in a reasonable period of time or at all, if our marketing programs are not effective or if we are unable to effectively build, expand, and manage our sales organization and operations, our sales and revenue may grow more slowly than expected or materially decline, and our business may be significantly harmed.

Our ability to sell our software and services to customers is dependent on the quality of our offerings, and our failure to maintain the quality of our offerings could have a material adverse effect on our sales and results of operations.

Once our software is deployed and integrated with our customers' existing information technology investments, our customers depend on our support to resolve any issues relating to our products. Increasingly, our software is deployed in large-scale, complex technology environments, and we believe our future success will depend on our ability to increase sales of our products into these environments. Our ability to provide effective ongoing support in a timely, efficient, or scalable manner may depend in part on our customers' environments and their ability to maintain and/or modernize their IT infrastructure.

In addition, our ability to provide effective services is largely dependent on our ability to attract, train, and retain qualified personnel with experience in supporting customers on software such as ours. The number of our customers has grown significantly, and that growth has and may continue to put additional pressure on our services teams. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for our products. Increased customer demand for support, without corresponding revenue, could increase costs and negatively affect our business and results of operations. In addition, as we continue to grow our operations and expand outside of the United States, we need to be able to provide efficient services that meet our customers' needs globally at scale, and our services teams may face additional challenges, including those associated with operating the software and delivering support, training, and documentation in languages other than English and providing services across expanded time-zones. If we are unable to provide efficient deployment and support services globally at scale, our ability to grow our operations may be harmed, and we may need to hire additional services personnel, which could negatively impact our business, financial condition, and results of operations.

Our customers typically need training in the proper use of and the variety of benefits that can be derived from our software to realize its full potential. If we do not effectively deploy, update, or upgrade our products, help our customers quickly resolve post-deployment issues, and provide effective ongoing support, our ability to sell additional products and services to customers could be adversely affected, we may face negative publicity, and our reputation with potential customers could be damaged. Many enterprise and government customers require higher levels of services than smaller customers. If we fail to meet the requirements of the larger customers, it may be more difficult to execute on our strategy to increase our penetration with larger customers. As a result, our failure to maintain high quality services may have a material adverse effect on our business, financial condition, results of operations, and growth prospects.

If we are not able to grow, maintain, and enhance our brand and reputation, our relationships with our customers, partners, and employees may be harmed, and our business and results of operations may be adversely affected.

We believe growing, maintaining, and enhancing our brand identity and reputation is important to our relationships with, and to our ability to attract and retain customers, partners, investors, and employees. The successful promotion of our brand depends upon our ability to continue to offer high-quality software, maintain strong relationships with our customers, the community, and others, while successfully differentiating our software from those of our competitors. Unfavorable media coverage may adversely affect our brand and reputation. We anticipate that as our market becomes increasingly competitive, maintaining and enhancing our brand may become increasingly difficult and expensive. Brand promotion activities may not yield increased revenue, and even if they do, the increased revenue may not offset the expenses we incur in building and maintaining our brand and reputation. If we do not successfully grow, maintain, and enhance our brand identity and reputation, or if we are unable to sell legacy products under the "BigBear.ai" brand name, we may fail to attract and retain employees, customers, investors, or partners, grow our business, or sustain pricing power, all of which could adversely impact our business, financial condition, results of operations, and growth prospects. Additionally, despite our internal safeguards and efforts to the contrary, we cannot guarantee that our customers will not ultimately use our software for purposes inconsistent with our company values, and such uses may harm our brand and reputation.

Our reputation and business may be harmed by news or social media coverage of BigBear.ai including but not limited to coverage that presents, or relies on, inaccurate, misleading, incomplete, or otherwise damaging information.

Publicly available information regarding BigBear.ai has historically been limited, in part due to the sensitivity of our work with customers or contractual requirements limiting or preventing public disclosure of certain aspects of our work or relationships with certain customers. As our business has grown and as interest in BigBear.ai and the technology industry overall has increased, we have attracted, and may continue to attract, significant attention from news and social media outlets, including unfavorable coverage and coverage that is not directly attributable to statements authorized by our leadership, that incorrectly reports on statements made by our leadership or employees and the nature of our work, perpetuates unfounded speculation about company involvements, or that is otherwise misleading. If such news or social media coverage presents, or relies on, inaccurate, misleading, incomplete, or otherwise damaging information regarding BigBear.ai, such coverage could damage our reputation in the industry and with current and potential customers, employees, and investors, and our business, financial condition, results of operations, and growth prospects could be adversely affected. Due to the sensitive nature of our work and our confidentiality obligations and despite our ongoing efforts to provide increased transparency into our business, operations, and product capabilities, we may be unable to or limited in our ability to respond to such harmful coverage, which could have a negative impact on our business.

Our relationships with government customers and customers that are engaged in certain sensitive industries, including organizations whose products or activities are or are perceived to be harmful, has resulted in public criticism, including from political and social activists, and unfavorable coverage in the media. Criticism of our relationships with customers could potentially engender dissatisfaction among potential and existing customers, investors, and employees with how we address political and social concerns in our business activities. Conversely, being perceived as yielding to activism targeted at certain customers could damage our relationships with certain customers, including governments and government agencies with which we do business, whose views may or may not be aligned with those of political and social activists.

Actions we take in response to the activities of our customers, up to and including terminating our contracts or refusing a particular product use case could harm our brand and reputation. In either case, the resulting harm to our reputation could:

- cause certain customers to cease doing business with us;
- impair our ability to attract new customers, or to expand our relationships with existing customers;
- diminish our ability to hire or retain employees;
- undermine our standing in professional communities to which we contribute and from which we receive expert knowledge; or
- prompt us to cease doing business with certain customers.

Any of these factors could adversely impact our business, financial condition, and results of operations.

Our pricing for our software and services may change to address market conditions.

We may have to change or adjust our pricing model in response to general economic conditions, competitor pricing, customer budgets, pricing studies, or findings demonstrating how customers consume our products and services. Additionally, as we introduce our products into new markets, we may need to tailor our pricing structure to address conditions or trends in specific markets. In addition, as new and existing competitors introduce new products or services that compete with ours, or revise their pricing structures, we may be unable to attract new customers at the same price or based on the same pricing model as we have used historically. Moreover, as we continue to target selling our software and services to larger organizations, these larger organizations may demand substantial price concessions. In addition, we may need to change pricing policies to accommodate government pricing guidelines for our contracts with federal, state, and local government agencies. If we are unable to modify or develop pricing models and strategies that are attractive to existing and prospective customers, while enabling us to significantly grow our sales and revenue relative to our associated costs and expenses in a reasonable period of time, our business, financial condition, and results of operations may be adversely impacted.

If our government customers are not able or willing to accept our software-based business model, instead of a labor-based business model, our business and results of operations could be negatively impacted.

Our software is generally offered on a productized basis to minimize our customers' overall cost of acquisition, maintenance, and deployment time of our products. Many of our government customers and potential customers are instead generally familiar with the practice of purchasing or licensing software through labor contracts, where custom software is written for specific applications, the intellectual property for specific use cases is often owned by the customer, and the software typically requires additional labor contracts for modifications, updates, and services during the life of that specific software. Customers may be unable or unwilling to accept our model of commercial software procurement. Should our customers be unable or unwilling to accept this model of commercial software procurement, our growth could be materially diminished, which could adversely impact our business, financial condition, results of operations, and growth prospects.

We face intense competition in our markets, and we may lack sufficient financial or other resources to maintain or improve our competitive position.

The markets for our software are very competitive, and we expect such competition to continue or increase in the future. A significant number of companies are developing products that currently, or in the future may, compete with some or all aspects of our proprietary software. We may not be successful in convincing the management teams of our potential customers to deploy our software in lieu of existing software solutions or in-house software development projects often favored by internal IT departments or other competitive products and services. In addition, our competitors include large enterprise software companies, government contractors, and system integrators, and we may face competition from emerging companies as well as established companies who have not previously entered this market. Additionally, we may be required to make substantial additional investments in our research, development, services, marketing, and sales functions in order to respond to competition, and there can be no assurance that we will be able to compete successfully in the future.

Many of our existing competitors have, and some of our potential competitors could have, substantial competitive advantages such as:

- greater name recognition, longer operating histories, and larger customer bases;
- larger sales and marketing budgets and resources and the capacity to leverage their sales efforts and marketing expenditures across a broader portfolio of products;
- broader, deeper, or otherwise more established relationships with technology, channel and distribution partners, and customers;
- wider geographic presence or greater access to larger potential customer bases;
- greater focus in specific geographies;
- lower labor and research and development costs;
- larger and more mature intellectual property portfolios; and
- substantially greater financial, technical, and other resources to provide services, to make acquisitions, and to develop and introduce new products and capabilities.

In addition, some of our larger competitors have substantially broader and more diverse product and service offerings and may be able to leverage their relationships with distribution partners and customers based on other products or incorporate functionality into existing products to gain business in a manner that discourages customers from purchasing our software, including by selling at zero or negative margins, product bundling, or offering closed technology software. Potential customers may also prefer to purchase from their existing provider rather than a new provider regardless of software performance or features. As a result, even if the features of our software offer advantages that others do not, customers may not purchase our software. These larger competitors often have broader product lines and market focus or greater resources and may therefore not be as susceptible to economic downturns or other significant reductions in capital spending by customers. If we are unable to sufficiently differentiate our software from the integrated or bundled products of our competitors, such as by offering enhanced functionality, performance, or value, we may see a decrease in demand for these offerings, which could adversely affect our business, financial condition, and results of operations.

In addition, new, innovative start-up companies and larger companies that are making significant investments in research and development may introduce products that have greater performance or functionality, are easier to implement or use, incorporate technological advances that we have not yet developed, or implemented or may invent similar or superior software and technologies that compete with our software. Our current and potential competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their resources.

Some of our competitors have made or could make acquisitions of businesses that allow them to offer more competitive and comprehensive solutions. As a result of such acquisitions, our current or potential competitors may be able to accelerate the adoption of new technologies that better address customer needs, devote greater resources to bring these products and services to market, initiate or withstand substantial price competition, or develop and expand their product and service offerings more quickly than we do. These competitive pressures in our market, or our failure to compete effectively, may result in fewer orders, reduced revenue and margins, and loss of market share. In addition, it is possible that industry consolidation may impact customers' perceptions of the viability of smaller or even mid-size software firms and consequently customers' willingness to purchase from such firms.

We may not compete successfully against our current or potential competitors. If we are unable to compete successfully, or if competing successfully requires us to take costly actions in response to the actions of our competitors, our business, financial condition, and results of operations could be adversely affected. In addition, companies competing with us may have an entirely different pricing or distribution model. Increased competition could result in fewer customer orders, price reductions, reduced margins, and loss of market share, any of which could harm our business and results of operations.

Our culture emphasizes rapid innovation and advancement of successful hires who may, in some cases, have limited prior industry expertise and prioritizes customer outcomes over short-term financial results, and if we cannot maintain or properly manage our culture as we grow, our business may be harmed.

We have a culture that encourages employees to quickly develop and launch key technologies and software intended to solve our customers' most important problems and prioritizes the advancement of employees to positions of significant responsibility based on merit despite, in some cases, limited prior work or industry experience. Some of our hiring into technical roles comes through our internship program or from candidates joining us directly from undergraduate or graduate engineering programs rather than industry hires. Successful entry-level hires are often quickly advanced and rewarded with significant responsibilities, including in important customer-facing roles as project managers, development leads, and product managers. Larger competitors, such as defense contractors, system integrators, and large software and service companies that traditionally target large enterprises typically have more sizeable direct sales forces staffed by individuals with significantly more industry experience than our customer-facing personnel, which may negatively impact our ability to compete with these larger competitors. As our business grows and becomes more complex, the staffing of customer-facing personnel, some of whom may have limited industry experience, may result in unintended outcomes or in decisions that are poorly received by customers or other stakeholders. For example, in many cases we launch, at our expense, pilot deployments with customers without a long-term contract in place, and some of those deployments have not resulted in the customer's adoption or expansion of its use of our software and services, or the generation of significant, or any, revenue or payments. In addition, as we continue to grow, including geographically, we may find it difficult to maintain our culture.

Our culture also prioritizes customer outcomes over short-term financial results, and we frequently make product and service decisions that may reduce our short-term revenue or cash flow if we believe that the decisions are consistent with our mission and responsive to our customers' goals and thereby have the potential to improve our financial performance over the long term. These decisions may not produce the long-term benefits and results that we expect or may be poorly received in the short term by our investors, in which case our customer growth and our business, financial condition, and results of operations may be harmed.

We may not enter into relationships in select countries or with potential customers if their activities or objectives are inconsistent

with our mission or values.

We generally do not enter into business with customers or governments whose positions or actions we consider inconsistent with our mission to support Western liberal democracy and its strategic allies. Our decisions to not enter into these relationships may not produce the long-term financial benefits and results that we expect, in which case our growth prospects, business, and results of operations could be harmed. Although we endeavor to do business with customers and governments that are aligned with our mission and values, we cannot predict how the activities and values of our government and private sector customers will evolve over time, and they may evolve in a manner inconsistent with our mission.

Joint ventures, channel sales relationships, platform partnerships, strategic alliances, or subcontracting opportunities may have a material adverse effect on our business, results of operations and prospects.

We expect to continue to enter into joint ventures, channel sales relationships (including original equipment manufacturer ("*OEM*") and reseller relationships), platform partnerships, strategic alliances, and subcontracting relationships as part of our long-term business strategy. Joint ventures, channel sales relationships, platform partnerships, strategic alliances, subcontracting relationships, and other similar arrangements involve significant investments of both time and resources, and there can be no assurances that they will be successful. They may present significant challenges and risks, including that they may not advance our business strategy, we may get an unsatisfactory return on our investment or lose some or all of our investment, they may distract management and divert resources from our core business, including our business development and product development efforts, they may expose us to unexpected liabilities, they may conflict with our increased sales hiring and direct sales strategy, or we may choose a partner that does not cooperate as we expect them to and that fails to meet its obligations or that has economic, business, or legal interests or goals that are inconsistent with ours.

Entry into certain joint ventures, channel sales relationships, platform partnerships, or strategic alliances now or in the future may be subject to government regulation, including review by U.S. or foreign government entities related to foreign direct investment. If a joint venture or similar arrangement were subject to regulatory review, such regulatory review might limit our ability to enter into the desired strategic alliance and thus our ability to carry out our long-term business strategy.

As our joint ventures, channel sales relationships, platform partnerships, and strategic alliances come to an end or terminate, we may be unable to renew or replace them on comparable terms, or at all. When we enter into joint ventures, channel sales relationships, platform partnerships, and strategic alliances, our partners may be required to undertake some portion of sales, marketing, implementation services, engineering services, or software configuration that we would otherwise provide. In such cases, our partner may be less successful than we would have otherwise been absent the arrangement and our ability to influence, or have visibility into, the sales, marketing, and related efforts of our partners may be limited. In the event we enter into an arrangement with a particular partner, we may be less likely (or unable) to work with one or more direct competitors of our partner with which we would have worked absent the arrangement. We may have interests that are different from our joint venture partners and/or which may affect our ability to successfully collaborate with a given partner. Similarly, one or more of our partners in a joint venture, channel sales relationship, platform partnership, or strategic alliance may independently suffer a bankruptcy or other economic hardship that negatively affects its ability to continue as a going concern or successfully perform on its obligation under the arrangement. Moreover, we cannot guarantee that the partners with whom we have strategic relationships will continue to devote the resources necessary to expand our reach and increase our distribution. In addition, customer satisfaction with our products provided in connection with these arrangements may be less favorable than anticipated, negatively impacting anticipated revenue growth and results of operations of arrangements in question. Further, some of our strategic partners offer competing products and services or work with our competitors. As a result of these and other factors, many of the companies with which we have or are seeking joint ventures, channel sales relationships, platform partnerships, or strategic alliances may choose to pursue alternative technologies and develop alternative products and services in addition to or in lieu of our software, either on their own or in collaboration with others, including our competitors. If we are unsuccessful in establishing or maintaining our relationships with these partners, our ability to compete in a given marketplace or to grow our revenue would be impaired, and our results of operations may suffer. Even if we are successful in establishing and maintaining these relationships with our partners, we cannot assure you that these relationships will result in increased customer usage of our software or increased revenue. Additionally, if our partners' brand, reputation, or products are negatively impacted in any way, that could impact our expected outcomes in those markets.

In addition, some of our sales to government entities have been made, and in the future may be made, indirectly through our channel partners. Government entities may have statutory, contractual, or other legal rights to terminate contracts with our channel partners for convenience or due to a default, and, in the future, if the portion of government contracts that are subject to renegotiation or termination at the election of the government entity are material, any such termination or renegotiation may adversely impact our future operating results. In the event of such termination, it may be difficult for us to arrange for another channel partner to sell our software to these customers in a timely manner, and we could lose sales opportunities during the transition. Government entities routinely investigate and audit government contractors' administrative processes, and any unfavorable audit could result in the government entity refusing to renew its subscription for our software, a reduction of revenue, or fines or civil or criminal liability if the audit uncovers improper or illegal activities.

Further, winding down joint ventures, channel sales relationships, platform partnerships, or other strategic alliances can result in additional costs, litigation, and negative publicity. Any of these events could adversely affect our business, financial condition, results of operations, and growth prospects.

We have business and customer relationships with certain entities who are stockholders or are affiliated with our directors, or both, and conflicts of interest may arise because of such relationships.

Some of our customers and other business partners are affiliated with certain of our directors or hold shares of our capital stock, or both. For example, in July 2021, we entered into a Memorandum of Understanding ("MOU") with Edge Autonomy (formerly UAV Factory), a company owned by AE Industrial Partners, whereby BigBear.ai will develop AI/ML capabilities for Edge Autonomy's unmanned systems and components used in autonomous operations within the commercial and defense markets. We believe that the transactions and agreements that we have entered into with related parties are on terms that are at least as favorable as could reasonably have been obtained at such time from third parties. However, these relationships could create, or appear to create, potential conflicts of interest when our Board is faced with decisions that could have different implications for us and these other parties or their affiliates. In addition, conflicts of interest may arise between us and these other parties and their affiliates. The appearance of conflicts, even if such conflicts do not materialize, might adversely affect the public's perception of us, as well as our relationship with other companies and our ability to enter into new relationships in the future, including with competitors of such related parties, which could harm our business and results of operations.

If we are not successful in executing our strategy to increase our sales to larger customers, our results of operations may suffer.

An important part of our growth strategy is to increase sales of our software to large enterprises and government entities. Sales to large enterprises and government entities involve risks that may not be present (or that are present to a lesser extent) with sales to small-to-mid-sized entities, especially in commercial markets. These risks include:

- increased leverage held by large customers in negotiating contractual arrangements with us;
- changes in key decision makers within these organizations that may negatively impact our ability to negotiate in the future;
- customer IT departments may perceive that our software and services pose a threat to their internal control and advocate for legacy or internally developed solutions over our software;
- resources may be spent on a potential customer that ultimately elects not to purchase our software and services;
- more stringent requirements in our service contracts, including stricter service response times, and increased penalties for any failure to meet service requirements;
- increased competition from larger competitors, such as defense contractors, system integrators, or large software and service companies that traditionally target large enterprises and government entities and that may already have

purchase commitments from those customers; and

- less predictability in completing some of our sales than we have with smaller customers.

Large enterprises and government entities often undertake a significant evaluation process that results in a lengthy sales cycle, in some cases over 12 months, requiring approvals of multiple management personnel and more technical personnel than would be typical of a smaller organization. Due to the length, size, scope, and stringent requirements of these evaluations, we typically provide short-term pilot deployments of our software at no or minimal cost. We sometimes spend substantial time, effort, and money in our sales efforts without producing any sales. The success of the investments that we make depends on factors such as our ability to identify potential customers for which our software has an opportunity to add significant value to the customer's organization, our ability to identify and agree with the potential customer on an appropriate pilot deployment to demonstrate the value of our software, and whether we successfully execute on such pilot deployment. Even if the pilot deployment is successful, we or the customer could choose not to enter into a larger contract for a variety of reasons. For example, product purchases by large enterprises and government entities are frequently subject to budget constraints, leadership changes, multiple approvals, and unplanned administrative, processing, and other delays, any of which could significantly delay or entirely prevent our realization of sales.

Finally, large enterprises and government entities typically (i) have longer implementation cycles, (ii) require greater product functionality and scalability and a broader range of services, including design services, (iii) demand that vendors take on a larger share of risks, (iv) sometimes require acceptance provisions that can lead to a delay in revenue recognition, (v) typically have more complex IT and data environments, and (vi) expect greater payment flexibility from vendors. Customers, and sometimes we, may also engage third parties to be the users of our software, which may result in contractual complexities and risks, require additional investment of time and human resources to train the third parties and allow third parties (who may be building competitive projects or engaging in other competitive activities) to influence our customers' perception of our software. All these factors can add further risk to business conducted with these customers. If sales expected from a large customer for a particular quarter are not realized in that quarter or at all, our business, financial condition, results of operations, and growth prospects could be materially and adversely affected.

Unfavorable conditions in our industry or the global economy, or reductions in IT spending, could limit our ability to grow our business and negatively affect our results of operations.

Our results of operations may vary based on the impact of changes in our industry or the global economy on us or our customers. The revenue growth and potential profitability of our business depend on demand for our platform. Current or future economic uncertainties or downturns could adversely affect our business and results of operations. Negative conditions in the global economy or individual markets, including changes in gross domestic product growth, financial and credit market fluctuations, political turmoil, natural catastrophes, warfare and terrorist attacks on the United States, Europe, Australia, the Asia Pacific region or elsewhere, could cause a decrease in business investments, including spending on IT and negatively affect our business. Political and military events, including the ongoing conflicts in Ukraine, the Middle East, and Africa, poor relations between the U.S. and Russia, and sanctions by the international community against Russia or separatist areas of Ukraine may also have an adverse impact on our employees, customers, partners, and vendors. In turn, any of these may adversely impact our ability to grow our business and negatively affect our results of operations.

If the market for our software and services develops more slowly than we expect, our growth may slow or stall, and our business, financial condition, and results of operations could be harmed.

The market for our software is rapidly evolving. Our future success will depend in large part on the growth and expansion of this market, which is difficult to predict and relies on a number of factors, including customer adoption, customer demand, changing customer needs, the entry of competitive products, the success of existing competitive products, potential customers' willingness to adopt an alternative approach to data collection, storage, and processing and their willingness to invest in new software after significant prior investments in legacy data collection, storage, and processing software. Our estimates of market opportunity and forecasts of market growth may prove to be inaccurate. Market opportunity estimates and growth forecasts, including those we have generated ourselves, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The variables that affect the calculation of our market opportunity are also subject to change over time. The estimates and assumptions that are used to calculate our market opportunity are subject to change over time, and there is no guarantee that any particular number or percentage of the organizations covered by our market opportunity estimates will pay for our software and services at all or generate any particular level of revenue for us. Even if the market in which we compete meets the size estimates and growth forecasts, our business could fail to grow at the levels we expect or at all for a variety of reasons outside our control, including competition in our industry. Further, if we or other data management and analytics providers experience security incidents, loss of or unauthorized access to customer data, disruptions in delivery, or other problems, this market as a whole, including our software, may be negatively affected. If software for the challenges that we address does not achieve widespread adoption, or there is a reduction in demand caused by a lack of customer acceptance, technological challenges, weakening economic conditions (including the ongoing conflicts in Ukraine, the Middle East, and Africa, and related economic sanctions, rising inflation and interest rates, and monetary policy changes), security or privacy concerns, competing technologies and products, decreases in corporate spending, or otherwise, or, alternatively, if the market develops but we are unable to continue to penetrate it due to the cost, performance, and perceived value associated with our software, or other factors, it could result in decreased revenue and our business, financial condition, and results of operations could be adversely affected.

We will face risks associated with the growth of our business in new commercial markets and with new customer verticals, and we may neither be able to continue our organic growth nor have the necessary resources to dedicate to the overall growth of our business.

We plan to expand our operations in new commercial markets, including those where we may have limited operating experience, and may be subject to increased business, technology and economic risks that could affect our financial results. In recent periods, we have increased our focus on commercial customers. In the future, we plan to increasingly focus on such customers, including in the manufacturing, supply chain, and digital identity industries. Entering new verticals and expanding in the verticals in which we are already operating will continue to require significant resources and there is no guarantee that such efforts will be successful or beneficial to us. Historically, sales to new customers have often led to additional sales to the same customers or similarly situated customers. As we expand into and within new and emerging markets and heavily regulated industry verticals, we will likely face additional regulatory scrutiny, risks, and burdens from the governments and agencies which regulate those markets and industries. While this approach to expansion within new commercial markets and verticals has proven successful in the past, it is uncertain we will achieve the same penetration and organic growth in the future and our reputation, business, financial condition, and results of operations could be negatively impacted.

In the future, we may not be able to secure the financing necessary to operate and grow our business as planned, or to make acquisitions.

In the future, we may seek to raise or borrow additional funds to expand our product or business development efforts, make acquisitions or otherwise fund or grow our business and operations. As of December 31, 2024, we had approximately $200.0 million of total indebtedness. Although we currently anticipate that our existing cash and cash equivalents will be sufficient to meet our cash needs for the next 12 months, additional funds may be required if our growth strategy does not develop as quickly as planned. If we require additional financing, we may not be able to obtain debt or equity financing on favorable terms, if at all. If we raise equity financing to fund operations or on an opportunistic basis, our stockholders may experience significant dilution of their ownership interests. If adequate funds are not available on acceptable terms, or at all, we may be unable to, among other things:

- develop new products, features, capabilities, and enhancements;
- continue to expand our product development, sales, and marketing organizations;
- hire, train, and retain employees;
- respond to competitive pressures or unanticipated working capital requirements; or
- pursue acquisition or other growth opportunities.

Our inability to take any of these actions because adequate funds are not available on acceptable terms could have an adverse impact on our business, financial condition, results of operations, and growth prospects.

We may need to raise additional capital, which may not be available on favorable terms, if at all, and which may cause dilution to stockholders, restrict our operations or adversely affect our ability to operate our business.

Our ability to raise additional capital may be significantly affected by general market conditions, the market price of our ordinary shares, our financial condition, uncertainty about the future commercial success of our products, regulatory developments, the status and scope of our intellectual property, any ongoing arbitration or litigation, our compliance with applicable laws and regulations and other factors, many of which are outside our control. Furthermore, the Indenture governing our 2029 Convertible Notes contain limitations on our ability to incur debt and issue preferred and/or disqualified stock. Accordingly, we cannot be certain that we will be able to obtain additional financing on favorable terms or at all. If we are unable to obtain needed financing on acceptable terms, or otherwise, we may not be able to implement our business plan, which could have a material adverse effect on our business, financial condition and results of operations, including a decline in the trading price of our ordinary shares. Any additional equity financings could result in additional dilution to our then existing stockholders. In addition, we may enter into additional financings that restrict our operations or adversely affect our ability to operate our business and, if we issue equity, debt or other securities to raise additional capital or restructure or refinance our existing indebtedness, the new equity, debt or other securities may have rights, preferences and privileges senior to those of our existing stockholders.

Our ability to generate the amount of cash needed to pay interest and principal on any indebtedness and our ability to refinance all or a portion of our indebtedness or obtain additional financing depends on many factors beyond our control.

Our ability to make scheduled payments on, or to refinance our obligations under, any indebtedness depends on our financial and operating performance and prevailing economic and competitive conditions. Certain of these financial and business factors, many of which may be beyond our control, are described above.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets, raise additional equity capital, or restructure our debt. However, there is no assurance that such alternative measures may be successful or permitted under the agreements governing our indebtedness and, as a result, we may not be able to meet our scheduled debt service obligations. Even if successful, actions taken to improve short-term liquidity to meet our debt service and other obligations could harm our long-term business prospects, financial condition, and results of operations.

We cannot guarantee that we will be able to refinance our indebtedness or obtain additional financing on satisfactory terms or at all, including due to existing guarantees on our assets or our level of indebtedness and the debt incurrence restrictions imposed by the agreements governing our indebtedness. Further, the cost and availability of credit are subject to changes in the economic and business environment. If conditions in major credit markets deteriorate, our ability to refinance our indebtedness or obtain additional financing on satisfactory terms, or at all, may be negatively affected.

Our debt agreements contain restrictions that may limit our flexibility in operating our business.

Our Indenture governing our 2029 Convertible Notes and related documents contain, and instruments governing any future indebtedness of ours would likely contain, a number of covenants that will impose significant operating and financial restrictions on us, including restrictions on our ability to, among other things:

- incur indebtedness or liens;
- make restricted payments;
- issue preferred stock or disqualified stock;
- transact with affiliates;
- sell material intellectual property; and
- make investments or dispositions.

Our Indenture governing our 2029 Convertible Notes also require us to comply with a minimum liquidity covenant. Our Indenture governing our 2026 Convertible Notes and related documents do not contain covenants similar to those described above, but both of our Indentures governing our Convertible Notes contain a substantially similar covenant that restricts our ability to consolidate, merge, sell or otherwise dispose of all or substantially all of our assets unless, among other things, the surviving entity assumes our obligations under the 2026 Convertible Notes and 2029 Convertible Notes, respectively. Any of these restrictions could limit our ability to plan for or react to market conditions and could otherwise restrict corporate activities. Any failure to comply with these covenants could result in a default under our instruments governing any future indebtedness of ours. Upon a default, unless waived, the noteholders could elect to demand repayment of all outstanding principal and accrued interest on our Convertible Notes and force us into bankruptcy or liquidation. Additionally, our 2029 Convertible Notes are secured by substantially all of our assets. Upon a default, unless waived, the noteholders could elect to foreclose on our assets pledged to such noteholders to secure our obligations under our Indenture governing our 2029 Convertible Notes. In addition, a default under our Indentures could trigger a cross default under agreements governing any future indebtedness. Our results of operations may not be sufficient to service our indebtedness and to fund our other expenditures, and we may not be able to obtain financing to meet these requirements. If we experience a default under our Indentures or instruments governing our future indebtedness, our business, financial condition, and results of operations may be adversely impacted.

As of December 31, 2024, the remaining principal on the 2026 Convertible Notes is approximately $17.7 million and these notes mature on December 15, 2026. As of December 31, 2024, the remaining principal on the 2029 Convertible Notes is approximately $182.3 million and these notes mature on December 15, 2029.

As of December 31, 2024, we were in compliance with all covenants and restrictions associated with our debt agreements.

We may acquire or invest in companies and technologies, which may divert our management's attention, and result in additional dilution to our stockholders. We may be unable to integrate acquired businesses and technologies successfully or achieve the expected benefits of such acquisitions or investments.

As part of our business strategy, we have engaged in strategic transactions in the past and expect to evaluate and consider potential strategic transactions, including acquisitions of, or investments in, businesses, technologies, services, products and other assets in the future. We also may enter into relationships with other businesses to expand our products or our ability to provide services. An acquisition, investment or business relationship may result in unforeseen risks, operating difficulties and expenditures, including the following:

- an acquisition may negatively affect our financial results because it may require us to incur charges or assume substantial debt or other liabilities, may cause adverse tax consequences or unfavorable accounting treatment, may expose us to claims and disputes by third parties, including intellectual property claims and disputes, or may not generate sufficient financial return to offset additional costs and expenses related to the acquisition;

- costs and potential difficulties associated with the requirement to test and assimilate the internal control processes of the acquired business;
- we may encounter difficulties or unforeseen expenditures assimilating or integrating the businesses, technologies, infrastructure, products, personnel, or operations of the acquired companies, particularly if the key personnel of the acquired company choose not to work for us or if we are unable to retain key personnel, if their technology is not easily adapted to work with ours, or if we have difficulty retaining the customers of any acquired business due to changes in ownership, management, or otherwise;
- we may not realize the expected benefits of the acquisition;
- an acquisition may disrupt our ongoing business, divert resources, increase our expenses, and distract our management;
- an acquisition may result in a delay or reduction of customer purchases for both us and the company acquired due to customer uncertainty about continuity and effectiveness of service from either company;
- the potential impact on relationships with existing customers, vendors, and distributors as business partners as a result of acquiring another company or business that competes with or otherwise is incompatible with those existing relationships;
- the potential that our due diligence of the acquired company or business does not identify significant problems or liabilities, or that we underestimate the costs and effects of identified liabilities;
- exposure to litigation or other claims in connection with, or inheritance of claims or litigation risk as a result of, an acquisition, including but not limited to claims from former employees, customers, or other third parties, which may differ from or be more significant than the risks our business faces;
- potential goodwill impairment charges related to acquisitions;
- we may encounter difficulties in, or may be unable to, successfully sell any acquired products;
- an acquisition may involve the entry into geographic or business markets in which we have little or no prior experience or where competitors have stronger market positions;
- an acquisition may require us to comply with additional laws and regulations, or to engage in substantial remediation efforts to cause the acquired company to comply with applicable laws or regulations, or result in liabilities resulting from the acquired company’s failure to comply with applicable laws or regulations;
- our use of cash to pay for an acquisition would limit other potential uses for our cash;
- if we incur debt to fund such acquisition, such debt may subject us to material restrictions on our ability to conduct our business as well as financial maintenance covenants; and
- to the extent that we issue a significant amount of equity securities in connection with future acquisitions, existing stockholders may be diluted and earnings per share may decrease.

The occurrence of any of these risks could have a material adverse effect on our business, results of operations, and financial condition. Moreover, we cannot assure you that we would not be exposed to unknown liabilities.

Certain revenue metrics such as net dollar-based retention rate or annual recurring revenue may not be accurate indicators of our future financial results.

Other subscription-based software companies often report on metrics such as net dollar-based revenue retention rate, annual recurring revenue or other revenue metrics, and investors and analysts sometimes look to these metrics as indicators of business activity in a period for businesses such as ours. However, given our large concentration of business with government customers through non-traditional contract arrangements, these metrics may not be relevant, available, or representative of the success of our operations. The gain or loss of even a single high-value customer contract could cause significant volatility in these metrics. If investors and analysts view our business through these metrics, the trading price of our common stock may be adversely affected.

Risks Related to Intellectual Property, Information Technology, Data Privacy and Security

If any of the systems of any third parties upon which we rely, our customers' cloud or on-premises environments, or our internal systems, are breached or if unauthorized access to customer or third-party data is otherwise obtained, public perception of our software and services may be harmed, and we may lose business and incur losses or liabilities.

Our success depends in part on our ability to provide effective data security protection in connection with our software and services, and we rely on information technology networks and systems to securely store, transmit, index, and otherwise process electronic information. Because our software is used by our customers to store, transmit, index, or otherwise process and analyze large data sets that often contain proprietary, confidential, and/or sensitive information (including in some instances personal or identifying information and personal health information), our software is perceived as an attractive target for attacks by computer hackers or others seeking unauthorized access, and our software faces threats of unintended exposure, exfiltration, alteration, deletion, or loss of data. Additionally, because many of our customers use our software to store, transmit, and otherwise process proprietary, confidential, or sensitive information, and complete mission critical tasks, they have a lower risk tolerance for security vulnerabilities in our software and services than for vulnerabilities in other, less critical, software products and services.

We, and the third-party vendors upon which we rely, have experienced, and may in the future experience, cybersecurity threats, including threats or attempts to disrupt our information technology infrastructure and unauthorized attempts to gain access to sensitive or confidential information. Our and our third-party vendors' technology systems may be damaged or compromised by malicious events, such as cyberattacks (including computer viruses, malicious and destructive code, phishing attacks, and denial of service attacks), physical or electronic security breaches, natural disasters, fire, power loss, telecommunications failures, personnel misconduct, and human error. Such attacks or security breaches may be perpetrated by internal bad actors, such as employees or contractors, or by third parties (including traditional computer hackers, persons involved with organized crime, or foreign state or foreign state-supported actors). Cybersecurity threats can employ a wide variety of methods and techniques, which may include the use of social engineering techniques, are constantly evolving, and have become increasingly complex and sophisticated; all of which increase the difficulty of detecting and successfully defending against them. Furthermore, because the techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until after they are launched against a target, we and our third-party vendors may be unable to anticipate these techniques or implement adequate preventative measures. Although prior cyberattacks directed at us have not had a material impact on our financial results, and we are continuing to bolster our threat detection and mitigation processes and procedures, we cannot guarantee that future cyberattacks, if successful, will not have a material impact on our business or financial results. While we have security measures in place to protect our information and our customers' information and to prevent data loss and other security breaches, we have not always been able to do so and there can be no assurance that in the future we will be able to anticipate or prevent security breaches or unauthorized access of our information technology systems or the information technology systems of the third-party vendors upon which we rely. Despite our implementation of network security measures and internal information security policies, data stored on personnel computer systems is also vulnerable to similar security breaches, unauthorized tampering, or human error.

Many governments have enacted laws requiring companies to provide notice of data security incidents involving certain types of data, including personal data. In addition, most of our customers, including U.S. government customers, contractually require us to notify them of data security breaches. If an actual or perceived breach of security measures, unauthorized access to our system or the systems of the third-party vendors that we rely upon, or any other cybersecurity threat occurs, we may face direct or indirect liability, costs, or damages, contract termination, our reputation in the industry and with current and potential customers may be compromised, our ability to attract new customers could be negatively affected, and our business, financial condition, and results of operations could be materially and adversely affected.

Further, unauthorized access to our or our third-party vendors' information technology systems or data or other security breaches could result in the loss of information; significant remediation costs; litigation, disputes, regulatory action, or investigations that could result in damages, material fines, and penalties; indemnity obligations; interruptions in the operation of our business, including our ability to provide new product features, new software, or services to our customers; damage to our operation technology networks and information technology systems; and other liabilities. Moreover, our remediation efforts may not be successful. Any or all of these issues, or the perception that any of them have occurred, could negatively affect our ability to attract new customers, cause existing customers to terminate or not renew their agreements, hinder our ability to obtain and maintain required or desirable cybersecurity certifications, and result in reputational damage, any of which could materially adversely affect our results of operations, financial condition, and future prospects. There can be no assurance that any limitations of liability provisions in our license arrangements with customers or in our agreements with vendors, partners, or others would be enforceable, applicable, or adequate or would otherwise protect us from any such liabilities or damages with respect to any claim.

We maintain cybersecurity insurance and other types of insurance, subject to applicable deductibles and policy limits, but our insurance may not be sufficient to cover all costs, claims, or liabilities associated with a potential data security incident. In addition, our insurance may not protect us against all claims and losses related to our software or a data security incident due to specified exclusions, deductibles and material change limitations and it may be difficult to insure against certain risks. We also cannot be sure that our existing general liability insurance coverage and coverage for cyber liability or errors or omissions will continue to be available on acceptable terms or will be available in sufficient amounts to cover one or more large claims or that the insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could harm our financial condition.

Issues in the use of artificial intelligence ("AI") and machine learning ("ML") in our software may result in reputational harm or liability.

AI is enabled by or integrated into some of our software and is a significant and potentially growing element of our business. As with many developing technologies, AI presents risks and challenges that could affect its further development, adoption, and use, and therefore our business. AI algorithms may be flawed. Datasets may be insufficient, of poor quality, or contain biased information. Inappropriate or controversial data practices by data scientists, engineers, and end-users of our systems could impair the acceptance of AI solutions. The rapid evolution of AI and its evolving regulatory landscape may also require additional resources to develop, test and maintain our platforms and products to help ensure that AI is implemented appropriately in order to minimize unintended or harmful impact, which may be costly and may not produce the benefits and results that we expect. If the recommendations, forecasts, or analyses that AI applications assist in producing are deficient or inaccurate, we could be subjected to competitive harm, potential legal liability, and brand or reputational harm. Some AI scenarios present ethical issues. Though our technologies and business practices are designed to mitigate many of these risks, if we enable or offer AI solutions that are controversial because of their purported or real impact on human rights, privacy, employment, or other social issues, we may experience brand or reputational harm.

We depend on computing infrastructure operated by Amazon Web Services (AWS), Google Cloud Platform (GCP), Microsoft Azure, and other third parties to support some of our customers, and any errors, disruption, performance problems, or failure in their or our operational infrastructure could adversely affect our business, financial condition, and results of operations.

We rely on the technology, infrastructure, and software applications, including software-as-a-service offerings, of certain third parties, such as AWS, GCP & Azure, in order to host or operate some or all of certain key platform features or functions of our business, including our cloud-based services, customer relationship management activities, billing and order management, and financial accounting services. Additionally, we rely on computer hardware purchased in order to deliver our software and services. We do not have control over the operations of the facilities of the third parties that we use. If any of these third-party services experience errors, disruptions, security issues, or other performance deficiencies, if they are updated such that our software become incompatible, if these services, software, or hardware fail or become unavailable due to extended outages, interruptions, defects, or otherwise, or if they are no longer available on commercially reasonable terms or prices (or at all), these issues could result in errors or defects in our software, cause our software to fail, cause our revenue and margins to decline, or cause our reputation and brand to be damaged, and we could be exposed to legal or contractual liability, our expenses could increase, our ability to manage our operations could be interrupted, and our processes for managing our sales and servicing our customers could be impaired until equivalent services or technology, if available, are identified, procured, and implemented, all of which may take significant time and resources, increase our costs, and could adversely affect our business. Many of these third-party providers attempt to impose limitations on their liability for such errors, disruptions, defects, performance deficiencies, or failures, and if enforceable, we may have additional liability to our customers or third-party providers.

We have experienced, and may in the future experience, disruptions, failures, data loss, outages, and other performance problems with our infrastructure and cloud-based offerings due to a variety of factors, including infrastructure changes, introductions of new functionality, human or software errors, employee misconduct, capacity constraints, denial of service attacks, phishing attacks, computer viruses, malicious or destructive code, or other security-related incidents, and our disaster recovery planning may not be sufficient for all situations. If we experience disruptions, failures, data loss, outages, or other performance problems, our business, financial condition, and results of operations could be adversely affected.

Our systems and the third-party systems upon which we and our customers rely are also vulnerable to damage or interruption from catastrophic occurrences such as earthquakes, floods, fires, power loss, telecommunication failures, cybersecurity threats, terrorist attacks, natural disasters, public health crises, geopolitical and similar events, or acts of misconduct. Despite any precautions we may take, the occurrence of a catastrophic disaster or other unanticipated problems at our or our third-party vendors' hosting facilities, or within our systems or the systems of third parties upon which we rely, could result in interruptions, performance problems, or failure of our infrastructure, technology, or software, which may adversely impact our business. In addition, our ability to conduct normal business operations could be severely affected. In the event of significant physical damage to one of these facilities, it may take a significant period of time to achieve full resumption of our services, and our disaster recovery planning may not account for all eventualities. In addition, any negative publicity arising from these disruptions could harm our reputation and brand and adversely affect our business.

Furthermore, our software are in many cases important or essential to our customers' operations, including in some cases, their cybersecurity or oversight and compliance programs, and subject to service level agreements ("*SLAs*"). Any interruption in our service, whether as a result of an internal or third-party issue, could damage our brand and reputation, cause our customers to terminate or not renew their contracts with us or decrease use of our software and services, require us to indemnify our customers against certain losses, result in our issuing credit or paying penalties or fines, subject us to other losses or liabilities, cause our software to be perceived as unreliable or unsecure, and prevent us from gaining new or additional business from current or future customers, any of which could harm our business, financial condition, and results of operations.

Moreover, to the extent that we do not effectively address capacity constraints, upgrade our systems as needed, and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business, financial condition, and results of operations could be adversely affected. The provisioning of additional cloud hosting capacity requires lead time. AWS and other third parties have no obligation to renew their agreements with us on commercially reasonable terms, or at all. If any third parties increase pricing terms, terminate, or seek to terminate our contractual relationship, establish more favorable relationships with our competitors, or change or interpret their terms of service or policies in a manner that is unfavorable with respect to us, we may be required to transfer to other cloud providers or invest in a private cloud. If we are required to transfer to other cloud providers or invest in a private cloud, we could incur significant costs and experience possible service interruption in connection with doing so, or risk loss of customer contracts if they are unwilling to accept such a change.

A failure to maintain our relationships with our third-party providers (or obtain adequate replacements), and to receive services from such providers that do not contain any material errors or defects, could adversely affect our ability to deliver effective products and solutions to our customers and adversely affect our business and results of operations.

Our policies regarding customer confidential information and support for individual privacy and civil liberties could cause us to experience adverse business and reputational consequences.

We strive to protect our customers' confidential information and individuals' privacy consistent with applicable laws, directives, and regulations. From time to time, government entities may seek our assistance with obtaining information about our customers or could request that we modify our software in a manner to permit access or monitoring. In light of our confidentiality and privacy commitments, we may legally challenge law enforcement or other government requests to provide information, to obtain encryption keys, or to modify or weaken encryption. To the extent that we do not provide assistance to or comply with requests from government entities, or if we challenge those requests publicly or in court, we may experience adverse political, business, and reputational consequences among certain customers or portions of the public. Conversely, to the extent that we do provide such assistance, or do not challenge those requests publicly in court, we may experience adverse political, business, and reputational consequences from other customers or portions of the public arising from concerns over privacy or the government's activities.

Failure to adequately obtain, maintain, protect and enforce our intellectual property and other proprietary rights could adversely affect our business.

Our success and ability to compete depends in part on our ability to protect our proprietary methods and technologies in the United States and other jurisdictions outside the United States so that we can prevent others from using our inventions and proprietary information and technology. Despite our efforts, third parties may attempt to disclose, obtain, copy, or use our intellectual property or other proprietary information or technology without our authorization, and our efforts to protect our intellectual property and other proprietary rights may not prevent such unauthorized disclosure or use, misappropriation, infringement, reverse engineering or other violation of our intellectual property or other proprietary rights.

We have devoted substantial resources to the development of our proprietary software. In order to protect our proprietary technologies and processes, we rely in part on trade secret laws and confidentiality agreements with our employees, consultants, and third parties. These agreements may not effectively prevent unauthorized disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover our trade secrets, in which case we would not be able to assert trade secret rights or develop similar technologies and processes.

Further, laws in certain jurisdictions may afford little or no trade secret protection, and any changes in, or unexpected interpretations of, the intellectual property laws in any jurisdiction in which we operate may compromise our ability to enforce our intellectual property rights. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights. If the protection of our proprietary rights is inadequate to prevent use or appropriation by third parties, the value of our software, brand, and other intangible assets may be diminished, and competitors may be able to more effectively replicate our software products. Any of these events would harm our business.

In addition, we may be the subject of intellectual property infringement or misappropriation claims, which could be very time-consuming and expensive to settle or litigate and could divert our management's attention and other resources. These claims could also subject us to significant liability for damages if we are found to have infringed patents, copyrights, trademarks, or other intellectual property rights, or breached trademark co-existence agreements or other intellectual property licenses and could require us to cease using or to rebrand all or portions of our software. Any of our patents, copyrights, trademarks, or other intellectual property rights may be challenged by others or invalidated through administrative process or litigation.

In addition, any of our copyrights, trademarks, or other intellectual property or proprietary rights may be challenged, narrowed, invalidated, held unenforceable, or circumvented in litigation or other proceedings, including, where applicable, opposition, re-examination, *inter partes* review, post-grant review, interference, nullification and derivation proceedings, and equivalent proceedings in foreign jurisdictions, and such intellectual property or other proprietary rights may be lost or no longer provide us meaningful competitive advantages. Such proceedings may result in substantial cost and require significant time from our management, even if the eventual outcome is favorable to us. Third parties also may legitimately and independently develop products, services, and technology similar to or duplicative of our software. In addition to protection under intellectual property laws, we rely on confidentiality or license agreements that we generally enter into with our corporate partners, employees, consultants, advisors, vendors, and customers, and generally limit access to and distribution of our proprietary information. However, we cannot be certain that we have entered into such agreements with all parties who may have or have had access to our confidential information or that the agreements we have entered into will not be breached or challenged, or that such breaches will be detected. Furthermore, non-disclosure provisions can be difficult to enforce, and even if successfully enforced, may not be entirely effective. We cannot guarantee that any of the measures we have taken will prevent infringement, misappropriation, or other violation of our technology or other intellectual property or proprietary rights. Because we may be an attractive target for cyberattacks, we also may have a heightened risk of unauthorized access to, and misappropriation of, our proprietary and competitively sensitive information. We may be required to spend significant resources to monitor and protect our intellectual property and other proprietary rights, and we may conclude that in at least some instances the benefits of protecting our intellectual property or other proprietary rights may be outweighed by the expense or distraction to our management. We may initiate claims or litigation against third parties for infringement, misappropriation, or other violation of our intellectual property or other proprietary rights or to establish the validity of our intellectual property or other proprietary rights. Any such litigation, whether or not it is resolved in our favor, could be time-consuming, result in significant expense to us and divert the efforts of our technical and management personnel. Furthermore, attempts to enforce our intellectual property rights against third parties could also provoke these third parties to assert their own intellectual property or other rights against us, or result in a holding that invalidates or narrows the scope of our rights, in whole or in part.

We may in the future be subject to intellectual property rights claims, which are extremely costly to defend, could require us to pay significant damages and could limit our ability to use certain technologies.

Our success and ability to compete also depends in part on our ability to operate without infringing, misappropriating or otherwise violating the intellectual property or other proprietary rights of third parties. Companies in the software and technology industries, including some of our current and potential competitors, own large numbers of patents, copyrights, trademarks, and trade secrets and frequently pursue litigation based on allegations of infringement, misappropriation, or other violations of intellectual property rights. In addition, many of these companies have the capability to dedicate substantial resources to enforce their intellectual property rights and to defend claims that may be brought against them. Such litigation also may involve non-practicing patent assertion entities or companies who use their patents to extract license fees by threatening costly litigation or that have minimal operations or relevant product revenue and against whom our patents may provide little or no deterrence or protection. While we have not received any notices to date, we may receive notices in the future that claim we have infringed, misappropriated, misused, or otherwise violated other parties' intellectual property rights, and, to the extent we become exposed to greater visibility, we face a higher risk of being the subject of intellectual property infringement, misappropriation or other violation claims, which is not uncommon with respect to software technologies in particular. There may be third-party intellectual property rights, including issued patents or pending patent applications, that cover significant aspects of our technologies, or business methods. There may also be third-party intellectual property rights, including trademark registrations and pending applications, that cover the goods and services that we offer in certain regions. We may also be exposed to increased risk of being the subject of intellectual property infringement, misappropriation, or other violation claims as a result of acquisitions and our incorporation of open source and other third-party software into, or new branding for, our software, as, among other things, we have a lower level of visibility into the development process with respect to such technology or the care taken to safeguard against infringement, misappropriation, or other violation risks. In addition, former employers of our current, former, or future employees may assert claims that such employees have improperly disclosed to us confidential or proprietary information of these former employers. Any intellectual property claims, with or without merit, are difficult to predict, could be very time-consuming and expensive to settle or litigate, could divert our management's attention and other resources, and may not be covered by the insurance that we carry. These claims could subject us to significant liability for damages, potentially including treble damages if we are found to have willfully infringed a third party's intellectual property rights. These claims could also result in our having to stop using technology, branding or marks found to be in violation of a third party's rights and any necessary rebranding could result in the loss of goodwill. We could be required to seek a license for the intellectual property, which may not be available on commercially reasonable terms or at all. Even if a license were available, we could be required to pay significant royalties, which would increase our expenses. As a result, we could be required to develop alternative non-infringing technology, branding or marks, which could require significant effort and expense. If we cannot license rights or develop technology for any infringing aspect of our business, we would be forced to limit or stop sales of one or more of our software or features, we could lose existing customers, and we may be unable to compete effectively. Any of these results would harm our business, financial condition, and results of operations.

Further, certain of our agreements with customers and other third parties may include indemnification provisions under which we agree to indemnify them for losses suffered or incurred as a result of third-party claims of intellectual property infringement, misappropriation, or other violations of intellectual property rights, damages caused by us to property or persons, or other liabilities relating to or arising from our software, services, or other contractual obligations. Large indemnity payments could harm our business, financial condition, and results of operations. Any dispute with a customer with respect to such obligations could have adverse effects on our relationship with that customer and other existing customers and new customers and harm our business and results of operations.

Real or perceived errors, failures, defects, or bugs in our software could adversely affect our results of operations and growth prospects.

Because we offer very complex software, undetected errors, defects, failures, or bugs may occur, especially when software or capabilities are first introduced or when new versions or other product or infrastructure updates are released. Our software is often installed and used in large-scale computing environments with different operating systems, software products and equipment, and data source and network configurations, which may cause errors or failures in our software or may expose undetected errors, failures, or bugs in our software. Despite testing by us, errors, failures, or bugs may not be found in new software or releases until after commencement of commercial shipments. In the past, errors have affected the performance of our software and can also delay the development or release of new software or capabilities or new versions of software, adversely affect our reputation and our customers' willingness to buy software from us, and adversely affect market acceptance or perception of our software. Many of our customers use our software in applications that are critical to their businesses or missions and may have a lower risk tolerance to defects in our software than to defects in other, less critical, software products. Any errors or delays in releasing new software or new versions of software or allegations of unsatisfactory performance or errors, defects or failures in released software could cause us to lose revenue or market share, increase our service costs, cause us to incur substantial costs in redesigning the software, cause us to lose significant customers, subject us to liability for damages and divert our resources from other tasks, any one of which could materially and adversely affect our business, results of operations and financial condition. In addition, our software could be perceived to be ineffective for a variety of reasons outside of our control. Hackers or other malicious parties could circumvent our or our customers' security measures, and customers may misuse our software resulting in a security breach or perceived product failure. Real or perceived errors, failures, or bugs in our software and services, or dissatisfaction with our services and outcomes, could result in customer terminations and/or claims by customers for losses sustained by them. In such an event, we may be required, or we may choose, for customer relations or other reasons, to expend additional resources in order to help correct any such errors, failures, or bugs. Although we have limitation of liability provisions in certain of our customer agreements, these provisions may not be enforceable in some circumstances, may vary in levels of protection across our agreements, or may not fully or effectively protect us from such claims and related liabilities and costs. The sale and support of our products also entail the risk of product liability claims. We maintain insurance to protect against certain claims associated with the use of our software and services, but our insurance coverage may not adequately cover all claims and liabilities asserted against us. In addition, our insurance may not protect us against all losses due to specified exclusions, deductibles and material change limitations and it may be difficult to insure against certain risks. Even claims that ultimately are unsuccessful could result in our expenditure of funds in litigation and divert management's time and other resources.

In addition, our software integrates a wide variety of other elements, and our software must successfully interoperate with products from other vendors and our customers' internally developed software. As a result, when problems occur for a customer using our software, it may be difficult to identify the sources of these problems, and we may receive blame for a security, access control, or other compliance breach that was the result of the failure of one of other elements in a customer's or another vendor's IT, security, or compliance infrastructure. The occurrence of software or errors in data, whether or not caused by our software, could delay or reduce market acceptance of our software and have an adverse effect on our business and financial performance, and any necessary revisions may cause us to incur significant expenses. The occurrence of any such problems could harm our business, financial condition, and results of operations. If an actual or perceived breach of information correctness, auditability, integrity, or availability occurs in one of our customers' systems, regardless of whether the breach is attributable to our software, the market perception of the effectiveness of our software could be harmed. Alleviating any of these problems could require additional significant expenditures of our capital and other resources and could cause interruptions, delays, or cessation of our product licensing, which could cause us to lose existing or potential customers and could adversely affect our business, financial condition, results of operations, and growth prospects.

We rely on the availability of licenses to third-party technology that may be difficult to replace or that may cause errors or delay implementation of our software and services should we not be able to continue or obtain a commercially reasonable license to such technology.

Our software may include intellectual property licensed from third parties. It may be necessary in the future to renew licenses relating to various aspects of these software or to seek new licenses for existing or new software or other products. There can be no assurance that the necessary licenses would be available on commercially acceptable terms, if at all. Third parties may terminate their licenses with us for a variety of reasons, including actual or perceived failures or breaches of security or privacy, or reputational concerns, or they may choose not to renew their licenses with us. In addition, we may be subject to liability if third-party software that we license is found to infringe, misappropriate, or otherwise violate intellectual property or privacy rights of others. The loss of, or inability to obtain, certain third-party licenses or other rights or to obtain such licenses or rights on favorable terms, or the need to engage in litigation regarding these matters, could result in product roll-backs, delays in product releases until equivalent technology can be identified, licensed or developed, if at all, and integrated into our software, and may have a material adverse effect on our business, financial condition, and results of operations. Moreover, the inclusion in our software of software or other intellectual property licensed from third parties on a nonexclusive basis could limit our ability to differentiate our software from products of our competitors and could inhibit our ability to provide the current level of service to existing customers.

In addition, any data that we license from third parties for potential use in our software may contain errors or defects, which could negatively impact the analytics that our customers perform on or with such data. This may have a negative impact on how our software is perceived by our current and potential customers and could materially damage our reputation and brand.

Changes in or the loss of third-party licenses could lead to our software becoming inoperable or the performance of our software being materially reduced resulting in our potentially needing to incur additional research and development costs to ensure continued performance of our software or a material increase in the costs of licensing, and we may experience decreased demand for our software.

Our software contains "open source" software, and any failure to comply with the terms of one or more of these open source licenses could negatively affect our business.

Our software is distributed with software licensed by its authors or other third parties under "open source" licenses. Some of these licenses contain requirements that we make available source code for modifications or derivative works we create based upon the open-source software, and that we license these modifications or derivative works under the terms of a particular open-source license or other license granting third-parties certain rights of further use. If we combine our proprietary software with open-source software in a certain manner, we could, under certain provisions of the open-source licenses, be required to release the source code of our proprietary software. In addition to risks related to license requirements, usage of open-source software can lead to greater risks than use of third-party commercial software, as open-source licensors generally do not provide updates, warranties, support, indemnities, assurances of title, or controls on origin of the software. Likewise, some open-source projects have known security and other vulnerabilities and architectural instabilities, or are otherwise subject to security attacks due to their wide availability, and are provided on an "as-is" basis. We have established processes to help alleviate these risks, including a review process for screening requests from our development organization for the use of open source software, and the use of software tools to review our source code for open source software, but we cannot be sure that all open source software is submitted for approval prior to use in our software or that such software tools will be effective. In addition, open source license terms may be ambiguous and many of the risks associated with usage of open source software cannot be eliminated, and could, if not properly addressed, negatively affect our business. If we were found to have inappropriately used open source software, we may be required to re-engineer our software, to release proprietary source code, to discontinue the sale of our software in the event re-engineering could not be accomplished on a timely basis, or to take other remedial action that may divert resources away from our development efforts, any of which could adversely affect our business, results of operations, financial condition, and growth prospects. In addition, if the open source software we use is no longer maintained by the relevant open source community, then it may be more difficult to make the necessary revisions to our software, including modifications to address security vulnerabilities, which could impact our ability to mitigate cybersecurity risks or fulfill our contractual obligations to our customers. We may also face claims from others seeking to enforce the terms of an open source license, including by demanding release of the open source software, derivative works or our proprietary source code that was developed using such software. Such claims, with or without merit, could result in litigation, could be time-consuming and expensive to settle or litigate, could divert our management's attention and other resources, could require us to lease some of our proprietary code, or could require us to devote additional research and development resources to change our software, any of which could adversely affect our business.

Additionally, we have intentionally made certain proprietary software available on an open source basis, both by contributing modifications back to existing open source projects, and by making certain internally developed tools available pursuant to open source licenses, and we plan to continue to do so in the future. While we have established procedures, including a review process for any such contributions, which is designed to protect any code that may be competitively sensitive, we cannot guarantee that this process has always been applied consistently. Even when applied, because any software source code we contribute to open source projects is publicly available, our ability to protect our intellectual property rights with respect to such software source code may be limited or lost entirely, and we may be unable to prevent our competitors or others from using such contributed software source code for competitive purposes, or for commercial or other purposes beyond what we intended.

Many of these risks associated with usage of open source software could be difficult to eliminate or manage, and could, if not properly addressed, negatively affect the performance of our offerings and our business.

Risks Related to Legal, Regulatory and Accounting

Our estimates and projections may prove to be inaccurate and certain of our assets may be at risk of future impairment.

The accounting for some of our most significant activities is based on judgments and estimates, which are complex and subject to many variables. For example, accounting for sales using the percentage-of-completion method requires that we assess risks and make assumptions regarding schedule, cost, technical and performance issues for numerous contracts, many of which are long-term in nature. Additionally, we initially allocate the purchase price of acquired businesses based on a preliminary assessment of the fair value of identifiable assets acquired and liabilities assumed. For significant acquisitions, we may use a one-year measurement period to analyze and assess a number of factors used in establishing the asset and liability fair values as of the acquisition date which could result in adjustments to asset and liability balances.

We have $119.1 million of goodwill assets recorded on our consolidated balance sheet as of December 31, 2024, from previous acquisitions, which represents approximately 35% of our total assets as of the end of this period. These goodwill assets are subject to annual impairment testing and more frequent testing upon the occurrence of certain events or significant changes in circumstances that indicate goodwill may be impaired. If we experience changes or factors arise that negatively affect the expected cash flows of a reporting unit, we may be required to write off all or a portion of the reporting unit's related goodwill. For example, during the first quarter of 2024, we recognized a non-cash goodwill impairment charge of $85.0 million related to the acquisition of Pangiam. Business deterioration, contract cancellations or terminations, or market pressures could cause our sales, earnings and cash flows to decline below current projections and could cause goodwill and intangible assets to be impaired in the future.

Our business is subject to complex and evolving U.S. and non-U.S. laws and regulations regarding privacy, data protection and security, technology protection, and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or otherwise harm our business.

We are subject to a variety of local, state, national, and international laws and directives and regulations in the United States and abroad that involve matters central to our business, including privacy and data protection, data security, data storage, retention, transfer and deletion, technology protection, and personal information. Foreign data protection, data security, privacy, and other laws and regulations can impose different obligations or be more restrictive than those in the United States. These U.S. federal and state and foreign laws and regulations, which, depending on the regime, may be enforced by private parties or government entities, are constantly evolving and can be subject to significant change, and they are likely to remain uncertain for the foreseeable future. In addition, the application, interpretation, and enforcement of these laws and regulations are often uncertain, particularly in the new and rapidly evolving software and technology industry in which we operate and may be interpreted and applied inconsistently from country to country and inconsistently with our current policies and practices. A number of proposals are pending before U.S. federal, state, and foreign legislative and regulatory bodies that could significantly affect our business. For example, ongoing legal challenges in Europe to the mechanisms allowing companies to transfer personal data from the European Economic Area to certain other jurisdictions, including the United States, could result in further limitations on the ability to transfer data across borders, particularly if governments are unable or unwilling to reach new or maintain existing agreements that permit cross-border data transfers. The California state legislature passed the California Consumer Privacy Act ("*CCPA*") in 2018 and California voters approved a ballot measure subsequently establishing the California Privacy Rights Act ("*CPRA*") in 2020, which will jointly regulate the processing of personal information of California residents and increase the privacy and security obligations of entities handling certain personal information of California residents, including requiring covered companies to provide new disclosures to California consumers, and afford such consumers new abilities to opt-out of certain sales of personal information. The CCPA came into effect on January 1, 2020, and the California Attorney General may bring enforcement actions, with penalties for violations of the CCPA. The CPRA went into effect on January 1, 2023 and instilled enforcement authority in a new dedicated regulatory body, the California Privacy Protection Agency, which began carrying out enforcement actions as soon as six months after the enactment date. While aspects of both the CCPA and CPRA and their interpretations remain to be determined in practice, we are committed to complying with their obligations. We cannot yet fully predict the impact of the CCPA and CPRA on our business or operations, but developments regarding these and all privacy and data protection laws and regulations around the world may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to maintain compliance on an ongoing basis. Outside of the United States, virtually every jurisdiction in which we operate has established its own legal framework relating to privacy, data protection, and information security matters with which we and/or our customers must comply. Laws and regulations in these jurisdictions apply broadly to the collection, use, storage, retention, disclosure, security, transfer, and other processing of data that identifies or may be used to identify or locate an individual. Some countries and regions, including the European Union, are considering or have passed legislation that imposes significant obligations in connection with privacy, data protection, and information security that could increase the cost and complexity of delivering our software and services, including the European General Data Protection Regulation ("*GDPR*") which took effect in May 2018. Complying with the GDPR or other data protection laws and regulations as they emerge may cause us to incur substantial operational costs or require us to modify our data handling practices on an ongoing basis. Non-compliance with the GDPR specifically may result in administrative fines or monetary penalties of up to 4% of worldwide annual revenue in the preceding financial year or €20 million (whichever is higher) for the most serious infringements and could result in proceedings against us by governmental entities or other related parties and may otherwise adversely impact our business, financial condition, and results of operations.

The overarching complexity of privacy and data protection laws and regulations around the world pose a compliance challenge that could manifest in costs, damages, or liability in other forms as a result of failure to implement proper programmatic controls, failure to adhere to those controls, or the malicious or inadvertent breach of applicable privacy and data protection requirements by us, our employees, our business partners, or our customers.

Further, the U.S. Supreme Court recently overruled the Chevron doctrine, which gives deference to regulatory agencies' statutory interpretations in litigation against federal government agencies where the law is ambiguous. This Supreme Court decision may invite more companies and stakeholders to bring lawsuits against government agencies to challenge how such agencies pursue enforcement and compliance actions. However, we cannot predict the full impact of this decision, future judicial challenges that may be brought, or the nature or extent of government regulation that may arise from future legislation or administrative action.

In addition to government regulation, self-regulatory standards and other industry standards may legally or contractually apply to us, be argued to apply to us, or we may elect to comply with such standards or to facilitate our customers' compliance with such standards. Because privacy, data protection, and information security are critical competitive factors in our industry, we may make statements on our website, in marketing materials, or in other settings about our data security measures and our compliance with, or our ability to facilitate our customers' compliance with, these standards. We also expect that there will continue to be new proposed laws and regulations concerning privacy, data protection, and information security, and we cannot yet determine the impact such future laws, regulations and standards, or amendments to or re-interpretations of existing laws and regulations, industry standards, or other obligations may have on our business. New laws, amendments to or re-interpretations of existing laws and regulations, industry standards, and contractual and other obligations may require us to incur additional costs and restrict our business operations. As these legal regimes relating to privacy, data protection, and information security continue to evolve, they may result in ever-increasing public scrutiny and escalating levels of enforcement and sanctions. Furthermore, because the interpretation and application of laws, standards, contractual obligations and other obligations relating to privacy, data protection, and information security are uncertain, these laws, standards, and contractual and other obligations may be interpreted and applied in a manner that is, or is alleged to be, inconsistent with our data management practices, our policies or procedures, or the features of our software, or we may simply fail to properly develop or implement our practices, policies, procedures, or features in compliance with such obligations. If so, in addition to the possibility of fines, lawsuits, and other claims, we could be required to fundamentally change our business activities and practices or modify our software, which could have an adverse effect on our business. We may be unable to make such changes and modifications in a commercially reasonable manner or at all, and our ability to fulfill existing obligations, make enhancements, or develop new software and features could be limited. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, and policies that are applicable to the businesses of our customers may limit the use and adoption of, and reduce the overall demand for, our software.

These existing and proposed laws and regulations can be costly to comply with and can make our software and services less effective or valuable, delay or impede the development of new products, result in negative publicity, increase our operating costs, require us to modify our data handling practices, limit our operations, impose substantial fines and penalties, require significant management time and attention, or put our data or technology at risk. Any failure or perceived failure by us or our software to comply with the laws, regulations, directives, policies, industry standards, or legal obligations of the U.S., European Union, or other governmental or non-governmental bodies at the regional, national, or supra-national level relating to privacy, data protection, or information security, or any security incident that results in actual or suspected loss of or the unauthorized access to, or acquisition, use, release, or transfer of, personal information, personal data, or other customer or sensitive data or information may result in governmental investigations, inquiries, enforcement actions and prosecutions, private claims and litigation, indemnification or other contractual obligations, other remedies, including fines or demands that we modify or cease existing business practices, or adverse publicity, and related costs and liabilities, which could significantly and adversely affect our business and results of operations.

Failure to comply with governmental laws and regulations could harm our business, and we may be the subject of legal and regulatory inquiries, which may result in monetary payments or may otherwise negatively impact our reputation, business, and results of operations.

Our business is subject to regulation by various federal, state, local, and foreign governments in which we operate. In certain jurisdictions, the regulatory requirements imposed by foreign governments may be more stringent than those in the United States. Noncompliance with applicable regulations or requirements could subject us to investigations, administrative proceedings, sanctions, enforcement actions, disgorgement of profits, fines, damages, litigation, civil and criminal penalties, termination of contracts, exclusion from sales channels or sales opportunities, injunctions, or other consequences. Such matters may include, but are not limited to, claims, disputes, allegations, or investigations related to alleged violations of laws or regulations relating to anti-corruption requirements, lobbying or conflict-of-interest requirements, export or other trade controls, data privacy or data protection requirements, or laws or regulations relating to employment, procurement, cybersecurity, securities, or antitrust/competition requirements. The effects of recently imposed and proposed actions are uncertain because of the dynamic nature of governmental action and responses. We may be subject to government inquiries that drain our time and resources, tarnish our brand among customers and potential customers, prevent us from doing business with certain customers or markets, including government customers, affect our ability to hire, attract and maintain qualified employees, or require us to take remedial action or pay penalties. From time to time, we receive formal and informal inquiries from governmental agencies and regulators regarding our compliance with laws and regulations or otherwise relating to our business or transactions. Any negative outcome from such inquiries or investigations or failure to prevail in any possible civil or criminal litigation could adversely affect our business, reputation, financial condition, results of operations, and growth prospects.

We may become involved in legal, regulatory, and administrative inquiries and proceedings, and unfavorable outcomes in litigation or other matters could negatively impact our business, financial conditions, and results of operations.

We may, from time to time, be involved in and subject to litigation or proceedings for a variety of claims or disputes, or regulatory inquiries. These claims, lawsuits, and proceedings could involve labor and employment, discrimination and harassment, commercial disputes, intellectual property rights (including patent, trademark, copyright, trade secret, and other proprietary rights), class actions, general contract, tort, defamation, data privacy rights, antitrust, common law fraud, government regulation, or compliance, alleged federal and state securities and "blue sky" law violations or other investor claims, and other matters. Derivative claims, lawsuits, and proceedings, which may, from time to time, be asserted against our directors by our stockholders, could involve breach of fiduciary duty, failure of oversight, corporate waste claims, and other matters. In addition, our business and results may be adversely affected by the outcome of currently pending and any future legal, regulatory, and/or administrative claims or proceedings, including through monetary damages or injunctive relief.

Additionally, if customers fail to pay us under the terms of our agreements, we may be adversely affected due to the cost of enforcing the terms of our contracts through litigation. Litigation or other proceedings can be expensive and time consuming and can divert our resources and leadership's attention from our primary business operations. The results of our litigation also cannot be predicted with certainty. If we are unable to prevail in litigation, we could incur payments of substantial monetary damages or fines, or undesirable changes to our software or business practices, and accordingly, our business, financial condition, or results of operations could be materially and adversely affected. Furthermore, if we accrue a loss contingency for pending litigation and determine that it is probable, any disclosures, estimates, and reserves we reflect in our financial statements with regard to these matters may not reflect the ultimate disposition or financial impact of litigation or other such matters. These proceedings could also result in negative publicity, which could harm customer and public perception of our business, regardless of whether the allegations are valid or whether we are ultimately found liable.

Failure to comply with anti-bribery and anti-corruption laws could subject us to penalties and other adverse consequences.

Since we may operate and sell our software and services around the world, we will be subject to the United States Foreign Corrupt Practices Act ("FCPA"), the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the United States Travel Act, and other anti-corruption and anti-bribery laws and regulations in the jurisdictions in which we currently or may do business, both domestic and abroad, including potentially the U.K. Bribery Act. These laws and regulations generally prohibit improper payments or offers of improper payments to government officials, political parties, or commercial partners for the purpose of obtaining or retaining business or securing an improper business advantage.

Corruption issues pose a risk in every country and jurisdiction, but in many countries, particularly in countries with developing economies, it may be more common for businesses to engage in practices that are prohibited by the FCPA or other applicable laws and regulations, and our activities in these countries pose a heightened risk of unauthorized payments or offers of payments by one of our employees or third-party business partners, representatives, and agents that could be in violation of various laws including the FCPA. The FCPA and other applicable anti-bribery and anti-corruption laws also may hold us liable for acts of corruption and bribery committed by our third-party business partners, representatives, and agents. We and our third-party business partners, representatives, and agents may have direct or indirect interactions with officials and employees of government agencies, or state-owned or affiliated entities and we may be held liable for the corrupt or other illegal activities of our employees or such third parties even if we do not explicitly authorize such activities. The FCPA or other applicable laws and regulations also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent improper payments. While we have implemented policies and procedures to address compliance with such laws, we cannot assure you that our employees or other third parties working on our behalf will not engage in conduct in violation of our policies or applicable law for which we might ultimately be held responsible. Violations of the FCPA and other applicable anti-corruption laws may result in whistleblower complaints, adverse media coverage, investigations, imposition of significant legal fees, loss of export privileges, as well as severe criminal or civil sanctions, including suspension or debarment from U.S. government contracting, and we may be subject to other liabilities and adverse effects on our reputation, which could negatively affect our business, results of operations, financial condition, and growth prospects. In addition, responding to any enforcement action may result in a significant diversion of management's attention and resources and significant legal defense costs and other professional fees. Our exposure for violating these laws increases as our non-U.S. presence expands and as we increase sales and operations in foreign jurisdictions.

Governmental trade controls, including export and import controls, sanctions, customs requirements, and related regimes, could subject us to liability or loss of contracting privileges or limit our ability to compete in certain markets.

Our offerings are subject to U.S. export controls, including with respect to encryption technology incorporated into certain of our offerings. Certain of our controlled software offerings and the underlying technology may be exported outside of the United States or accessed by non-U.S. persons (wherever located) only with the required export authorizations, which may include license requirements in some circumstances. Additionally, our current or future products or services may be classified under the Export Administration Regulations ("EAR") administered by the U.S. Department of Commerce, Bureau of Industry and Security or as defense articles subject to the International Traffic in Arms Regulations ("ITAR") administered by the U.S. Department of State, Directorate of Defense Trade Controls. If a product, or component of a product, is classified under the ITAR, or is ineligible for an encryption license exception under the EAR, then the product or component could be exported outside the United States (or accessed by non-U.S. persons) only if we obtain the applicable export license or qualify for a different license exception. In certain contexts, the services we provide might be classified as defense services subject to the ITAR separately from the products we provide. Compliance with the EAR, ITAR, and other applicable regulatory requirements regarding the export or deemed export of our products, including new releases of our products and/or the performance of services, may create delays in or increase the cost of the introduction of our products in non-U.S. markets, prevent our customers with non-U.S. operations from deploying our products throughout their global systems or, in some cases, prevent the export of our products to some countries altogether.

Furthermore, our activities are subject to the economic sanctions laws and regulations administered by the U.S. Department of the Treasury, Office of Foreign Assets Control and U.S. Department of State, and other jurisdictions. Such controls prohibit the shipment or transfer of certain products and services without the required export authorizations or export to countries, governments, and persons targeted by applicable sanctions. We take precautions to prevent our offerings from being exported in violation of these laws, including: (i) seeking to proactively classify our software and obtain authorizations for the export and/or import of our software where appropriate, (ii) implementing certain technical controls and screening practices to reduce the risk of violations, and (iii) requiring compliance with U.S. export control and sanctions obligations in customer and vendor contracts. However, we cannot guarantee the precautions we take will prevent violations of export control and sanctions laws.

As discussed above, if we misclassify a product or service, export or provide access to a product or service in violation of applicable export control or sanctions laws or regulations, or otherwise fail to comply with export or sanctions laws or regulations, we may be denied export privileges or subjected to significant per violation fines or other penalties, and our software may be denied entry into other countries. Any decreased use of our software or limitation on our ability to export or sell our software would likely adversely affect our business, results of operations and financial condition. Violations of U.S. sanctions or export control laws can result in fines or penalties, including civil penalties of up to $300,000 or twice the value of the transaction, whichever is greater, per EAR violation and a civil penalty that could exceed $1,000,000 for ITAR violations, depending on the circumstances of the violation or violations. In the event of criminal knowing and willful violations of these laws, fines of up to $1,000,000 per violation and possible incarceration for responsible employees and managers could be imposed.

We also note that if we or our business partners or counterparties, including licensors and licensees, prime contractors, subcontractors, sublicensors, vendors, customers, contractors, or agents fail to obtain appropriate import, export, or re-export licenses or permits, notwithstanding regulatory requirements or contractual commitments to do so, or if we fail to secure such contractual commitments where necessary, we may also be adversely affected, through reputational harm as well as other negative consequences, including government investigations and penalties. For instance, violations of U.S. sanctions or export control laws can result in fines or penalties, including significant civil and criminal penalties per violation, depending on the circumstances of the violation or violations.

Negative consequences for violations or apparent violations of trade control laws or regulations may include the absolute loss of the right to sell our software or services to the government of the United States, or to other public bodies, or a reduction in our ability to compete for such sales opportunities. Further, complying with export control and sanctions regulations for a particular sale may be time-consuming and may result in the delay or loss of sales opportunities.

Also, various countries, in addition to the United States, regulate the import and export of certain encryption and other dual-use or defense technology or services, including import and export permitting and licensing requirements, and have enacted laws that could limit our ability to distribute our software or could limit our customers' abilities to implement our software in those countries. Any new export restrictions, new legislation, changes in economic sanctions, or shifting approaches in the enforcement or scope of existing regulations, or in the countries, persons, or technologies targeted by such regulations, could result in decreased use of our software by existing customers with non-U.S. operations, declining adoption of our software by new customers with non-U.S. operations, limitation of our expansion into new markets, and decreased revenue.

Changes in accounting principles or their application to us could result in unfavorable accounting charges or effects, which could adversely affect our results of operations and growth prospects.

We prepare our consolidated financial statements in accordance with U.S. generally accepted accounting principles ("GAAP"). In particular, we make certain estimates and assumptions related to the adoption and interpretation of these principles including the recognition of our revenue, the measurement of derivative instruments, and the accounting of our stock-based compensation expense with respect to our financial statements. If these assumptions turn out to be incorrect, our financial results and position could materially differ from our expectations and could be materially adversely affected. A change in any of these principles or guidance, or in their interpretations or application to us, may have a significant effect on our reported results, as well as our processes and related controls, and may retroactively affect previously reported results or our forecasts, which may negatively impact our financial statements.

If our judgments or estimates relating to our critical accounting policies are based on assumptions that change or prove to be incorrect, our results of operations could fall below expectations of securities analysts and investors, resulting in a decline in our stock price.

The preparation of our financial statements in conformity with GAAP requires management to make judgments, estimates, and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" the results of which form the basis for making judgments about the carrying values of assets, liabilities, and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the trading price of our common stock. Significant judgments, estimates, and assumptions used in preparing our consolidated financial statements include, or may in the future include, those related to revenue recognition, stock-based compensation, derivatives, intangible assets, including goodwill, and income taxes.

We could be subject to additional tax liabilities.

We are subject to federal, state, and local income taxes in the U.S. Determining our provision for income taxes requires significant management judgment, and the ultimate tax outcome may be uncertain. In addition, our provision for income taxes is subject to volatility and could be adversely affected by many factors, including, among other things, changes to our operating or holding structure, changes in the amounts of earnings in jurisdictions with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, and changes in U.S. tax laws. Tax authorities may disagree with our calculation of research and development tax credits, cross-jurisdictional transfer pricing, or other matters and assess additional taxes, interest, or penalties. While we regularly assess the likely outcomes of these examinations to determine the adequacy of our provision for income taxes and we believe that our financial statements reflect adequate reserves to cover any such contingencies, there can be no assurance that the outcomes of such examinations will not have a material impact on our results of operations and cash flows. If tax authorities change applicable tax laws, our overall taxes could increase, and our financial condition or results of operations may be adversely impacted.

Our ability to use our net operating loss carryforwards may be limited.

As of December 31, 2024, we had $219.0 million of U.S. federal and $231.4 million of U.S. state net operating loss ("NOLs") carryforwards available to reduce future taxable income. While the federal NOL carryforwards can be carried forward indefinitely, state NOLs begin to expire in the year ending December 31, 2031. It is possible that we will not generate taxable income in time to use these NOL carryforwards before their expiration or at all. Under legislative changes made in December 2017, U.S. federal NOLs incurred in 2018 and in future years may be carried forward indefinitely, but the deductibility of such NOLs is limited. In addition, the federal and state NOL carryforwards and certain tax credits may be subject to significant limitations under Section 382 and Section 383 of the Code, respectively, and similar provisions of state law. Under those sections of the Code, if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change NOL carryforwards and other pre-change attributes, such as research tax credits, to offset its post-change income or tax may be limited. In general, an "ownership change" will occur if there is a cumulative change in our ownership by "5-percent stockholders" that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. During 2024, we performed an analysis of an "ownership changes" for purposes of Section 382 and 383 of the Code. This analysis found that an "ownership change" occurred on December 2, 2024. As a result, our ability to utilize NOLs generated prior to that date is limited from the date of the change through 2028. This could lead to BigBear.ai or its subsidiaries retaining less cash after paying U.S. federal and state income taxes in years when there is taxable income, compared to if the NOL utilization was not limited. This reduction in retained cash could negatively affect our operating results.

Certain U.S. state tax authorities may assert that we have a state nexus and seek to impose state and local income taxes which could harm our results of operations.

There is a risk that certain U.S. state tax authorities where we do not currently file a state income tax return could assert that we are liable for state and local income taxes based upon income or gross receipts allocable to such states. States are becoming increasingly aggressive in asserting a nexus for state income tax purposes. If a state tax authority successfully asserts that our activities give rise to a nexus, we could be subject to state and local taxation, including penalties and interest attributable to prior periods. Such tax assessments, penalties and interest may adversely impact our results of operations.

Our results of operations may be harmed if we are required to collect sales or other related taxes for our license arrangements in jurisdictions where we have not historically done so.

States and some local taxing jurisdictions have differing rules and regulations governing sales and use taxes, and these rules and regulations are subject to varying interpretations that may change over time. We collect and remit U.S. sales and use tax, value-added tax ("VAT"), and goods and services tax ("GST") in several jurisdictions. It is possible, however, that we could face sales tax, VAT, or GST audits and that our liability for these taxes could exceed our estimates as state tax authorities could still assert that we are obligated to collect additional tax amounts from our customers and remit those taxes to those authorities. We could also be subject to audits for which we have not accrued tax liabilities. Jurisdictions may seek to impose incremental or new sales, use, or other tax collection obligations on us or may determine that such taxes should have, but have not been, paid by us.

Risks Related to Our Relationships and Business with the Public Sector

A significant portion of our business depends on sales to the public/government sector, and our failure to receive and maintain government contracts or changes in the contracting or fiscal policies of the public sector could have a material adverse effect on our business.

We derive a significant portion of our revenue from contracts with the federal government and government agencies, and we believe that the success and growth of our business will continue to depend on our successful procurement of government contracts. For example, we have historically derived, and expect to continue to derive, a significant portion of our revenue from sales to agencies of the U.S. federal government, either directly by us or through other government contractors. Our perceived relationship with the U.S. government could adversely affect our business prospects in certain non-U.S. geographies or with certain non-U.S. governments.

Sales to government agencies are subject to a number of challenges and risks. Selling to government agencies can be highly competitive, expensive, and time-consuming, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale. We also must comply with laws and regulations relating to the formation, administration, and performance of contracts, which provide public sector customers rights, many of which are not typically found in commercial contracts.

Further, governmental and highly regulated entities may demand contract terms that differ from our standard arrangements and may be less favorable than terms agreed with private sector customers. In our experience, government entities often require shorter term subscriptions than our private sector customers due to budget cycles. Government entities and highly regulated organizations typically have longer implementation cycles, sometimes require acceptance provisions that can lead to a delay in revenue recognition, can have more complex IT and data environments, and may expect greater payment flexibility from vendors.

Contracts with governmental entities may also include preferential pricing terms, including, but not limited to, “most favored customer” pricing. In the event that we are successful in being awarded a government contract, such award may be subject to appeals, disputes, or litigation, including but not limited to bid protests by unsuccessful bidders.

Accordingly, our business, financial condition, results of operations, and growth prospects may be adversely affected by certain events or activities, including, but not limited to:

- changes in fiscal or contracting policies or decreases in available government funding;
- changes in government programs or applicable requirements;
- restrictions in the grant of personnel security clearances to our employees;
- ability to maintain facility clearances required to perform on classified contracts for U.S. federal government agencies;
- changes in the political environment, including before or after a change to the leadership within the government administration, and any resulting uncertainty or changes in policy or priorities and resultant funding;
- changes in the government’s attitude towards the capabilities that we offer, especially in the areas of national defense, cybersecurity, digital identity and critical infrastructure, including the financial, energy, telecommunications, and healthcare sectors;
- changes in the government’s attitude towards us as a company or our software as a viable or acceptable software

solution;

- appeals, disputes, or litigation relating to government procurement, including but not limited to bid protests by unsuccessful bidders on potential or actual awards of contracts to us or our partners by the government;

- the adoption of new laws or regulations or changes to existing laws or regulations;

- budgetary constraints, including automatic reductions as a result of "sequestration" or similar measures and constraints imposed by any lapses in appropriations for the federal government or certain of its departments and agencies;

- influence by, or competition from, third parties with respect to pending, new, or existing contracts with government customers;

- changes in political or social attitudes with respect to security or data privacy issues;

- potential delays or changes in the government appropriations or procurement processes, including as a result of events such as war, including the ongoing conflicts in Ukraine, the Middle East, and Africa, incidents of terrorism, natural disasters, and public health concerns or epidemics; and

- increased or unexpected costs or unanticipated delays caused by other factors outside of our control, such as performance failures of our subcontractors.

Any such event or activity, among others, could cause governments and governmental agencies to delay or refrain from purchasing our software and services in the future, reduce the size or payment amounts of purchases from existing or new government customers, or otherwise have an adverse effect on our business, results of operations, financial condition, and growth prospects.

We have government customers, which subjects us to risks including early termination, audits, investigations, sanctions and penalties.

We derive a substantial portion of our revenue from contracts with U.S. defense and intelligence agencies and intend to enter into additional contracts with the U.S. government in the future. This subjects us to statutes and regulations applicable to companies doing business with the government, including the Federal Acquisition Regulation. These government contracts customarily contain provisions that give the government substantial rights and remedies, many of which are not typically found in commercial contracts, which in certain cases are unfavorable to contractors. For instance, most U.S. government agencies include provisions that allow the government to unilaterally terminate contracts, in whole or in part, for convenience, and in that event, the counterparty to the contract may generally recover only its incurred or committed costs and settlement expenses and profit on work completed prior to the termination. If the government terminates a contract for default, the defaulting party may be liable for any extra costs incurred by the government in procuring undelivered supplies or services from another source.

Some of our federal government contracts are subject to the approval of appropriations being made by the U.S. Congress to fund the expenditures under these contracts. In addition, government contracts normally contain additional compliance requirements that may increase our costs of doing business, reduce our profits, and expose us to liability for failure to comply with these terms and conditions. These requirements include, for example:

- specialized disclosure and accounting requirements unique to government contracts;

- financial and compliance audits that may result in potential liability for price adjustments, recoupment of government funds after such funds have been spent, civil and criminal penalties, or administrative sanctions such as suspension or debarment from doing business with the U.S. government;

- public disclosures of certain contract and company information; and
- mandatory socioeconomic compliance requirements, including labor requirements, non-discrimination and affirmative action programs and environmental compliance requirements.

Government contracts are also generally subject to greater scrutiny by the government, which can initiate reviews, audits and investigations regarding our compliance with government contract requirements. In addition, if we fail to comply with government contracting laws, regulations and contract requirements, our contracts may be subject to termination, and we may be subject to financial and/or other liability under our contracts, the Federal Civil False Claims Act (including the possibility of treble damages and significant penalties), or criminal law. In particular, the False Claims Act's "whistleblower" provisions also allow private individuals, including present and former employees, to sue on behalf of the U.S. government. Any penalties, damages, fines, suspension, or damages could adversely affect our ability to operate our business and our financial results.

We have contracts with government agencies that involve classified programs, which may limit investor insight into portions of our business.

We derive a portion of our revenue from programs with government agencies that are subject to security restrictions (e.g., contracts involving classified information, classified contracts, and classified programs), which preclude the dissemination of information and technology that is classified for national security purposes under applicable law and regulation. In general, access to classified information, technology, facilities, or programs requires appropriate personnel security clearances, is subject to additional contract oversight and potential liability, and may also require appropriate facility clearances and other specialized infrastructure. In the event of a security incident involving classified information, technology, facilities, or programs or personnel holding clearances, we may be subject to legal, financial, operational, and reputational harm. We are limited in our ability to provide specific information about these classified programs, their risks, or any disputes or claims relating to such programs. As a result, investors have less insight into our classified programs than our other businesses and therefore less ability to fully evaluate the risks related to our classified business or our business overall. However, historically the business risks associated with our work on classified programs have not differed materially from those of our other government contracts.

Our business could be adversely affected if our employees cannot obtain and maintain required personnel security clearances, or we cannot establish and maintain a required facility security clearance.

Certain government contracts may require our employees to maintain various levels of security clearances and may require us to maintain a facility security clearance to comply with U.S. and international government agency requirements. Many governments have strict security clearance requirements for personnel who perform work in support of classified programs. Obtaining and maintaining security clearances for employees typically involves a lengthy process, and it can be difficult to identify, recruit, and retain employees who already hold security clearances. If our employees are unable to obtain security clearances in a timely manner, or at all, or if our employees who hold security clearances are unable to maintain their clearances or terminate employment with us, then we may be unable to comply with relevant U.S. and international government agency requirements, or our customers requiring classified work could choose to terminate or decide not to renew one or more contracts requiring employees to obtain or maintain security clearances upon expiration. To the extent we are not able to obtain or maintain a facility security clearance, we may not be able to bid on or win new classified contracts, and existing contracts requiring a facility security clearance could be terminated, either of which would have an adverse impact on our business, financial condition, and results of operations.

Most of our customer contracts may be terminated by the customer at any time for convenience and may contain other provisions permitting the customer to discontinue contract performance, and if terminated contracts are not replaced, our results of operations may differ materially and adversely from those anticipated. In addition, our contracts with government customers often contain provisions with additional rights and remedies favorable to such customers that are not typically found in commercial contracts.

Most of our contracts, including our government contracts, contain termination for convenience provisions. Customers that terminate such contracts may also be entitled to a pro rata refund of the amount of the customer deposit for the period of time remaining in the contract term after the applicable termination notice period expires. Government contracts often contain provisions and are subject to laws and regulations that provide government customers with additional rights and remedies not typically found in commercial contracts. These rights and remedies allow government customers, among other things, to:

- terminate existing contracts for convenience with short notice;
- reduce orders under or otherwise modify contracts;
- for contracts subject to the Truth in Negotiations Act, reduce the contract price or cost where it was increased because a contractor or subcontractor furnished cost or pricing data during negotiations that was not complete, accurate, and current;
- for some contracts, (i) demand a refund, make a forward price adjustment, or terminate a contract for default if a contractor provided inaccurate or incomplete data during the contract negotiation process and (ii) reduce the contract price under triggering circumstances, including the revision of price lists or other documents upon which the contract award was predicated;
- cancel multi-year contracts and related orders if funds for contract performance for any subsequent year become unavailable;
- decline to exercise an option to renew a multi-year contract or issue task orders in connection with indefinite delivery/indefinite quantity ("*IDIQ*") contracts;
- claim rights in solutions, systems, or technology produced by us, appropriate such work-product for their continued use without continuing to contract for our services, and disclose such work-product to third parties, including other government agencies and our competitors, which could harm our competitive position;
- prohibit future procurement awards with a particular agency due to a finding of organizational conflicts of interest based upon prior related work performed for the agency that would give a contractor an unfair advantage over competing contractors, or the existence of conflicting roles that might bias a contractor's judgment;
- subject the award of contracts to protest by competitors, which may require the contracting federal agency or department to suspend our performance pending the outcome of the protest and may also result in a requirement to resubmit offers for the contract or in the termination, reduction, or modification of the awarded contract;
- suspend or debar us from doing business with the applicable government agency; and
- control or prohibit the export of our services.

If a customer were to unexpectedly terminate, cancel, or decline to exercise an option to renew with respect to one or more of our significant contracts, or if a government were to suspend or debar us from doing business with such government, our business, financial condition, and results of operations would be materially harmed.

Failure to comply with laws, regulations, or contractual provisions applicable to our business could cause us to lose government customers or our ability to contract with the U.S. and other governments.

As a government contractor, we must comply with laws, regulations, and contractual provisions relating to the formation, administration, and performance of government contracts and inclusion on government contract vehicles, which affect how we and our partners do business with government agencies. As a result of actual or perceived noncompliance with government contracting laws, regulations, or contractual provisions, we may be subject to audits and internal investigations which may prove costly to our business financially, divert management time, or limit our ability to continue selling our software and services to our government customers. These laws and regulations may impose other added costs on our business, and failure to comply with these or other applicable regulations and requirements, including non-compliance in the past, could lead to claims for damages from our channel partners, penalties, and termination of contracts and suspension or debarment from government contracting for a period of time with government agencies. Any such damages, penalties, disruption, or limitation in our ability to do business with a government could adversely impact, and could have a material adverse effect on, our business, results of operations, financial condition, public perception, and growth prospects.

Evolving government procurement policies and increased emphasis on cost over performance could adversely affect our business.

Federal, state, local, and foreign governments and government agencies could implement procurement policies that negatively impact our profitability. Changes in procurement policy favoring more non-commercial purchases, different pricing, or evaluation criteria or government contract negotiation offers based upon the customer's view of what our pricing should be may affect the predictability of our margins on such contracts or make it more difficult to compete on certain types of programs.

Governments and government agencies are continually evaluating their contract pricing and financing practices, and we have no assurance regarding the full scope and recurrence of any study and what changes will be proposed, if any, and their impact on our financial position, cash flows, or results of operations.

Increased competition and bid protests in a budget-constrained environment may make it more difficult to maintain our financial performance and customer relationships.

A substantial portion of our business is awarded through competitive bidding. Even if we are successful in obtaining an award, we may encounter bid protests from unsuccessful bidders on any specific award. Bid protests could result, among other things, in significant expenses to us, contract modifications, or even loss of the contract award. Even where a bid protest does not result in the loss of a contract award, the resolution can extend the time until contract activity can begin and, as a result, delay the recognition of revenue. We also may not be successful in our efforts to protest or challenge any bids for contracts that were not awarded to us, and we would be required to incur significant time and expense in such efforts.

In addition, governments and agencies increasingly have relied on competitive contract award types, including IDIQ and other multi-award contracts, which have the potential to create pricing pressure and to increase our costs by requiring us to submit multiple bids and proposals. Multi-award contracts require us to make sustained efforts to obtain orders under the contract. The competitive bidding process entails substantial costs and managerial time to prepare bids and proposals for contracts that may not be awarded to us or may be split among competitors.

We are experiencing increased competition while, at the same time, many of our customers are facing budget pressures, cutting costs, identifying more affordable solutions, performing certain work internally rather than hiring contractors, and reducing product development cycles. To remain competitive, we must maintain consistently strong customer relationships, seek to understand customer priorities, and provide superior performance, advanced technology solutions, and service at an affordable cost with the agility that our customers require to satisfy their objectives in an increasingly price competitive environment. Failure to do so could have an adverse impact on our business, financial condition, and results of operations.

The U.S. government may procure non-commercial developmental services rather than commercial products, which could

materially impact our future U.S. government business and revenue.

U.S. government agencies, including our customers, often award large developmental item and service contracts to build custom software rather than firm fixed-price contracts for commercial products. The U.S. government is required to procure commercial items and services to the maximum extent practicable in accordance with FASA, 10 U.S.C. § 2377; 41 U.S.C. § 3307, and the U.S. government may instead decide to procure non-commercial developmental items and services if commercial items and services are not practicable. In order to challenge a government decision to procure developmental items and services instead of commercial items and services, we would be required to file a bid protest at the agency level and/or with the Government Accountability Office. This can result in contentious communications with government agency legal and contracting offices and may escalate to litigation in federal court. The results of any future challenges or potential litigation cannot be predicted with certainty, however, and any dispute or litigation with the U.S. government may not be resolved in our favor; moreover, whether or not it is resolved in our favor, such disputes or litigation could result in significant expense and divert the efforts of our technical and management personnel. These proceedings could adversely affect our reputation and relationship with government customers and could also result in negative publicity, which could harm customer and public perception of our business. Any change in or repeal of FASA, or a contrary interpretation of FASA by a court of competent jurisdiction, could adversely affect our competitive position for U.S. federal government contracts.

A decline in the U.S. and other government budgets, changes in spending or budgetary priorities, or delays in contract awards may significantly and adversely affect our future revenue and limit our growth prospects.

Because we generate a substantial portion of our revenue from contracts with U.S. government agencies, our results of operations could be adversely affected by government spending caps or changes in government budgetary priorities, as well as by delays in the government budget process, program starts, or the award of contracts or orders under existing contract vehicles, including as a result of a new U.S. administration or changing geopolitical conditions. Current U.S. government spending levels for defense-related and other programs may not be sustained beyond government fiscal year 2025. Future spending and program authorizations may not increase or may decrease or shift to programs in areas in which we do not provide services or are less likely to be awarded contracts. Such changes in spending authorizations and budgetary priorities may occur as a result of shifts in spending priorities from defense-related and other programs as a result of competing demands for federal funds and the number and intensity of military conflicts, including the ongoing conflicts in Ukraine, the Middle East, and Africa, or other factors.

The U.S. government also conducts periodic reviews of U.S. defense strategies and priorities which may shift Department of Defense budgetary priorities, reduce overall spending, or delay contract or task order awards for defense-related programs from which we would otherwise expect to derive a significant portion of our future revenue. A significant decline in overall U.S. government spending, a significant shift in spending priorities, the substantial reduction or elimination of defense-related programs, or significant budget-related delays in contract or task order awards for large programs could adversely affect our future revenue and limit our growth prospects.

Risks Related to the Convertible Notes

Our indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations under the Convertible Notes.

In the future, we may seek to raise or borrow additional funds to expand our product or business development efforts, make acquisitions or otherwise fund or grow our business and operations. Our indebtedness could have important consequences to the holders of the Convertible Notes, including:

- increasing our vulnerability to general adverse economic and industry conditions;
- requiring us to dedicate a portion of our cash flow from operations to principal and interest payments on our indebtedness, thereby reducing the availability of cash flow to fund working capital, capital expenditures, acquisitions and investments and other general corporate purposes;

- making it more difficult for us to optimally capitalize and manage the cash flow for our businesses;
- limiting our flexibility in planning for, or reacting to, changes in our businesses and the markets in which we operate;
- possibly placing us at a competitive disadvantage compared to our competitors that have less debt; and
- limiting our ability to borrow additional funds or to borrow funds at rates or on other terms that we find acceptable;

In addition, it is possible that we may need to incur additional indebtedness in the future in the ordinary course of business.

The terms of our Indenture that governs the 2029 Convertible Notes allow us to incur additional debt subject to certain limitations; however, there is no assurance that additional financing will be available to us on terms favorable to us, if at all. In addition, if new debt is added to the then existing debt levels, the risks described above could intensify.

We may be able to incur substantial indebtedness. This could exacerbate the risks to our financial condition described above and prevent us from fulfilling our obligations under the Convertible Notes.

We may be able to incur significant additional indebtedness in the future and this could result in additional risk. Although the Indenture contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial.

If we incur any additional indebtedness that ranks equally with the Convertible Notes, subject to any collateral arrangements, the holders of that debt will be entitled to share ratably in any proceeds distributed in connection with our insolvency, liquidation, reorganization, dissolution or other winding up as a company. This may have the effect of reducing the amount of proceeds paid to our creditors and shareholders. These restrictions also will not prevent us from incurring obligations that do not constitute indebtedness. If new indebtedness is added to our current indebtedness levels, the related risks that we now face could increase. Any of these risks could materially impact our ability to fund our operations or limit our ability to expand our business, which could have a material adverse effect on our business, financial condition and results of operations.

Our obligation to offer to redeem the Convertible Notes upon the occurrence of a fundamental change will be triggered only by certain specified transactions, and may discourage a transaction that could be beneficial to the holders of our Common Stock and the Convertible Notes.

The term "fundamental change" in our Indentures is limited to certain specified transactions and may not include other events that might adversely affect our financial condition or the market value of the Convertible Notes or our common stock. The delisting of our shares from trading on the NYSE is a fundamental change. Our obligation to offer to redeem the notes upon a fundamental change would not necessarily afford holders of such notes protection in the event of a highly leveraged transaction, reorganization, merger or similar transaction involving us. If a fundamental change occurs, there are no assurances that we will have sufficient funds to redeem the Convertible Notes. See "— *Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations and our ability to satisfy our obligations under the Convertible Notes*."

We may not be able to generate sufficient cash to service all of our indebtedness, including the Convertible Notes, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our debt obligations, including our Convertible Notes, depends on our financial condition and results of operations, which in turn are subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, including the Convertible Notes.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness, including the Convertible Notes. Our ability to restructure or refinance our debt will depend on, among other things, the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments and the Indentures that govern the Convertible Notes may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness. In the absence of such cash flows and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations.

Further, our Indenture that governs the 2029 Convertible Notes contains provisions will restrict our ability to dispose of assets and use the proceeds from any such disposition. We may not be able to consummate those dispositions or to obtain the proceeds that we could realize from them and these proceeds may not be adequate to meet any debt service obligations then due. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations and our ability to satisfy our obligations under the Convertible Notes.

If we cannot make scheduled payments on our indebtedness, to the extent applicable, we will be in default and holders of the Convertible Notes and our other indebtedness, could declare all outstanding principal and interest to be due and payable and foreclose against the assets securing their borrowings and we could be forced into bankruptcy or liquidation. If we breach the covenants under our debt instruments, we would be in default under such instruments. The holders of such indebtedness could exercise their rights, as described above, and we could be forced into bankruptcy or liquidation. All of these events could result in your losing your entire investment in the Convertible Notes.

The Indentures contain terms which restrict our current and future operations, particularly our ability to respond to changes or to take certain actions.

The Indenture governing our 2029 Convertible Notes contains a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interest, including, among other things, restrictions on our ability to:

- incur indebtedness or liens;
- make restricted payments;
- issue preferred stock or disqualified stock;
- transact with affiliates;
- sell material intellectual property; and
- make investments or dispositions

Our Indenture governing our 2029 Convertible Notes also require us to comply with a minimum liquidity covenant. Our Indenture governing our 2026 Convertible Notes and related documents do not contain covenants similar to those described above, but both of our Indentures governing our Convertible Notes contain a substantially similar covenant that restricts our ability to consolidate, merge, sell or otherwise dispose of all or substantially all of our assets unless, among other things, the surviving entity assumes our obligations under the 2026 Convertible Notes and 2029 Convertible Notes, respectively.

The covenants in the Indentures that govern the Convertible Notes are subject to important exceptions and qualifications. These covenants may limit our ability to optimally operate our business. In addition, our Credit Agreement requires that we meet certain financial tests, including a leverage ratio test.

These restrictive covenants could adversely affect our ability to:

- finance our operations;
- make needed capital expenditures;
- make strategic acquisitions or investments or enter into joint ventures;
- withstand a future downturn in our business, the industry or the economy in general;
- engage in business activities, including future opportunities, that may be in our best interest; and
- plan for or react to market conditions or otherwise execute our business strategies.

These restrictions may affect our ability to expand our business, which could have a material adverse effect on our business, financial condition and results of operations.

As a result of these restrictions, we will be limited as to how we conduct our business and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities. The terms of any future indebtedness we may incur could include more restrictive covenants. We cannot assure you that we will be able to maintain compliance with these covenants in the future and, if we fail to do so, that we will be able to obtain waivers from the lenders and/or amend the covenants.

Our failure to comply with the restrictive covenants described above and/or the terms of any future indebtedness from time to time could result in an event of default, which, if not cured or waived, could result in our being required to repay these borrowings before their due date and the termination of future funding commitments by our lenders. If we are forced to refinance these borrowings on less favorable terms or cannot refinance these borrowings, our results of operations and financial condition could be adversely affected.

The Indentures contain cross-default provisions that could result in the acceleration of all of our indebtedness.

A breach of the covenants under our Indentures could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related indebtedness and may result in the acceleration of any other indebtedness to which a cross-acceleration or cross-default provision applies. If we were unable to repay amounts due and payable under the Indenture those noteholders could proceed against the collateral granted to them to secure that indebtedness. In the event our noteholders accelerate the repayment of our borrowings, we and our guarantors may not have sufficient assets to repay that indebtedness. Additionally, we may not be able to borrow money from other lenders to enable us to refinance our indebtedness.

The 2026 Convertible Notes are effectively subordinated to our indebtedness under the 2029 Convertible Notes and our other secured indebtedness to the extent of the value of the assets securing that indebtedness.

The 2029 Convertible Notes are secured by substantially all of our assets while the 2026 Convertible Notes are unsecured. As a result, the 2026 Convertible Notes and the related guarantees are effectively subordinated to our existing and future secured indebtedness (including any indebtedness under the 2029 Convertible Notes) with respect to the assets that secure that indebtedness. The effect of this subordination is that upon a default in payment on, or the acceleration of, any of our secured indebtedness, or in the event of bankruptcy, insolvency, liquidation, dissolution or reorganization of our company, the proceeds from the sale of assets securing our secured indebtedness are available to pay obligations on the 2026 Convertible Notes only after all secured indebtedness has been paid in full. In connection with the Exchange Transaction entered into on December 19, 2024, the Bank of America Senior Revolver was terminated, effective concurrently with the closing of the Exchange Transaction. There were no outstanding borrowings under the Secured Revolving Credit Facility prior to its termination. The holders of the 2026 Convertible Notes may receive less, ratably, than the holders of secured indebtedness in the event of our or any of the guarantors' bankruptcy, insolvency, liquidation, dissolution or reorganization.

The Convertible Notes are structurally subordinated to all obligations of our existing and future subsidiaries that are not and do not become guarantors of the Convertible Notes.

Each of our existing and future domestic restricted subsidiaries that is a borrower under or that guarantees obligations under the Indentures or that guarantees certain of our other indebtedness is a guarantor of the 2026 Convertible Notes (subject to certain exceptions). Each of our existing and future subsidiaries is a guarantor of the 2029 Convertible Notes (subject to certain exceptions). Our subsidiaries that do not guarantee the Convertible Notes will have no obligation, contingent or otherwise, to pay amounts due under the Convertible Notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or other payment. The Convertible Notes are structurally subordinated to all indebtedness and other obligations of any non-guarantor subsidiary such that in the event of insolvency, liquidation, reorganization, dissolution or other winding up of any subsidiary that is not a guarantor, all of that subsidiary's creditors (including trade creditors and preferred stockholders, if any) would be entitled to payment in full out of that subsidiary's assets before the holders of the Convertible Notes would be entitled to any payment.

In addition, our subsidiaries that provide, or will provide, guarantees of the Convertible Notes (and related security interest in collateral granted by such subsidiary in the case of the 2029 Convertible Notes) will be automatically released from those guarantees (and security interest in the case of 2029 Convertible Notes) upon the occurrence of certain events.

If any guarantee is released with respect to the 2026 Convertible Notes or if any guarantee and related security interest with respect to the 2029 Convertible Notes are released, no holder of the 2026 Convertible Notes or the 2029 Convertible Notes, as applicable, will have a claim as a creditor against that subsidiary, and the indebtedness and other liabilities (including trade payables and preferred stock, if any), whether secured or unsecured, of that subsidiary will be effectively senior to the claim of any holders of the 2026 Convertible Notes or the 2029 Convertible Notes, as applicable.

Federal and state fraudulent transfer laws may permit a court to void the Convertible Notes or the guarantees and, if that occurs, the noteholders may not receive any payments on the Convertible Notes.

Federal and state fraudulent transfer and conveyance statutes may apply to the issuance of the Convertible Notes and the incurrence of the guarantees of the Convertible Notes. Under federal bankruptcy law and comparable provisions of state fraudulent transfer or conveyance laws, which may vary from state to state, the Convertible Notes or the guarantees thereof could be voided as a fraudulent transfer or conveyance if BigBear.ai or a guarantor, as applicable:

- issued the Convertible Notes or incurred its guarantee with the intent of hindering, delaying or defrauding creditors or

- received less than reasonably equivalent value or fair consideration in return for either issuing the Convertible Notes or incurring the guarantee and, in the case of (2) only, one of the following is also true at the time thereof:

- the issuer or such guarantor, as applicable, was insolvent or rendered insolvent by reason of the issuance of the Convertible Notes or the incurrence of its guarantees;

- the issuance of the Convertible Notes or the incurrence of its guarantees left the issuer or such guarantor, as applicable, with an unreasonably small amount of capital or assets to carry on the business;

- the issuer or such guarantor intended to, or believed that it would, incur indebtedness beyond its ability to pay as they mature; or

- the issuer or such guarantor was a defendant in an action for money damages, or had a judgment for money damages docketed against it if, in either case, the judgment is unsatisfied after final judgment.

As a general matter, value is given for a transfer or an obligation if, in exchange for the transfer or obligation, property is transferred or a valid antecedent debt is secured or satisfied. A court would likely find that a guarantor did not receive reasonably equivalent value or fair consideration for its guarantee to the extent the guarantor did not obtain a reasonably equivalent benefit directly or indirectly from the issuance of the Convertible Notes.

We cannot be certain as to the standards a court would use to determine whether or not we or a guarantor was insolvent at the relevant time or, regardless of the standard that a court uses, whether the Convertible Notes or the guarantees would be subordinated to other indebtedness. In general, however, a court would deem an entity insolvent if:

- the sum of its indebtedness, including contingent and unliquidated liabilities, was greater than the fair saleable value of all of its assets;

- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing indebtedness, including contingent liabilities, as they become absolute and mature; or

- it could not pay its indebtedness as it became due.

If a court were to find that the issuance of the Convertible Notes or the incurrence of a guarantee was a fraudulent transfer or conveyance, the court could void the payment obligations under the Convertible Notes or that guarantee, could subordinate the Convertible Notes or that guarantee to our presently existing and future indebtedness or of the relevant guarantor or could require the holders of the Convertible Notes to repay any amounts received with respect to the Convertible Notes or that guarantee. In the event of a finding that a fraudulent transfer or conveyance occurred, the noteholders may not receive any repayment on the Convertible Notes. Further, the voiding of the Convertible Notes could result in an event of default with respect to our and our subsidiaries' other indebtedness that could result in acceleration of that indebtedness.

Although each guarantee entered into in connection with the Convertible Notes will contain a provision intended to limit that guarantor's liability to the maximum amount that it could incur without causing the incurrence of obligations under its guarantee to be a fraudulent conveyance or fraudulent transfer, this provision may not be effective as a legal matter to protect those guarantees from being voided under fraudulent conveyance or fraudulent transfer law or otherwise, or may reduce that guarantor's obligation to an amount that effectively makes its guarantee worthless.

In addition, as noted above, any payment by us pursuant to the Convertible Notes or by a guarantor under a guarantee made at a time we or such guarantor was found to be insolvent could be voided and required to be returned to the issuer or such guarantor if such payment is made to an insider within a one-year period prior to a bankruptcy filing or within 90 days for any non-insider party and such payment would give such insider or non-insider party (as the case may be) more than such creditors would have received in a distribution under the U.S. Bankruptcy Code in a hypothetical Chapter 7 case.

Finally, as a court of equity, the bankruptcy court may subordinate the claims in respect of the Convertible Notes to other claims against us under the principle of equitable subordination if the court determines that (1) the holder of Convertible Notes engaged in some type of inequitable conduct, (2) the inequitable conduct resulted in injury to our other creditors or conferred an unfair advantage upon the holders of Convertible Notes and (3) equitable subordination is not inconsistent with the provisions of the United States Bankruptcy Code.

There is limited trading and liquidity for the Convertible Notes, and holders' ability to sell the Convertible Notes could be limited.

There is limited trading and liquidity of the Convertible Notes and current markets for the Convertible Notes may not persist. We cannot assure the noteholders as to the liquidity of the market for the Convertible Notes, their ability to sell their Convertible Notes or the price at which they would be able to sell their Convertible Notes. Future trading prices of the Convertible Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. The liquidity of such trading markets and the trading price of such notes may be adversely affected by changes in our financial performance or prospects and by changes in the financial performance of or prospects for companies in our industry generally.

Even though the Convertible Notes are convertible into shares of our Common Stock, the terms of the Convertible Notes will not provide protection against some types of important corporate events.

The Convertible Notes are convertible into shares of our Common Stock. Certain important corporate events, such as leveraged recapitalizations, that would increase the level of our indebtedness, would not constitute a "fundamental change" under the Convertible Notes.

A lowering or withdrawal of the ratings assigned to our debt securities by rating agencies may increase our future borrowing costs and reduce our access to capital.

There can be no assurances that any rating assigned to our debt securities will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in that rating agency's judgment, future circumstances relating to the basis of the rating, such as adverse changes, so warrant. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the Convertible Notes. Credit ratings are not recommendations to purchase, hold or sell the Convertible Notes, and may be revised or withdrawn at any time. Additionally, credit ratings may not reflect the potential effect of risks relating to the structure or marketing of the Convertible Notes.

Any future lowering of our ratings likely would make it more difficult or more expensive for us to obtain additional debt financing. If any credit rating initially assigned to the Convertible Notes is subsequently lowered or withdrawn for any reason, our noteholders may not be able to resell their Convertible Notes at a favorable price or at all.

Risks Related to Our Common Stock

We have convertible debt that may be converted into Common Stock in the future, which would cause immediate and substantial dilution to our stockholders.

On December 7, 2021, we issued the 2026 Convertible Notes in the aggregate principal amount of $200.0 million. On May 29, 2022, pursuant to Section 14.04(f) of the Indenture, the Conversion Rate applicable to the notes was adjusted to 94.2230 (previously 86.9565) shares of Common Stock per $1,000 principal amount of notes, as a result of the conversion rate reset provisions therein.

On December 19, 2024 we entered into privately negotiated exchange agreements (each, an "Exchange Agreement") with a limited number of holders of our 2026 Convertible Notes, to exchange the 2026 Convertible Notes for new senior secured convertible notes due 2029 (the "2029 Convertible Notes", together with the 2026 Convertible Notes, the "Convertible Notes"). The conversion rate is 281.4491 shares of common stock per $1,000 principal amount of 2029 Convertible Notes, which represents an initial conversion price of $3.553 per share of our common stock. In addition, if certain corporate events that constitute a "Make-Whole Fundamental Change" (as defined in the Indentures to the Convertible Notes) occur, then the conversion rate will, in certain circumstances, be increased for a specified period of time. The 2029 Convertible Notes bear interest at a rate of (i) 6.0% per annum, if interest is paid in cash and (ii) 7.0% per annum, if we elect, subject to certain conditions, to pay interest in kind with shares of our common stock. To the extent that the certain liquidity conditions of us and our subsidiaries is not satisfied as of the last business day of any calendar month, then with respect to the period applicable to the interest payment date immediately following the month in which such liquidity condition is not satisfied, the interest rate will be (i) 9.00% per annum, if interest is paid in cash and (ii) 10.00% per annum, if we elect, subject to certain conditions, to pay interest in kind with shares of our common stock (it being understood that such increased rate shall apply solely for such six-month period applicable to such interest payment date).

The issuance of shares of Common Stock upon any conversion of the Convertible Notes and the issuance of shares of Common Stock to the extent interest is paid in kind will result in dilution to the interests of other stockholders.

Our only significant asset is our ownership interest in our subsidiaries and such ownership may not be sufficient to pay dividends or make distributions or loans to enable us to pay any dividends on our Common Stock or satisfy our other financial obligations.

We have no direct operations and no significant assets other than our ownership of our subsidiaries. We will depend on our subsidiaries for distributions, loans and other payments to generate the funds necessary to meet our financial obligations, including our expenses as a publicly traded company and to pay any dividends with respect to our Common Stock. The financial condition and operating requirements of our subsidiaries may limit our ability to obtain cash from our subsidiaries. The earnings from, or other available assets of, our subsidiaries may not be sufficient to pay dividends or make distributions or loans to enable us to pay any dividends on our Common Stock or satisfy our other financial obligations.

The ability of our subsidiaries to make distributions, loans and other payments to us for the purposes described above and for any other purpose may be limited by the terms of the 2029 Convertible Notes, and will be subject to the negative covenants set forth therein.

Because we have no current plans to pay cash dividends on shares of common stock for the foreseeable future, you may not receive any return on investment unless you sell shares of Common Stock for a price greater than that which you paid for it.

We may retain future earnings, if any, for future operations, expansion and debt repayment and have no current plans to pay any cash dividends for the foreseeable future. Any decision to declare and pay dividends as a public company in the future will be made at the discretion of the Board and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions and other factors that the Board may deem relevant. In addition, our ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness we or our subsidiaries incur. As a result, you may not receive any return on an investment in our Common Stock unless you sell your Common Stock for a price greater than that which you paid for it.

We have certain financial instruments, including warrants and the convertible features of our 2029 Convertible Notes and our 2026 Convertible Notes, that are accounted for as derivative liabilities and are recorded at fair value upon issuance with changes in fair value each period reported in earnings, which may have an adverse effect on the market price of our common stock.

We have certain financial instruments, including warrants and the convertible features of our 2029 Convertible Notes and 2026 Convertible Notes, that are accounted for in accordance with the guidance of Accounting Standards Codification ("*ASC*") 815, Derivatives and Hedging ("ASC 815"). The financial instruments that are accounted for as derivatives include the 2029 Notes Conversion Option, the 2026 Notes Conversion Option, IPO private warrants, Private Placement ("PIPE") warrants, and warrants issued under the registered direct offering ("RDO warrants"). These financial instruments do not meet the criteria for equity treatment and are classified as liabilities measured at fair value.

During the years ended December 31, 2024 and December 31, 2023 we recognized net losses of $107.7 million and $7.4 million respectively, related to changes in the fair value of these financial instruments, with such changes presented in net increase (decrease) in fair value of derivatives on the consolidated statements of operations.

The estimated fair value of our derivative liabilities related to our warrants, including the 2024 RDO Warrants, the 2024 PIPE Warrants, and the IPO Private Warrants was $54.7 million as of December 31, 2024. The 2024 RDO Warrants and 2024 PIPE Warrants were fully exercised during the first quarter of 2025.

The estimated fair value of our derivative liabilities related to our 2029 Convertible Notes was $115.8 million as of December 31, 2024. As of the date of this filing, approximately $57.7 million of the 2029 Convertible Notes have been voluntarily converted by noteholders.

The impact of changes in fair value on earnings may have an adverse effect on the market price of our Common Stock.

The price of our Common Stock has been and could remain volatile and a market for our securities may not continue, which would adversely affect the liquidity and price of our securities.

The market price of our Common Stock has historically experienced and may continue to experience significant volatility. From January 1, 2023 through March 21, 2025, the market price of our Common Stock, which is listed on the NYSE, fluctuated from a high of $9.78 per share in the first quarter of 2025 to a low of $0.73 in the first quarter of 2023. Additionally, the price of our securities has fluctuated significantly due to general economic conditions and forecasts, our general business condition and the release of our financial reports and other announcements. If our securities become delisted from the NYSE for any reason, and are quoted on the OTC Bulletin Board (an inter-dealer automated quotation system for equity securities that is not a national securities exchange) or if an active trading market for our securities is not otherwise sustained, their liquidity and price may be more limited and you may be unable to sell your securities.

In the past, we have not satisfied certain continued listing requirements of the NYSE and could fail to satisfy those requirements again in the future, which could materially adversely affect our business, financial condition or results of operations.

Our Common Stock is listed on the NYSE under the symbol "BBAI." As previously disclosed, on December 20, 2022, we received written notice from the NYSE that the average closing price of the Company's Common Stock over a prior 30 consecutive trading day period was below $1.00 per share, which is the minimum average closing price per share required to maintain listing on the NYSE under Section 802.01C of the NYSE Listed Company Manual. Although we have since cured this deficiency and our Common Stock continues to trade on the NYSE, it is possible that we could fall out of compliance again in the future.

If the NYSE delists our shares from trading on its exchange for failure to meet the listing standards, we and our stockholders could face significant material adverse consequences including:

- a limited availability of market quotations for our securities;
- a determination that our Common Stock is a "penny stock" which will require brokers trading in our Common Stock to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for shares of our Common Stock;
- being required to repurchase the Convertible Notes at a price equal to the principal amount plus accrued and unpaid interest;
- a limited amount of analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

Risk Related to the Acquisition of Pangiam

BigBear.ai stockholders may not realize a benefit from the Pangiam Acquisition commensurate with the ownership dilution they will experience in connection with the Pangiam Acquisition.

If we are unable to realize the full strategic and financial benefits currently anticipated from the Pangiam Acquisition, BigBear.ai stockholders will have experienced dilution of their ownership interests without receiving a commensurate benefit, or only receiving part of the commensurate benefit to the extent the combined company is able to realize only part of the strategic and financial benefits currently anticipated from the Pangiam Acquisition.

BigBear.ai may not achieve the benefits it expects from the Pangiam Acquisition, which may have an adverse effect on both BigBear.ai's and Pangiam's business, financial condition and operating results.

BigBear.ai consummated the Pangiam Acquisition with the expectation that the Pangiam Acquisition will result in benefits to the combined company. Post-acquisition challenges include, among others, the following:

- retaining the management and employees of the combined company;
- attracting and hiring new personnel key to the growth and development of the combined company;
- retaining existing strategic partners and suppliers for the combined company; and
- attracting new customers while maintaining existing customers.

If the combined company is not successful in addressing these and other challenges, then the benefits of the Pangiam Acquisition may not be realized and, as a result, the combined company's operating results and the market price of BigBear.ai Common Stock may be adversely affected.

The combined company may be unable to integrate successfully the businesses of BigBear.ai and Pangiam and realize the anticipated benefits of the Pangiam Acquisition.

The Pangiam Acquisition involves the combination of two companies which previously operated as independent companies. The combined company will be required to devote significant management attention and resources to integrating its business practices and operations. The combined company may fail to realize some or all of the anticipated benefits of the Pangiam Acquisition if the integration process takes longer than expected or is more costly than expected. Some of the potential difficulties the combined company may encounter in the integration process include the following:

- the inability to successfully combine the businesses of BigBear.ai and Pangiam in a manner that permits the combined company to achieve the anticipated benefits from the Pangiam Acquisition, which would result in those benefits not being realized partly or wholly in the time frame currently anticipated or at all;
- creation of uniform standards, controls, procedures, policies and information systems; and
- potential unknown liabilities and unforeseen increased expenses.

Pangiam's potential products and technologies are in early stages of development.

The development of new technology products is a highly risky undertaking. Pangiam's technologies and products will require additional research, development and trials. There can be no assurance that any future research, development or trial efforts will result in viable products. Future results may be negative or insufficient to allow the surviving company to pursue further development or to successfully market its products, if approved. Obtaining needed data and results may take longer than planned or may not be obtained at all. Any such delays or setbacks could have an adverse effect on the ability of the surviving company to achieve its financial goals.

General Risk Factors

Increasing attention to, and evolving expectations for, environmental, social, and governance ("ESG") initiatives could increase our costs, harm our reputation, or otherwise adversely impact our business.

Companies across industries are facing increasing scrutiny from a variety of stakeholders related to their ESG practices. Expectations regarding voluntary ESG initiatives and disclosures may result in increased costs (including but not limited to increased costs related to compliance, stakeholder engagement, contracting, and insurance), changes in demand for certain offerings, enhanced compliance or disclosure obligations, or other adverse impacts to our business, financial condition, or results of operations. While we may at times engage in voluntary initiatives (such as voluntary disclosures, certifications, or goals, among others) to improve the ESG profile of our company and/or offerings or to respond to stakeholder demands, such initiatives may be costly and may not have the desired effect. Expectations around companies' management of ESG matters continue to evolve rapidly, in many instances due to factors that are out of our control. We may experience pressure to make commitments relating to ESG matters that affect us; however, we may not agree that particular initiatives will be appropriate for our business, and we may not be able to implement such initiatives because of potential costs or technical or operational obstacles, which may adversely impact our reputation or stakeholder relations. If we do not, or are perceived by stakeholders to not, take sufficient action to respond to ESG matters, we may be subject to investor or regulator engagement on our ESG initiatives and disclosures, even if such initiatives are currently voluntary.

Certain market participants, including major institutional investors and capital providers, use third-party benchmarks and scores to assess companies' ESG profiles in making investment or voting decisions. Unfavorable ESG ratings could lead to increased negative investor sentiment towards us, which could negatively impact our share price as well as our access to and cost of capital. To the extent ESG matters negatively impact our reputation, it may also impede our ability to compete as effectively to attract and retain employees or customers, which may adversely impact our operations. In addition, we expect there will likely be increasing levels of regulation, disclosure-related and otherwise, with respect to ESG matters. For example, the SEC has proposed requirements to disclose a variety of climate-related information, in addition to other rules, which could require us to incur significant costs for monitoring and compliance. This and other regulations will likely lead to increased costs as well as scrutiny that could heighten all of the risks identified in this risk factor. Additionally, many of our customers and suppliers may be subject to similar expectations, which may augment or create additional risks, including risks that may not be known to us.

Adverse economic conditions or reduced technology spending may adversely impact our business.

Our business depends on the economic health of our current and prospective customers and overall demand for technology. In addition, the purchase of our software and services is often discretionary and typically involves a significant commitment of capital and other resources. Global economic and business activities continue to face widespread macroeconomic uncertainties, including labor shortages and supply chain disruptions, inflation, interest rate fluctuations, bank failures and monetary supply shifts, as well as recession risks, which may continue for an extended period and which could result in our customer prospects and our existing customers experiencing slowdowns in their businesses, which in turn may result in reduced demand for our products, lengthening of sales cycles, loss of customers, and difficulties in collections. Our vendors and suppliers may experience, or may continue to experience, disruptions in their supply chains, which may result in service interruptions or additional operating expenses, and may increase the price at which our vendors and suppliers are willing to sell their products to us. Over the past two years, the United States, the EU, and the U.K. have experienced historically high levels of inflation. In response to high levels of inflation and recession fears, the U.S. Federal Reserve, the European Central Bank, and the Bank of England have raised, and may continue to raise, interest rates and implement fiscal policy interventions. Even if these interventions lower inflation, they may also reduce economic growth rates, create a recession, and have other similar effects. A further downturn in economic conditions, global political and economic uncertainty, a lack of availability of credit, a reduction in business confidence and activity, the curtailment of government or corporate spending, public health concerns or emergencies, financial market volatility, and other factors have in the past and may in the future affect the industries to which we sell our software and services. Our customers may suffer from reduced operating budgets, which could cause them to defer or forego purchases of our software or services. Moreover, competitors may respond to market conditions by lowering prices and attempting to lure away our customers, and the increased pace of consolidation in certain industries may result in reduced overall spending on our offerings. Uncertainty about global and regional economic conditions, including the ongoing conflicts in Ukraine, the Middle East, and Africa, a downturn in the technology sector or any sectors in which our customers operate, or a reduction in information technology spending even if economic conditions are stable, could adversely impact our business, financial condition, and results of operations in a number of ways, including longer sales cycles, lower prices for our software and services, material default rates among our customers, reduced sales of our software or services, and lower or no growth.

We cannot predict the timing, strength, or duration of any crises, economic slowdown, or any subsequent recovery generally, or for any industry in particular. Although certain aspects of the effects of a crisis or an economic slowdown may provide potential new opportunities for our business, we cannot guarantee that the net impact of any such events will not be materially negative. Accordingly, if the conditions in the general economy and the markets in which we operate worsen from present levels, our business, financial condition, and results of operations could be adversely affected.

We have and will incur increased costs and demands upon management as a result of complying with the laws and regulations affecting public companies, which could adversely affect our business, results of operations, and financial condition.

As a public company, we are subject to the reporting requirements of the Exchange Act, the listing standards of the NYSE, and other applicable securities rules and regulations. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time-consuming and costly, and place significant strain on our personnel, systems, and resources. For example, the Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and results of operations. As a result of the complexity involved in complying with the rules and regulations applicable to public companies, our management's attention may be diverted from other business concerns, which could harm our business, results of operations, and financial condition. Although we have already hired additional employees to assist us in complying with these requirements, we may need to hire more employees in the future or engage outside consultants, which will increase our operating expenses. Additionally, as a public company subject to additional rules and regulations and oversight, we may not have the same flexibility we had as a private company.

In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs, and making some activities more time-consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest substantial resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from business operations to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us, and our business may be harmed.

As a public company, we have experienced increased costs for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our Board, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

As a result of disclosure of information in this Annual Report on Form 10-K and in filings required of a public company, our business and financial condition will become more visible, which may result in an increased risk of threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and results of operations could be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and harm our business, results of operations, and financial condition.

We have identified a material weakness in our internal control over financial reporting that has resulted in the restatement of the Restated Financial Statements. If we are unable to remediate the material weakness, or if we identify additional material weaknesses in the future or otherwise fail to maintain effective internal control over financial reporting or disclosure controls and procedures, it may result in future material misstatements of our consolidated financial statements or cause us to fail to meet our periodic reporting obligations, which may adversely affect our business, financial condition, and results of operations.

We are required to provide management's attestation on internal controls. The standards required for a public company under Section 404(a) of the Sarbanes-Oxley Act are significantly more stringent than those required of us as a privately-held company. As disclosed in Part II, Item 9A. "Controls and Procedures" in this Annual Report on Form 10-K, we have identified a material weakness in our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements could occur but will not be prevented or detected on a timely basis. In connection with the Company's evaluation of internal control over financial reporting for the year ended December 31, 2024, the following material weakness has been identified:

- We have not consistently executed our technical accounting review policies, inclusive of the application of certain interpretations subject to significant judgement or differences in interpretation, at a precision level sufficient to achieve complete, accurate and timely financial accounting, reporting and disclosures of certain non-routine, unusual, or complex transactions.

If we are unable to remediate our existing material weakness or if, in the future, the Company is unable to maintain effective internal control over financial reporting pursuant to Section 404(a), the Company may not be able to assess whether its internal controls over financial reporting are effective, which may subject it to financial reporting misstatements and adverse regulatory consequences and could harm investor confidence and the market price of the Company's shares of common stock.

Natural disasters and other events beyond our control could harm our business.

Natural disasters or other catastrophic events may cause damage or disruption to our operations, non-U.S. commerce and the global economy, and thus could have a negative effect on us. Our business operations are subject to interruption by natural disasters, earthquakes, flooding, fire, power shortages, pandemics, terrorism, political unrest, telecommunications failure, vandalism, cyberattacks, geopolitical instability, including the ongoing conflicts in Ukraine, the Middle East, and Africa, war, the effects of climate change (such as drought, wildfires, increased storm severity, and sea level rise), and other events beyond our control. Although we maintain crisis management and disaster response plans, such events could make it difficult or impossible for us to deliver our services to our customers, could decrease demand for our services, could make existing customers unable or unwilling to fulfill their contractual requirements to us, including their payment obligations, and could cause us to incur substantial expense, including expenses or liabilities arising from potential litigation. Our insurance may not be sufficient to cover losses or additional expense that we may sustain. Customer data could be lost, significant recovery time could be required to resume operations and our financial condition and results of operations could be adversely affected in the event of a major natural disaster or catastrophic event.

Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our financial condition and results of operations.

We are subject to income taxes in the United States and other jurisdictions, and our tax liabilities will be subject to the allocation of expenses in differing jurisdictions. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets and liabilities;

- expected timing and amount of the release of any tax valuation allowances;

- tax effects of stock-based compensation;
- costs related to intercompany restructurings;
- changes in tax laws, regulations or interpretations thereof; or
- lower than anticipated future earnings in jurisdictions where we have lower statutory tax rates and higher than anticipated future earnings in jurisdictions where we have higher statutory tax rates.

In addition, we may be subject to audits of our income, sales and other transaction taxes by taxing authorities. Outcomes from these audits could have an adverse effect on our financial condition and results of operations.

We may be required to take write-downs or write-offs, restructuring and impairment or other charges that could have a significant negative effect on our financial condition, results of operations and stock price, which could cause you to lose some or all of your investment.

We may be forced to later write-down or write-off assets, restructure our operations, or incur impairment or other charges that could result in losses. Even though these charges may be non-cash items and may not have an immediate impact on our liquidity, the fact that we report charges of this nature could contribute to negative market perceptions about us or our securities. In addition, charges of this nature may cause us to be unable to obtain future financing on favorable terms or at all. For example, during the first quarter of 2024, we recognized a non-cash goodwill impairment charge of $85.0 million related to the acquisition of Pangiam.

We will incur significant increased expenses and administrative burdens as a public company, which could have an adverse effect on our business, financial condition and results of operations.

We have faced increased legal, accounting, administrative and other costs and expenses as a public company that we and our subsidiaries did not incur as private companies. The Sarbanes-Oxley Act, including the requirements of Section 404, as well as rules and regulations subsequently implemented by the SEC, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the rules and regulations promulgated and to be promulgated thereunder, the Public Company Accounting Oversight Board (the "PCAOB") and the securities exchanges impose additional reporting and other obligations on public companies. Compliance with public company requirements have increased costs and made certain activities more time-consuming. A number of those requirements have required us to carry out activities we and our subsidiaries have not done previously. For example, we have created new board committees and adopted new internal controls and disclosure controls and procedures. In addition, expenses associated with SEC reporting requirements have been and will continue to be incurred. Furthermore, if any issues in complying with those requirements are identified (for example, if the auditors identify a material weakness or significant deficiency in the internal control over financial reporting, including the identified material weakness as of December 31, 2024), we could incur additional costs rectifying those issues, and the existence of those issues could adversely affect our reputation or investor perceptions of it. It may also be more expensive to obtain director and officer liability insurance. Risks associated with our status as a public company may make it more difficult to attract and retain qualified persons to serve on our board of directors or as executive officers. The additional reporting and other obligations imposed by these rules and regulations will increase legal and financial compliance costs and the costs of related legal, accounting and administrative activities. These increased costs could require us to divert a significant amount of money that could otherwise be used to expand the business and achieve strategic objectives. Advocacy efforts by stockholders and third parties may also prompt additional changes in governance and reporting requirements, which could further increase costs.

If we do not file and maintain a current and effective registration statement relating to the Common Stock issuable upon exercise of the warrants, holders will only be able to exercise such warrants on a "cashless basis."

If we do not file and maintain a current and effective registration statement relating to the Common Stock issuable upon exercise of the warrants at the time that holders wish to exercise such warrants, they will only be able to exercise them on a "cashless basis" provided that an exemption from registration is available. As a result, the number of shares of Common Stock that holders will receive upon exercise of the warrants will be fewer than it would have been had such holder exercised its warrant for cash. Further, if an exemption from registration is not available, holders would not be able to exercise on a cashless basis and would only be able to exercise their warrants for cash if a current and effective registration statement relating to the Common Stock issuable upon exercise of the warrants is available. Under the terms of the Warrant Agreement, dated as of February 8, 2021, between GigCapital4 and the Transfer Agent (the “Warrant Agreement”), the New RDO warrant (as defined herein) and the New PIPE warrant (as defined herein), we have agreed to use our best efforts to meet these conditions and to file and maintain a current and effective registration statement relating to the Common Stock issuable upon exercise of the warrants until the expiration of the warrants. However, we cannot assure you that we will be able to do so. If we are unable to do so, the potential “upside” of the holder’s investment in us may be reduced or the warrants may expire worthless.

There is no guarantee that the warrants will ever be in the money, and they may expire worthless and the terms of warrants may be amended.

The exercise price for the IPO warrants is $11.50 per share of Common Stock. There is no guarantee that the warrants will ever be in the money prior to their expiration, and as such, the warrants may expire worthless.

In addition, the Company’s warrants were issued in registered form under the Warrant Agreement between Continental Stock Transfer & Trust Company, as warrant agent, and the Company. The Warrant Agreement provides that the terms of the warrants may be amended without the consent of any holder to cure any ambiguity or correct any defective provision, but requires the approval by the holders of at least 50% of the then outstanding public warrants to make any other change. Accordingly, the Company may amend the terms of the warrants in a manner adverse to a holder if holders of at least 50% of the then outstanding public warrants approve of such amendment. Although the Company’s ability to amend the terms of the warrants with the consent of at least 50% of the then outstanding public warrants is unlimited, examples of such amendments could be amendments to, among other things, increase the exercise price of the warrants, shorten the exercise period or decrease the number of shares and their respective affiliates and associates have of Common Stock purchasable upon exercise of a warrant.

The exercise price for our public warrants is higher than in many similar blank check company offerings in the past, and, accordingly, the public warrants are more likely to expire worthless.

The exercise price of our public warrants is higher than is typical with many similar blank check companies in the past. Historically, with regard to units offered by blank check companies, the exercise price of a public warrant was generally a fraction of the purchase price of the units in the initial public offering. The exercise price for our public warrants is $11.50 per share, subject to adjustment as provided herein. As a result, the public warrants are less likely to ever be in the money and more likely to expire worthless.

Our warrants will become exercisable for our Common Stock, which would increase the number of shares eligible for future resale in the public market and result in dilution to our stockholders.

The additional shares of Common Stock issued upon exercise of our warrants will result in dilution to the then existing holders of our Common Stock and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market could adversely affect the market price of our Common Stock.

During the year ended December 31, 2024 and December 31, 2023, the Company issued warrants to purchase up to 22,800,000 and 14,800,000, respectively, shares of Common Stock in connection with certain Registered Direct and Private Placement Offerings. As of the date of this filing, the aforementioned warrants have been fully exercised by the holder resulting in the issuance of a total of 37,600,000 (*“February 2025 Exercise”*) shares of Common Stock.

On February 5, 2025, the Company entered into a warrant exercise agreement with an existing accredited investor to exercise in full an outstanding Common Stock Purchase Warrant to purchase up to an aggregate of 5,800,000 shares (included in the *February 2025 Exercise)* of the Company’s common stock. In consideration for the immediate and full exercise of the existing warrant for cash, the investor received a new unregistered Common Stock Purchase Warrant to purchase up to an aggregate of 3,770,000 shares of the Company’s common stock (the “New Warrant”) in a private placement. The New Warrant will become exercisable commencing any time on or after August 6, 2025 (the "Exercise Date") with an expiration date five years after the Exercise Date with an exercise price per share equal to $9.00. See Note 18—Derivatives for additional information related to warrants.

We have no obligation to net cash settle the warrants.

In no event will we have any obligation to net cash settle the warrants. Furthermore, there are no contractual penalties for failure to deliver securities to the holders of the warrants upon consummation of an initial business combination, including the Gig Business Combination, or exercise of the warrants. Accordingly, the warrants may expire worthless.

If we fail to introduce or acquire new products or services that achieve broad market acceptance on a timely basis, or if our products or services are not adopted as expected, we will not be able to compete effectively.

We operate in a highly competitive, quickly changing environment, and the Company's future success depends on its ability to develop or acquire, and introduce new products and services that achieve broad market acceptance. Our ability to successfully introduce and market new products is unproven. Because we have a limited operating history and the market for our products, including newly acquired or developed products, is rapidly evolving, it is difficult to predict the company's operating results, particularly with respect to any new products that it may introduce. Our future success will depend in large part upon our ability to identify demand trends in the market in which we operate and quickly develop or acquire, and design, manufacture and sell, products and services that satisfy these demands in a cost-effective manner.

In order to differentiate our products and services from competitors' products, we will need to increase focus and capital investment in research and development, including software development. If any products currently sold by, and services offered by, us do not continue, or if our new products or services fail to achieve widespread market acceptance, or if we are unsuccessful in capitalizing on opportunities in the market in which we will operate, our future growth may be slowed and our business, results of operations and financial condition could be materially adversely affected. Successfully predicting demand trends is difficult, and it is very difficult to predict the effect that introducing a new product or service will have on existing product or service sales. It is possible that we may not be successful with our new products and services, and as a result our future growth may be slowed and our business, results of operations and financial condition could be materially adversely affected. Also, we may not be able to respond effectively to new product or service announcements by competitors by quickly introducing competitive products and services.

In addition, we may acquire companies and technologies in the future. In these circumstances, the combined company may not be able to successfully manage integration of the new product and service lines with the combined company's existing suite of products and services. If we are unable to effectively and successfully further develop these new product and service lines, we may not be able to increase or maintain sales (as compared to sales of BigBear.ai on a standalone basis), and our gross margin (as compared to sales of BigBear.ai on a standalone basis) may be adversely affected.

Furthermore, the success of our new products will depend on several factors, including, but not limited to, market demand costs, timely completion and introduction of these products, prompt resolution of any defects or bugs in these products, our ability to support these products, differentiation of new products from those of our competitors, market acceptance of these products, delays and quality issues in releasing new products and services. The occurrence of one or more of the foregoing factors may result in lower quarterly revenue than expected, and we may in the future experience product or service introductions that fall short of our projected rates of market adoption.

If our products fail to achieve and sustain sufficient market acceptance, our revenue will be adversely affected.

Our success will depend on our ability to develop and market products that are recognized and accepted as reliable, enabling and cost-effective. Some of our potential customers may already use products similar to what we currently offer and similar to what we may offer in the future and may be reluctant to replace those products with what we currently offer or which we may offer in the future. Market acceptance of our products and technology will depend on many factors, including our ability to convince potential customers that our products and technology are an attractive alternative to existing products and technology. Prior to adopting our products and technology, some potential customers may need to devote time and effort to testing and validating our systems. Any failure of our systems to meet these customer benchmarks could result in potential customers choosing to retain their existing systems or to purchase systems other than ours.

The future sales of shares of Common Stock by existing stockholders may adversely affect the market price of the Company's Common Stock.

Sales of a substantial number of shares of the Company's Common Stock in the public market could occur at any time. If the Company's stockholders sell, or the market perceives that the Company's stockholders intend to sell, substantial amounts of the Company's Common Stock in the public market, the market price of the Company's Common Stock could decline.

Further, the market price of our Common Stock could decline as a result of the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and price that we deem appropriate. In the future, we may also issue securities in connection with investments or acquisitions. The amount of Common Stock issued in connection with an investment or acquisition could constitute a material portion of our then-outstanding Common Stock. Any issuance of additional securities in connection with investments or acquisitions may result in additional dilution to our stockholders.

If securities or industry analysts cease publishing research or reports about the Company, its business, or its market, or if they change their recommendations regarding the Company's securities adversely, the price and trading volume of the Company's securities could decline.

The trading markets for our securities are influenced by the research and reports that industry or securities analysts may publish about us, our business, its market, or its competitors. If any of the analysts who cover BigBear.ai, change their recommendation regarding our Common Stock adversely, or provide more favorable relative recommendations about our competitors, the price of our securities would likely decline. If any analyst who may cover us were to cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our stock price or trading volume to decline.

We may redeem the unexpired IPO warrants prior to their exercise at a time that is disadvantageous to warrant holders, thereby making their warrants worthless.

We have the ability to redeem outstanding warrants at any time after they become exercisable and prior to their expiration, at a price of $0.01 per warrant, provided that the last reported sales price of the Common Stock equals or exceeds $18.00 per share for any 20 trading days within a 30 trading-day period ending on the third trading day prior to the date BigBear.ai sends the notice of redemption to the warrant holders. If and when the warrants become redeemable by BigBear.ai, BigBear.ai may exercise its redemption right even if BigBear.ai is unable to register or qualify the underlying securities for sale under all applicable state securities laws. Redemption of the outstanding warrants could force the holder (i) to exercise the warrants and pay the exercise price therefor at a time when it may be disadvantageous for the holder to do so, (ii) to sell the warrants at the then-current market price when the holder might otherwise wish to hold the warrants or (iii) to accept the nominal redemption price which, at the time the outstanding warrants are called for redemption, is likely to be substantially less than the market value of the warrants. Historical trading prices for our Common Stock have not exceeded the $18.00 per share threshold at which the public warrants become redeemable. In the event BigBear.ai exercises its redemption right, holders of the warrants would be notified of such redemption as described in our warrant agreement. Specifically, in the event that BigBear.ai elects to redeem all of the outstanding warrants, BigBear.ai shall fix a date for the redemption (the "*Redemption Date*"). Notice of redemption shall be mailed by first class mail, postage prepaid, by BigBear.ai not less than 30 days prior to the Redemption Date to the registered holders of the outstanding warrants to be redeemed at their last addresses as they appear on the registration books. Any notice mailed in the manner provided in the Warrant Agreement shall be conclusively presumed to have been duly given whether or not the registered holder received such notice. In addition, beneficial owners of the warrants will be notified of such redemption via the Company's posting of the redemption notice to DTC. None of the private placement warrants and warrants underlying the units issuable upon conversion of working capital loan will be redeemable by BigBear.ai so long as they are held by their initial purchasers or their permitted transferees.

Anti-takeover provisions contained in our Second Amended and Restated Certificate of Incorporation as well as provisions of Delaware law, could impair a takeover attempt.

Our Second Amended and Restated Certificate of Incorporation (the "*Certificate of Incorporation*") contains provisions that may discourage unsolicited takeover proposals that stockholders may consider to be in their best interests. We are also subject to anti-takeover provisions under Delaware law, which could delay or prevent a change of control. Together these provisions may make more difficult the removal of management and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our securities. These provisions will include:

- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- a classified board of directors with three-year staggered terms, which could delay the ability of stockholders to change the membership of a majority of the Board;
- the right of our Board to elect a director to fill a vacancy created by the expansion of our Board or the resignation, death or removal of a director in certain circumstances, which prevents stockholders from being able to fill vacancies on our Board;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders; and
- the requirement that a meeting of stockholders may only be called by members of our Board or the stockholders holding a majority of our shares, which may delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors.

These provisions, alone or together, could delay hostile takeovers and changes in control of BigBear.ai or changes in our Board and our management.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the DGCL, which prevents some stockholders holding more than 15% of our outstanding Common Stock from engaging in certain business combinations without approval of the holders of substantially all of BigBear.ai Common Stock. Any provision of the Certificate of Incorporation or Bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our Common Stock and could also affect the price that some investors are willing to pay for our Common Stock.

The JOBS Act permits "emerging growth companies" like us to take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies.

We currently qualify as an "emerging growth company" as defined in Section 2(a)(19) of the Securities Act, as modified by the JOBS Act. As such, we take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies for as long as we continue to be an emerging growth company, including: (i) the exemption from the auditor attestation requirements with respect to internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act; (ii) the exemptions from say-on-pay, say-on-frequency and say-on-golden parachute voting requirements; and (iii) reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. As a result, our stockholders may not have access to certain information they deem important. We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year: (a) following February 11, 2026, the fifth anniversary of the IPO; (b) in which we have total annual gross revenue of at least $1.235 billion; or (c) in which we are deemed to be a large accelerated filer, which means the market value of our Common Stock that is held by non-affiliates exceeds $700 million as of the prior June 30th, and (ii) the date on which we have issued more than $1.0 billion in non-convertible debt during the prior three-year period. Based on the market value of our Common Stock that was held by non-affiliates on March 7, 2025, we would have qualified as a large accelerated filer on that date.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the exemption from complying with new or revised accounting standards provided in Section 7(a)(2)(B) of the Securities Act as long as we are an emerging growth company. An emerging growth company can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies, but any such election to opt out is irrevocable. We have elected to avail ourselves of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our financial statements with another public company that is neither an emerging growth company nor an emerging growth company that has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

We cannot predict if investors will find our Common Stock less attractive because we rely on these exemptions. If some investors find our Common Stock less attractive as a result, there may be a less active trading market for our Common Stock and our stock price may be more volatile.

Our internal control over financial reporting may not be effective and our independent registered public accounting firm may not be able to certify as to their effectiveness, which could have a significant and adverse effect on our business and reputation.

As a public company, we are required to comply with the SEC's rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of internal control over financial reporting. To comply with the requirements of being a public company, we became required to provide management's assessment on internal controls commencing with the annual report for fiscal year ended December 31, 2022, and were required to undertake various actions, such as implementing additional internal controls and procedures and hiring additional accounting or internal audit staff. The standards required for a public company under Section 404 of the Sarbanes-Oxley Act are significantly more stringent than those required of BigBear.ai as a privately held company. Further, as an emerging growth company, our independent registered public accounting firm is not required to formally attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404 until the date we are no longer an emerging growth company. At such time, our independent registered public accounting firm may issue a report that is adverse in the event that it is not satisfied with the level at which the controls of BigBear.ai are documented, designed or operating.

As disclosed in Part II, Item 9A. "Controls and Procedures" in this Annual Report on Form 10-K and in our Annual Report, on Form 10-K for the year ended December 31, 2022, as well as in our Quarterly Report on Form 10-Q filed for the quarters ended March 31, 2023, June 30, 2023, and September 30, 2023, we have identified material weakness in our internal control over financial reporting, not all of which have been remediated as of December 31, 2024.

Testing and maintaining these controls can divert our management's attention from other matters that are important to the operation of our business. If we identify material weaknesses in the internal control over financial reporting of BigBear.ai in the future or are unable to comply with the requirements of Section 404 or assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal controls over financial reporting when we no longer qualify as an emerging growth company, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our Common Stock could be negatively affected, and we could become subject to investigations by the SEC or other regulatory authorities, which could require additional financial and management resources.

Changes in laws or regulations, or a failure to comply with any laws and regulations, may adversely affect the Company's business, investments and results of operations.

The Company is subject to laws, regulations and rules enacted by national, regional and local governments. In particular, the

Company is required to comply with certain SEC, NYSE and other legal or regulatory requirements. Compliance with, and monitoring of, applicable laws, regulations and rules may be difficult, time consuming and costly. Those laws, regulations and rules and their interpretation and application may also change from time to time and those changes could have a material adverse effect on the Company's business, investments and results of operations. In addition, a failure to comply with applicable laws, regulations and rules, as interpreted and applied, could have a material adverse effect on the Company's business and results of operations.

Although we are no longer a "controlled company" under the New York Stock Exchange ("NYSE") rules, we may continue to rely on exemptions from certain corporate governance requirements during a one-year transition period.

The NYSE defines a "controlled company" as one of which more than 50% of the voting power for the election of directors is held by an individual, group, or another company. As of December 2, 2024, AE Industrial Partners no longer controlled a majority of the voting power of our outstanding voting stock and, as a result, we ceased to be a "controlled company" within the meaning of NYSE rules. Accordingly, we became subject to additional corporate governance requirements standards within one year of the date we no longer qualified as a controlled company within the meaning of NYSE rules. Those requirements include, but not limited to, requirements that:

- our Board of Directors be composed of a majority of independent directors;
- our Nominating and Corporate Governance Committee have a formal written charter and be composed solely of independent directors; and
- our Compensation Committee have a formal written charter and be composed solely of independent directors.

However, the NYSE rules provide a "phase-in" period for these requirements. As a result, our Compensation and Nominating and Corporate Governance Committees must have at least one independent member on the date we ceased to be a controlled company and must be comprised of a majority of independent directors within 90 days of the date we ceased to be a controlled company. We must be fully compliant with the NYSE corporate governance standards within one year of the date we no longer qualified as a controlled company.

During this one-year transition period, we intend to rely on the exemptions from the corporate governance requirements provided by the NYSE. As of the date of this Annual Report on Form 10-K, our Board is composed of a majority of independent directors. We have also adopted formal written charters for each of our committees. Until we fully comply with the NYSE corporate governance standards, our stockholders will not have the same protections afforded to stockholders of companies that are subject to all of the NYSE's corporate governance requirements.

Our Certificate of Incorporation provides, subject to limited exceptions, that the Court of Chancery of the State of Delaware and the federal district courts of the United States of America will be the sole and exclusive forums for substantially all disputes between the Company and its stockholders, which could limit the Company's stockholders' ability to obtain a favorable judicial forum for disputes with the Company or its directors, officers, or employees.

Our Certificate of Incorporation requires, to the fullest extent permitted by law, that derivative actions brought in our name, actions against our directors, officers, and employees for breach of fiduciary duty and other similar actions may be brought only in the Court of Chancery in the State of Delaware and, if brought outside of Delaware, the stockholder bringing the suit will be deemed to have consented to service of process on such stockholder's counsel except any action arising under the Securities Act or the Exchange Act. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and consented to the forum provisions in our Certificate of Incorporation. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, or employees which may discourage lawsuits with respect to such claims, although our stockholders will not be deemed to have waived our compliance with federal securities laws and the rules and regulations thereunder. However, there is no assurance that a court would enforce the choice of forum provision contained in our Certificate of Incorporation. If a court were to find such provision to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, operating results and financial condition.

Our Certificate of Incorporation provides that the exclusive forum provision will be applicable to the fullest extent permitted by applicable law. Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. As a result, the exclusive forum provision will not apply to suits brought to enforce any duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction.

In addition, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Our certificate of incorporation will provide that, unless we consent in writing to the selection of an alternate forum, the federal district courts of the United States will be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. We note that there is uncertainty as to whether a court would enforce the choice of forum provision with respect to claims under the Securities Act, and that investors cannot waive compliance with the Securities Act and the rules and regulations thereunder.

The future exercise of registration rights may adversely affect the market price of our Common Stock.

Certain of our stockholders have registration rights for restricted securities. We are obligated to register certain securities, including shares of Common Stock received by the Seller as part of the Pangiam Acquisition, and the shares of Common Stock issuable under our Convertible Notes and certain of our Warrants. Sales of a substantial number of shares of Common Stock pursuant to a prospectus in the public market could occur at any time a prospectus covering such shares remains effective. In addition, certain registration rights holders can request underwritten offerings to sell their securities. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our Common Stock.

If we fail to maintain an effective system of internal controls over financial reporting, there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Effective internal controls are necessary for us to provide reliable and accurate financial statements and to effectively prevent fraud. As disclosed in Part II, Item 9A. “Controls and Procedures” in this Annual Report on Form 10-K and in our Annual Report, on Form 10-K for the year ended December 31, 2022, as well as in our Quarterly Report on Form 10-Q filed for the quarters ended March 31, 2023, June 30, 2023, and September 30, 2023, we have identified material weaknesses in our internal control over financial reporting, not all of which have been remediated as of December 31, 2024.

In addition, we cannot be certain that we will be able to prevent future significant deficiencies or material weaknesses. Material inaccuracies in our financial statements would impair their value to management and our Board of Directors in making decisions as to the operation of our business, could impair our reputation and cause investors to lose confidence in our reported financial information, which could have a negative effect on investor confidence in our financial statements, the trading price of our stock and our access to capital.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

We face a multitude of cybersecurity threats that range from attacks common to most industries, such as ransomware and denial-of-service, to attacks from more advanced and persistent, highly organized adversaries, including nation state actors, that target the defense industrial base and other critical infrastructure sectors. Our customers, suppliers, subcontractors and joint venture partners face similar cybersecurity threats, and a cybersecurity incident impacting us or any of these entities could materially adversely affect our operations, performance and results of operations.

Our Cybersecurity program is built upon the National Institute of Standards and Technology Cybersecurity Maturity Framework (the “NIST CSF Framework”), which includes the standards outlined in both NIST 800-53, Security and Privacy Controls for Information Systems and Organizations, and NIST 800-171 Protecting Controlled Unclassified Information in Nonfederal Systems and Organizations. The NIST CSF is issued by the U.S. government as a guideline to manage cybersecurity-related risk. Additionally, we also employ industry best practices and other global and local standards and regulations as we continuously evaluate our risks. We utilize independent third-parties to assess our adherence to these frameworks.

Our Cybersecurity program is supervised by a dedicated Chief Information Security Officer (CISO), who has over 16 years experience in cybersecurity and operations and holds the following certifications: Certified Information Systems Security Professional (CISSP) and Certification in Risk and Information Systems Control (CRISC). The CISO’s team is responsible for leading enterprise-wide cybersecurity strategy, policy, standards, architecture, and processes. A strong partnership exists between our Information Technology, Cybersecurity, Internal Audit, and Legal functions so that identified issues are addressed in a timely manner and incidents are reported to the appropriate regulatory bodies as required. We have established a Governance, Risk, and Compliance (GRC) program to further strengthen our cybersecurity risk management activities across the Company, including the prevention, detection, mitigation and remediation of cybersecurity incidents. The CISO reports information about such risks to the Board of Directors.

Our cybersecurity strategy is built upon the principle that cybersecurity risk is business risk and must be addressed within the context of the overall enterprise risk. Our practices include development, implementation, and improvement of policies, standards, and guidelines, which serve as the foundation of our program. We continuously monitor cybersecurity vulnerabilities and potential attack vectors and evaluate the potential operational impacts of any threat and cybersecurity risk countermeasures made to defend against such threats. We leverage government partnerships, industry and government associations, third-party benchmarking, and threat intelligence to safeguard information and ensure availability of critical data and systems.

We have a robust Incident Response Plan that coordinates the activities we take to prepare for, detect, respond to and recover from cybersecurity incidents, which include processes to triage, assess, escalate, contain, investigate, and remediate the incident, as well as comply with potentially applicable legal obligations and mitigate brand and reputational damage.

Our Cybersecurity Awareness Program engages personnel through training on how to identify potential cybersecurity risks and protect BigBear.ai’s resources and information. This training is mandatory for all employees and is supplemented by enterprise testing initiatives, including periodic phishing tests. We provide specialized security training for certain employees, such as application developers.

We carry cyber liability insurance to provide a level of financial protection should a data breach occur.

To date, the Company has not experienced any material cybersecurity incidents and we are not aware of any cybersecurity risks that are reasonably likely to materially affect the Company.

The Board of Directors, as well as the Audit Committee and Nominating and Governance Committee have oversight of risks from cybersecurity threats. Each of these bodies is informed of these risks at quarterly meetings at a minimum, and on an ad hoc basis, as necessary.

Notwithstanding the extensive approach we take to cybersecurity, we may not be successful in preventing or mitigating a cybersecurity incident that could have a material adverse effect on us. While we maintain cybersecurity insurance, the costs related to cybersecurity threats or disruptions may not be fully insured.

Item 2. Properties

We occupy approximately fifty four thousand square feet of leased building space at five primary locations. We have significant operations in the following locations:

- McLean, Virginia (Corporate Headquarters)
- Ann Arbor, Michigan;
- Chantilly, Virginia; and
- Charlottesville, Virginia

Each of these facilities is strategically located near major national security or civil space community facilities, key customer facilities, commercial space centers and/or prestigious engineering talent pools. Our current footprint is sufficient to support near-term growth. However, as we continue to grow, we plan to continue and even accelerate the pace of leasehold improvements so that our facility capacity is not a limiting factor on our growth.

Item 3. Legal Proceedings

We are subject to litigation, claims, investigations and audits arising from time to time in the ordinary course of business. Although legal proceedings are inherently unpredictable, we believe that we have valid defenses with respect to any matters currently pending against us and we intend to vigorously defend against such matters. The outcome of these matters, individually and in the aggregate, is not expected to have a material impact on our consolidated balance sheets, statements of operations or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is traded on the New York Stock Exchange under the ticker symbol "BBAI" and began trading on December 8, 2021.

Holders

As of December 31, 2024, there were 68 common stockholders of record.

Dividend Policy

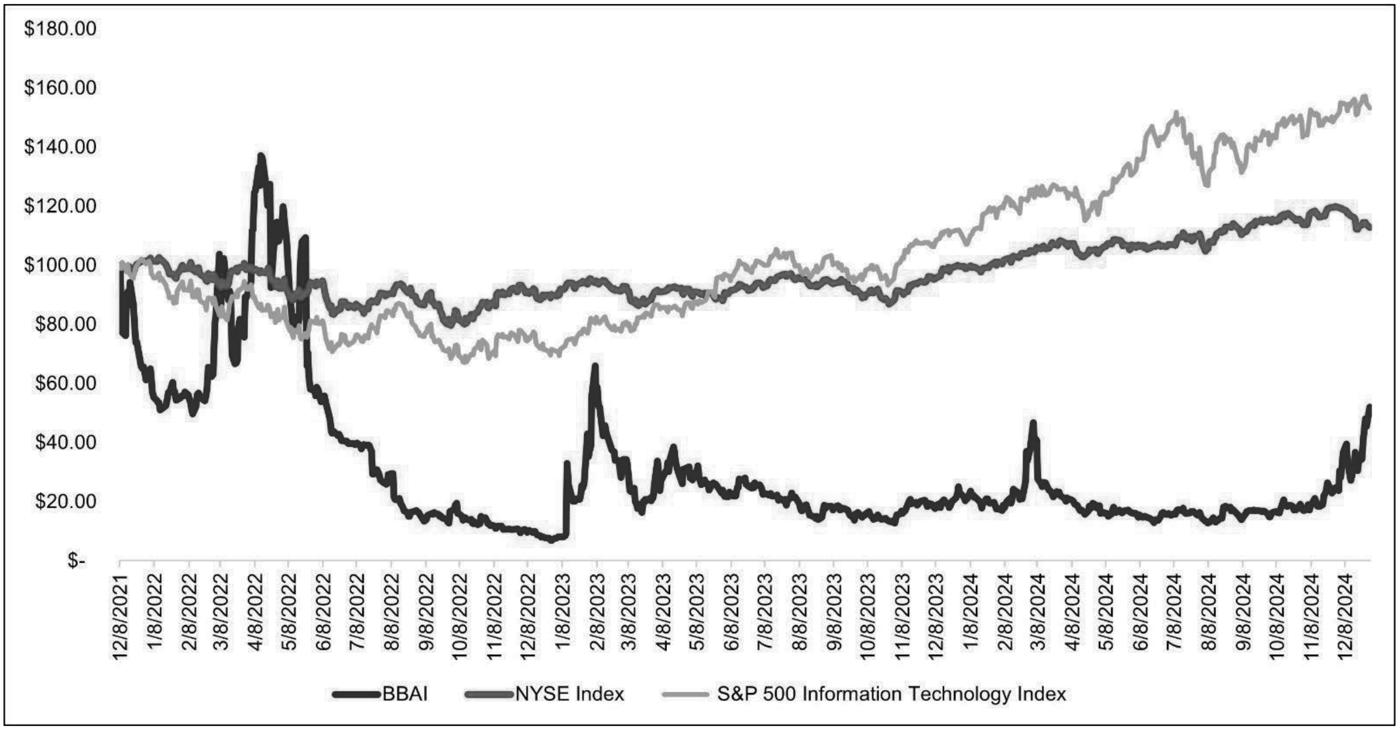
We have never declared or paid any cash dividends on our capital stock, and we do not currently intend to pay any cash dividends for the foreseeable future. We expect to retain future earnings, if any, to fund the development and growth of our business. Any future determination to pay dividends on our common stock will be made at the discretion of the Board and will depend upon, among other factors, our financial condition, operating results, current and anticipated cash needs, plans for expansion and other factors that the Board may deem relevant. In addition, the terms of our secured credit facility contains restrictions on our ability to declare and pay cash dividends on our capital stock.

Securities Authorized for Issuance Under Equity Compensation Plans

See Item 12 of Part III of this Annual Report on Form 10-K regarding information about securities authorized for issuance under our equity compensation plans.

Stock Performance Graph

The following graph compares the total return on a cumulative basis through December 31, 2024 of $100 invested in BigBear.ai Holdings common stock on December 8, 2021 to the New York Stock Exchange (NYSE) Index and the S&P 500 Information Technology Index.



This graph is not deemed to be "filed" with the U.S. Securities and Exchange Commission or subject to the liabilities of Section 18 of the Exchange Act, and should not be deemed to be incorporated by reference into any of our prior or subsequent filings under the Securities Act or the Exchange Act.

Unregistered Sales of Equity Securities.

There were no sales of unregistered equity securities during the fiscal year covered by this report that were not previously disclosed in a quarterly report on Form 10-Q or a current report on Form 8-K that was filed during the period.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

There were no repurchases of our common stock during the fourth quarter of the fiscal year covered by this report.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis provides information that BigBear.ai Holdings, Inc. ("BigBear.ai", "BigBear.ai Holdings", or the *"Company") management believes is relevant to an assessment and understanding of BigBear.ai's audited consolidated results of operations and financial condition. The following discussion and analysis should be read in conjunction with BigBear.ai's consolidated financial statements and notes to those statements included elsewhere in this Annual Report on Form 10-K. Certain information contained in this management discussion and analysis includes forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors. Please see "Cautionary Note Regarding Forward-Looking Statements," and "Risk Factors" in our Annual Report on Form 10-K. Unless the context otherwise requires, all references in this section to the "Company," "BigBear.ai," "we," "us," or "our" refer to BigBear.ai Holdings, Inc.*

The following discussion and analysis of financial condition and results of operations of BigBear.ai is provided to supplement the audited consolidated financial statements and the accompanying notes of BigBear.ai included elsewhere in this Annual Report on Form 10-K. We intend for this discussion to provide the reader with information to assist in understanding BigBear.ai's consolidated financial statements and the accompanying notes, the changes in those financial statements and the accompanying notes from period to period, along with the primary factors that accounted for those changes. All amounts presented below are in thousands of U.S. dollars unless stated otherwise.

Restatements of Previously Issued Consolidated Financial Statements

As described in Note 2—Restatement of Previously Issued Financial Statements, for the period ended December 31, 2024, management identified a material error in the previously reported financial statements related to its convertible notes issued in December 2021 and due in December 2026 ("*2026 Notes*"). The conversion option embedded within the 2026 Notes was incorrectly deemed to be eligible for a scope exception from the bifurcation requirements of ASC 815-15 and therefore requires bifurcation as a derivative ("*2026 Notes Conversion Option*"). The 2026 Notes include certain adjustments to the conversion rate that violate the "fixed-for-fixed" criteria described in Accounting Standards Codification ("*ASC"*) 815-40. As a result, the consolidated financial statements have been restated to reflect the issuance of the 2026 Notes Conversion Option at fair value as of December 7, 2021 and the subsequent remeasurement to fair value at each reporting date.

The discussion and analysis of financial condition and results of operations of BigBear.ai is organized as follows:

- **Business Overview:** This section provides a general description of BigBear.ai's business, our priorities and the trends affecting our industry in order to provide context for management's discussion and analysis of our financial condition and results of operations.

- **Recent Developments:** This section provides recent developments that we believe are necessary to understand our financial condition and results of operations.

- **Results of Operations:** This section provides a discussion of our results of operations for the year ended December 31, 2024, December 31, 2023 and December 31, 2022.

- **Liquidity and Capital Resources:** This section provides an analysis of our ability to generate cash and to meet existing or reasonably likely future cash requirements.

- **Critical Accounting Policies and Estimates**: This section discusses the accounting policies and estimates that we consider important to our financial condition and results of operations and that require significant judgment and estimates on the part of management in their application. In addition, our significant accounting policies, including critical accounting policies, are summarized in Note 3—Summary of Significant Accounting Policies to the accompanying consolidated financial statements included in this Annual Report on Form 10-K.

Business Overview

Our mission is to help deliver clarity for the world's most complex decisions. BigBear.ai is a leading provider of Edge AI-powered decision intelligence solutions for national security, supply chain management and digital identity. Customers and partners rely on BigBear.ai's predictive analytics capabilities in highly complex, distributed, mission-based operating environments. We are a technology-led solutions organization, providing both software and services to our customers.

Recent Developments

2029 Convertible Notes

On December 19, 2024, the Company entered into privately negotiated exchange agreements with a limited number of holders of the Company's 2026 Convertible Notes, to exchange the 2026 Convertible Notes for new senior secured convertible notes due 2029 (the "*2029 Convertible Notes*", together with the 2026 Convertible Notes, the "*Convertible Notes*"). The Company exchanged approximately $182.3 million principal amount of the 2026 Convertible Notes for $182.3 million in aggregate principal amount of the Company's 2029 Convertible Notes. The 2029 Convertible Notes bear interest at a rate of (i) 6.0% per annum, if interest is paid in cash and (ii) 7.0% per annum, if the Company elects, subject to certain conditions, to pay interest in kind with shares of its common stock, subject to other adjustments if certain liquidity requirements are not met. The conversion rate is 281.4491 shares of common stock per $1,000 principal amount of 2029 Convertible Notes, which represents an initial conversion price of $3.55 per share of the Company's common stock.

Pangiam Acquisition

On February 29, 2024, the Company completed the acquisition of Pangiam Intermediate Holdings, LLC ("*Pangiam*" or the "*Pangiam Acquisition*"), a leader in vision AI for the global trade, travel and digital identity industries. The combination of BigBear.ai and Pangiam creates one of the industry's most comprehensive vision and edge AI portfolios, combining facial recognition, image-based anomaly detection and advanced biometrics with BigBear.ai's computer vision and predictive analytics capabilities, positioning the Company as a foundational leader in how artificial intelligence is operationalized at the edge.

RDO Warrant Exercise

On February 27, 2024, the Company entered into a warrant exercise agreement with an existing accredited investor (the "*RDO Investor*") to exercise in full the outstanding Registered Direct Offering to purchase up to an aggregate of 8,886,255 shares of the Company's common stock for gross proceeds of approximately $20.6 million (the "*RDO warrants*"). In consideration for the immediate and full exercise of the RDO warrants, the RDO Investor received a new unregistered common stock purchase warrant to purchase up to an aggregate of 5,800,000 shares of the Company's common stock (the "*2024 RDO warrant*") in a private placement. The 2024 RDO warrants became exercisable commencing on August 28, 2024, expiring after five years, with an exercise price per share equal to $3.78. These warrants were fully exercised during the first quarter of 2025.

On February 5, 2025, the Company entered into a warrant exercise agreement with an existing accredited investor to exercise in full an outstanding Common Stock Purchase Warrant to purchase up to an aggregate of 5,800,000 shares of the Company's common stock. In consideration for the immediate and full exercise of the existing warrant for cash, the investor received a new unregistered Common Stock Purchase Warrant to purchase up to an aggregate of 3,770,000 shares of the Company's common stock (the "New Warrant") in a private placement.

The New Warrant will become exercisable commencing any time on or after August 6, 2025 (the "Exercise Date") with an expiration date five years after the Exercise Date with an exercise price per share equal to $9.00. The gross proceeds to the Company from the exercise were $21.9 million, prior to deducting estimated offering expenses.

Private Placement Warrant Exercise

On March 4, 2024, the Company entered into a warrant exercise agreement with an existing accredited investor (the "*PIPE Investor*") to exercise in full the outstanding PIPE warrants to purchase up to an aggregate of 13,888,889 shares of the Company's common stock for gross proceeds of approximately $33.2 million. In consideration for the immediate and full exercise of the PIPE warrants, the PIPE Investor received a new unregistered common stock purchase warrant to purchase up to an aggregate of 9,000,000 shares of the Company's common stock (the "*2024 PIPE warrant*") in a private placement. The 2024 PIPE warrant became exercisable commencing on September 5, 2024 (the "*Exercise Date*"), expiring after five years, with an exercise price per share equal to $4.75. These warrants were fully exercised during the first quarter of 2025.

U.S. Budget Environment

The majority of our revenue is derived from federal government contracts. U.S. government spending levels, particularly defense spending, and timely funding thereof can affect our financial performance over the short and long term.

On March 22, 2024, the President signed the second Fiscal Year ("*FY*") 2024 Consolidated Appropriations package into law, which includes Department of Defense ("*DoD*") funding. This legislation reflects the Fiscal Responsibility Act ("*FRA*") spending limit of $886 billion for National Defense, of which $842 billion was for the DoD base budget.

The President's FY 2025 budget request was submitted to Congress on March 11, 2024, initiating the FY 2025 defense authorization and appropriations legislative process. The request included $895 billion for National Defense, of which $850 billion is for the DoD base budget, in keeping with the limit established by the FRA. While compression on overall requirements driven by the FRA limit is evident, the Office of the Secretary of Defense has stated the FY 2025 budget proposal meets their objectives of keeping National Defense Strategy priorities on track.

The House and Senate continue the legislative process on the FY 2025 budget. The National Defense Authorization Act for Fiscal Year 2025, signed by the President on December 24, 2024, is consistent with the FY 2025 President's Budget Request (PBR) and Congressionally mandated budget caps established by the FRA with a topline of $849.8 billion. The House Appropriations Committee also marked its bill at this same level. The Senate Appropriations Committee, however, did not adhere to the FRA spending caps and marked budgets above the PBR, providing between a $21 billion and $25 billion increase over the PBR level.

Congress still needs to approve or revise the President's FY 2025 budget proposal through enactment of appropriations bills and other policy legislation, which would then require final approval from the President in order for the FY 2025 budget process to conclude. A second Continuing Resolution (CR) for FY 2025 passed the House and Senate on December 20, 2024, and was signed by the President on December 21, 2024. The bill funds U.S. Government operations through March 14, 2025. In addition to the Continuing Resolution, the President also signed the Disaster Relief Supplemental Appropriations Act on December 21, 2024, which includes more than $100 billion in supplemental funding. Of note, the final version of the bill did not address the debt ceiling, which is set to expire mid-January 2025 and is expected to cause challenges at the start of the 119th Congressional negotiations. Once the debt ceiling is reached, Treasury may have to use extraordinary measures to prevent default. Treasury's available cash and any extraordinary measures taken should delay the risk of default for at least several months after the end of the first quarter of 2025. In the upcoming months, the new Congress will return to the task of funding the U.S. Government for the balance of FY 2025. Significant differences that must be resolved include the different allocations as noted above and policy matters that arose during consideration of the CR and the underlying bills.

We anticipate the federal budget will continue to be subject to debate and compromise shaped by, among other things, the new Administration and Congress, the global security environment, inflationary pressures, and macroeconomic conditions. The result may be shifting funding priorities, which could have material impacts on defense spending broadly and our programs.

Geopolitical Environment

We operate in a complex and evolving security environment and our business is affected by geopolitical issues. Conflicts in Ukraine, the Middle East. and Africa and heightened tension in the Pacific region have elevated global geopolitical tensions and security concerns. For our government customers, their focus on addressing immediate needs in these regions has slowed the pipeline and pace of contract awards, pushing revenue into subsequent periods. We continue to expect the geopolitical climate to drive adoption of our offerings over the long term, as it has heightened the need for advanced AI tools that provide enhanced intelligence and full spectrum cyber operations – areas where we have unmatched capabilities. While these conflicts are still evolving and the eventual outcome remains highly uncertain, we do not believe that these events will have a material impact on our business and results of operations. However, if these conflicts worsen, leading to greater disruptions and uncertainty within the technology industry or global economy, our business and results of operations could be negatively impacted.

Components of Results of Operations

Revenues

We generate revenue by providing our customers with Edge AI-powered decision intelligence solutions and services for data ingestion, data enrichment, data processing, artificial intelligence, machine learning, predictive analytics and predictive visualization. We have a diverse base of customers, including government defense, government intelligence, as well as various commercial enterprises. We generate revenue from providing both software and services to our customers.

Cost of Revenues

Cost of revenues primarily includes salaries, stock-based compensation expense, and benefits for personnel involved in performing the services described above as well as allocated overhead and other direct costs.

Selling, General and Administrative ("SG&A")

SG&A expenses include salaries, equity-based compensation expense, and benefits for personnel involved in our executive, finance, accounting, legal, human resources, and administrative functions, as well as third-party professional services and fees, and allocated overhead.

Research and Development

Research and development expenses primarily consist of salaries, equity-based compensation expense, and benefits for personnel involved in research and development activities as well as allocated overhead. Certain research and development expenses relate to software developed for sale, lease, or will otherwise be marketed. Costs incurred subsequent to the establishment of technological feasibility and prior to the general availability of the software, are capitalized when they are expected to become significant. All other research and development expenses are expensed in the period incurred.

Restructuring Charges

Restructuring charges consist of employee separation costs and impairment of lease right-of-use assets related to strategic cost saving initiatives to better align our organization and cost structure and improve the affordability of our products and services.

Transaction Expenses

Transaction expenses incurred in 2024 and 2023 consist of diligence, legal and other related expenses associated with the Pangiam Acquisition, which was completed on February 29, 2024. Transaction costs incurred in 2022 are primarily related to our acquisition of ProModel Corporation, which was completed on April 7, 2022, as well as costs associated with evaluating other acquisition opportunities.

Goodwill Impairment

Goodwill impairment consists of non-cash impairments of goodwill.

Net Increase (Decrease) in Fair Value of Derivatives

Net increase (decrease) in fair value of derivatives consists of fair value remeasurements of the 2029 Convertible Notes Conversion Option, 2026 Convertible Notes Conversion Option, PIPE warrants, RDO warrants, IPO private warrants, and the Written put option.

Interest Expense

Interest expense consists primarily of interest expense, commitment fees, debt issuance discount amortization, and debt issuance cost amortization under our debt agreements.

Income Tax Benefit

Income tax benefit consists of income taxes related to federal and state jurisdictions in which we conduct business.

Results of Operations

The table below presents our consolidated statements of operations for the following periods:

	Year Ended December 31,		
	2024	2023 (as restated)	2022 (as restated)
Revenues	$ 158,236	$ 155,164	$ 155,011
Cost of revenues	113,016	114,563	112,018
Gross margin	**45,220**	**40,601**	**42,993**
Operating expenses:			
Selling, general and administrative	80,040	71,057	84,775
Research and development	10,863	5,035	8,393
Restructuring charges	1,287	822	4,203
Transaction expenses	1,450	2,721	2,605
Goodwill impairment	85,000	—	53,544
Operating loss	**(133,420)**	**(39,034)**	**(110,527)**
Net increase (decrease) in fair value of derivatives	107,658	7,361	(21,387)
Loss on extinguishment of debt	31,272	—	—
Interest expense	25,647	24,877	24,092
Other (income) expense	(2,194)	(393)	19
Loss before taxes	**(295,803)**	**(70,879)**	**(113,251)**
Income tax benefit	(256)	(222)	(1,884)
Net loss	**$ (295,547)**	**$ (70,657)**	**$ (111,367)**

Comparison of the Year Ended December 31, 2024, 2023 and 2022

Revenues

	Year Ended December 31,			Year-Over-Year Change			
	2024	2023	2022	2024 vs 2023		2023 vs 2022	
Revenues	$ 158,236	$ 155,164	$ 155,011	$ 3,072	2.0 %	$ 153	0.1 %

Revenues increased by $3.1 million during the year ended December 31, 2024 as compared to the year ended December 31, 2023. The change in revenues were primarily driven by increases due to the acquisition of Pangiam, offset by decreased volume from the Air Force EPASS program which wound down in the second quarter of 2023.

Revenues increased by $0.2 million during the year ended December 31, 2023 as compared to the year ended December 31, 2022 primarily as a result of increased revenue on certain Army programs as a result of new contract awards and higher volume. These increases were offset by the wind-down of certain Air Force programs in the second quarter of 2023 as well as lower volume from Virgin Orbit as a result of Virgin Orbit's bankruptcy announcement in the second quarter of 2023.

Cost of Revenues

	Year Ended December 31,			Year-Over-Year Change			
	2024	2023	2022	2024 vs 2023		2023 vs 2022	
Cost of revenues	$ 113,016	$ 114,563	$ 111,510	$ (1,547)	(1.4) %	$ 2,545	2.3 %
Cost of revenues as a percentage of revenues	*71 %*	*74 %*	*77 %*				

Cost of revenues as a percentage of total revenues was 71% for the year ended December 31, 2024 as compared to 74% for the year ended December 31, 2023. The decrease in cost of revenues as a percentage of total revenues was driven by higher margins from the inclusion of Pangiam's results.

Cost of revenues as a percentage of total revenues increased to 74% for the year ended December 31, 2023 as compared to 77% for the year ended December 31, 2022. The year ended December 31, 2023 does not include activity from Virgin Orbit after the first quarter of 2023 as a result of Virgin Orbit's bankruptcy announcement in the second quarter of 2023 which was a primary driver of the decrease in gross margin during the year as compared to the year ended December 31, 2022.

SG&A

	Year Ended December 31,			Year-Over-Year Change			
	2024	2023	2022	2024 vs 2023		2023 vs 2022	
SG&A	$ 80,040	$ 71,057	$ 84,775	$ 8,983	12.6 %	$ (13,718)	(16.2)%
SG&A as a percentage of revenues	*51 %*	*46 %*	*55 %*				

SG&A expenses as a percentage of total revenues for the year ended December 31, 2024 increased to 51% as compared to 46% for the year ended December 31, 2023. The increase in SG&A expenses as a percentage of total revenues was primarily driven by an increase in non-recurring strategic initiatives of $3.4 million, non-recurring integration costs of $1.8 million, and non-recurring litigation costs of $1.1 million incurred during the year ended December 31, 2024.

SG&A expenses as a percentage of total revenues for the year ended December 31, 2023 decreased to 46% as compared to 55% for the year ended December 31, 2022, which was primarily driven by a reduction in personnel costs resulting from the Company's restructuring actions, as well as reduction in non-recurring integration costs of $7.3 million, capital market advisory fees of $0.7 million, and commercial start-up costs of $6.5 million incurred during the year ended December 31, 2022 that were not repeated in the comparable period. These decreases were partially offset by $3.0 million of professional fees related to non-recurring strategic initiatives, $2.3 million of non-recurring litigation expenses, and bad debt reserves of $1,425 million related to the settlement of Virgin Orbit's Chapter 11 bankruptcy proceedings.

Research and Development

	Year Ended December 31,			Year-Over-Year Change			
	2024	2023	2022	2024 vs 2023		2023 vs 2022	
Research and development	$ 10,863	$ 5,035	$ 8,393	$ 5,828	115.7 %	$ (3,358)	(40.0)%

Research and development expenses increased by $5.8 million during the year ended December 31, 2024 as compared to the year ended December 31, 2023. The increase in research and development expenses was driven by increased headcount, the timing of certain research and development projects, as well as the inclusion of Pangiam's results.

Research and development expenses decreased by $3.4 million during the year ended December 31, 2023 as compared to the year ended December 31, 2022. The decrease in research and development expenses was driven by certain software development projects that have reached the technological feasibility stage and for which related costs were capitalized during the year ended December 31, 2023.

Restructuring Charges

	Year Ended December 31,			Year-Over-Year Change			
	2024	2023	2022	2024 vs 2023		2023 vs 2022	
Restructuring charges	$ 1,287	$ 822	$ 4,203	$ 465	56.6 %	$ (3,381)	(80.4)%

Restructuring charges consist of employee separation costs related to strategic cost saving initiatives to better align our organization and cost structure and improve the affordability of our products and services.

Restructuring charges for the year ended December 31, 2022 includes the impairment of lease right-of-use assets associated with these strategic cost saving initiatives.

Transaction Expenses

	Year Ended December 31,			Year-Over-Year Change			
	2024	2023	2022	2024 vs 2023		2023 vs 2022	
Transaction expenses	$ 1,450	$ 2,721	$ 2,605	$ (1,271)	(46.7)%	$ 116	4.5 %

Transaction expenses for the years ended December 31, 2024 and December 31, 2023 consist of diligence, legal and other related expenses associated with the Pangiam Acquisition.

Transaction expenses the year ended December 31, 2022 are related to our acquisition of ProModel Corporation as well as costs associated with evaluating other acquisition opportunities.

Goodwill Impairment

	Year Ended December 31,			Year-Over-Year Change			
	2024	2023	2022	2024 vs 2023		2023 vs 2022	
Goodwill impairment	$ 85,000	$ —	$ 53,544	$ 85,000	100.0 %	$ (53,544)	(100.0)%

During the year ended December 31, 2024, the Company recognized a non-cash goodwill impairment charge of $85.0 million primarily driven by a decrease in share price during the quarter compared to the share price of the equity issued as consideration for the acquisition of Pangiam.

Net Increase (Decrease) in Fair Value of Derivatives

	Year Ended December 31,			Year-Over-Year Change			
	2024	2023 (as restated)	2022 (as restated)	2024 vs 2023		2023 vs 2022 (as restated)	
Net increase (decrease) in fair value of derivatives	$ 107,658	$ 7,361	$ (21,387)	$ 100,297	1362.5 %	$ 28,748	(134.4)%

The net increase in fair value of derivatives of $107.7 million for the year ended December 31, 2024 includes fair value remeasurements of the 2026 Notes Conversion Option, 2029 Notes Conversion Option, IPO private warrants, PIPE warrants, and RDO warrants. The 2023 PIPE warrants and the 2023 RDO warrant were fully settled as of December 31, 2024.

The net increase in fair value of derivatives of $7.4 million for the year ended December 31, 2023 consists of fair value remeasurements of IPO private warrants, 2026 Notes Conversion Option, PIPE warrants, and RDO warrants. The net decrease in fair value of derivatives of $21.4 million for the year ended December 31, 2022 consists of fair value remeasurements of the Written put option, 2026 Notes Conversion Option, and the IPO private warrants. The Written put option was fully settled as of March 31, 2022.

Interest Expense

	Year Ended December 31,			Year-Over-Year Change			
	2024	2023 (as restated)	2022 (as restated)	2024 vs 2023		2023 vs 2022 (as restated)	
Interest expense	$ 25,647	$ 24,877	$ 24,092	$ 770	3.1 %	$ 785	3.3 %

Interest expense during the years ended December 31, 2024, December 31, 2023, and December 31, 2022 consists primarily of interest expense, commitment fees, debt issuance discount amortization, and debt issuance cost amortization under our Convertible Notes and Bank of America Senior Revolver. See the *Liquidity and Capital Resources* section below for more information.

Other (Income) Expense

	Year Ended December 31,			Year-Over-Year Change			
	2024	2023	2022	2024 vs 2023		2023 vs 2022	
Other (income) expense	$ (2,194)	$ (393)	$ 19	$ (1,801)	458.3 %	$ (412)	(2168.4)%

The change in other income during the year ended December 31, 2024 as compared to the year ended December 31, 2023 is primarily driven by interest income earned on money market accounts.

Income Tax Benefit

	Year Ended December 31,			Year-Over-Year Change			
	2024	2023 (as restated)	2022 (as restated)	2024 vs 2023		2023 vs 2022 (as restated)	
Income tax benefit	$ (256)	$ (222)	$ (1,884)	$ (34)	15.3 %	$ 1,662	(88.2)%
Effective tax rate	*0.1 %*	*0.3 %*	*1.7 %*				

The effective tax rate for the year ended December 31, 2024 and the year ended December 31, 2023 are consistent. The effective tax rate for the year ended December 31, 2024 differs from the U.S. federal income tax rate of 21.0% primarily due to state and local income taxes, permanent differences between book and taxable income, certain discrete items and the change in valuation allowance.

The decrease in the effective tax rate for the year ended December 31, 2024 from the year ended December 31, 2023 was primarily due to significant pre-tax loss, non-deductible goodwill impairment and derivative losses, largely offset by an increase in valuation allowance.

The decrease in the effective tax rate for the year ended December 31, 2023 from the year ended December 31, 2022 was primarily due to the realization of deferred tax assets as a result of deferred tax liabilities arising from the acquisition of ProModel Corporation in 2022. The effective tax rate for the year ended December 31, 2023 differs from the U.S. federal income tax rate of 21.0% primarily due to state and local income taxes and the change in valuation allowance.

As of December 31, 2024, the Company has determined that it is not more-likely-than-not that substantially all of its deferred tax assets will be realized in the future and continues to have a full valuation allowance established against its deferred tax assets.

Refer to Note 14—Income Taxes of the Notes to consolidated financial statements included in this Annual Report on Form 10-K for more information.

Supplemental Non-GAAP Information

The Company uses Adjusted EBITDA to evaluate its operating performance, generate future operating plans, and make strategic decisions, including those relating to operating expenses and the allocation of internal resources. Adjusted EBITDA is a financial measure not calculated in accordance with GAAP. Adjusted EBITDA is defined as net income (loss) adjusted for interest expense (income), net, income tax (benefit) expense, depreciation and amortization, equity-based compensation and associated employer payroll taxes, net increase in fair value of derivatives, restructuring charges, non-recurring strategic initiatives, non-recurring litigation, transaction expenses, goodwill impairment, non-recurring integration costs, capital market advisory fees, commercial start-up costs, and loss on extinguishment of debt. Non-GAAP financial performance measures are used to supplement the financial information presented on a GAAP basis. This non-GAAP financial measure should not be considered in isolation or as a substitute for the relevant GAAP measures and should be read in conjunction with information presented on a GAAP basis. Because not all companies use identical calculations, our presentation of non-GAAP measures may not be comparable to other similarly titled measures of other companies.

Adjusted EBITDA - Non-GAAP

The following table presents a reconciliation of Adjusted EBITDA to net loss, computed in accordance with GAAP:

	Year Ended December 31,		
	2024	2023 (as restated)	2022 (as restated)
Net loss	$ (295,547)	$ (70,657)	$ (111,367)
Interest expense	25,647	24,877	24,092
Interest income	(2,293)	(392)	—
Income tax benefit	(256)	(222)	(1,884)
Depreciation and amortization	11,872	7,901	7,758
EBITDA	(260,577)	(38,493)	(81,401)
Adjustments:			
Equity-based compensation	21,127	18,671	10,865
Employer payroll taxes related to equity-based compensation(1)	985	440	—
Net increase in fair value of derivatives(2)	107,658	7,361	(21,387)
Restructuring charges(3)	1,287	822	4,203
Non-recurring strategic initiatives(4)	6,459	3,025	—
Non-recurring litigation(5)	1,142	2,250	—
Transaction expenses(6)	1,450	2,721	2,605
Non-recurring integration costs(7)	1,800	—	—
Goodwill impairment(8)	85,000	—	53,544
Loss on extinguishment of debt(9)	31,272	—	—
Capital market advisory fees(10)	—	—	741
Commercial start-up costs(11)	—	—	6,490
Adjusted EBITDA	$ (2,397)	$ (3,203)	$ (17,085)

(1) Includes employer payroll taxes due upon the vesting of equity awards granted to employees.

(2) The increase in fair value of derivatives during the year ended December 31, 2024, relates to the $42.3 million loss recorded upon the exercise of the 2023 RDO and 2023 PIPE Warrants (the "2023 Warrants") and issuance of the warrants in 2024 (the "2024 Warrants") in connection with the warrant exercise agreements entered into on February 27, 2024 and March 4, 2024. The additional loss relates to $11.4 million fair market value adjustment of the 2026 Notes Conversion Option, 2024 Warrants, and IPO Private Warrants during the year ended December 31, 2024.This loss is net of a $10.6 million gain related to the issuance of the 2024 Warrants and was further offset by a reduction of $11.4 million upon remeasurement of the 2024 Warrants and IPO Private Warrants' fair value during the year ended December 31, 2024. Additionally, for the year-ended December 31, 2024, $54.4 million is related to derivative liabilities in connection with the 2029 Convertible Notes.

The increase in fair value of derivatives during the year ended December 31, 2023 primarily relates to changes in the fair value of PIPE warrant and RDO warrants issued during the first and second quarters of 2023.

(3) During the year ended December 31, 2024 and the year ended December 31, 2023, the Company incurred employee separation costs associated with a strategic review of the Company's capacity and future projections to better align the organization and cost structure and improve the affordability of its products and services.

(4) Non-recurring professional fees related to the execution of certain strategic initiatives of the Company.

(5) Non-recurring litigation consists primarily of legal settlements and related fees for specific proceedings that we have determined arise outside of the ordinary course of business based on the following considerations which we assess regularly: (1) the frequency of similar cases that have been brought to date, or are expected to be brought within two years; (2) the complexity of the case; (3) the nature of the remedy(ies) sought, including the size of any monetary damages sought; (4) offensive versus defensive posture of us; (5) the counterparty involved; and (6) our overall litigation strategy.

(6) Transaction expenses during the year ended December 31, 2024 and December 31, 2023 consist primarily of diligence, legal and other related expenses incurred associated with the Pangiam acquisition. Transaction costs incurred in 2022 are primarily related to our acquisition of ProModel Corporation as well as costs associated with evaluating other acquisition opportunities.

(7) Non-recurring internal integration costs related to the Pangiam acquisition.

(8) During the year ended December 31, 2024, the Company recognized a non-cash goodwill impairment charge primarily driven by a decrease in share price during the quarter compared to the share price of the equity issued as consideration for the purchase of Pangiam.

(9) Loss on extinguishment of debt is related to the exchange of the 6.00% convertible senior notes due in 2026 for 6.00% convertible senior secured notes due in 2029.

(10) The Company incurred capital market and advisory fees related to advisors assisting with the Gig Business Combination.

(11) Commercial start-up costs include certain non-recurring expenses associated with tailoring the Company's products for commercial customers and use cases.

Free Cash Flow

Free cash flow is defined as net cash used in operating activities less capital expenditures. Management believes free cash flow is useful to investors, analysts and others because it provides a meaningful measure of the Company's ability to generate cash and meet its debt obligations.

The table below presents a reconciliation of free cash flow to net cash used in operating activities, computed in accordance with GAAP:

	Year Ended December 31,		
	2024	2023	2022
Net cash used in operating activities	$ (38,119)	$ (18,307)	$ (48,918)
Capital expenditures, net	(11,114)	(3,830)	(769)
Free cash flow	$ (49,233)	$ (22,137)	$ (49,687)

Key Performance Indicators

Backlog

We view growth in backlog as a key measure of our business growth. Backlog represents the estimated dollar value of contracts that we have been awarded for which work has not yet been performed, and in certain cases, our estimate of known opportunities for future contract awards on customer programs that we are currently supporting.

The majority of our historical revenues are derived from contracts with the Federal Government and its various agencies. In accordance with the general procurement practices of the Federal Government, most contracts are not fully funded at the time of contract award. As work under the contract progresses, our customers may add incremental funding up to the initial contract award amount. We generally do not deliver goods and services to our customers in excess of the appropriated contract funding.

At the time of award, certain contracts may include options for our customers to procure additional goods and services under the contract. Options do not create enforceable rights and obligations until exercised by our customers and thus we only recognize revenues related to options as each option is exercised. Contracts with such provisions may or may not specify the exact scope, nor corresponding price, associated with options; however, these contracts will generally identify the expected period of performance for each option. In cases where we have negotiated the estimated scope and price of an option in the contract with our customer, we use that information to measure our backlog and we refer to this as Priced Unexercised Options. If a contract does not specify the scope, level-of-effort, or price related to options to procure additional goods and services, we estimate the backlog associated with those options based on our discussions with our customer, our current level of support on the customer's program, and the period of performance for each option that was negotiated in the contract. We refer to this as Unpriced Unexercised Options.

We define backlog in these categories to provide the reader with additional context as to the nature of our backlog and so that the reader can understand the varying degrees of risk, uncertainty, and where applicable, management's estimates and judgements used in determining backlog at the end of a period. The categories of backlog are further defined below.

- *Funded Backlog.* Funded backlog represents the remaining contract value of goods and services to be delivered under existing contracts for which funding is appropriated or otherwise authorized less revenues previously recognized on these contracts.

- *Unfunded backlog.* Unfunded backlog represents the remaining contract value, or portion thereof, of goods and services to be delivered under existing contracts for which funding has not been appropriated or otherwise authorized.

- *Priced Unexercised Options.* Priced unexercised contract options represent the remaining contract value of goods and services to be delivered under existing contracts if our customer elects to exercise all of the options available in the contract. For priced unexercised options, we measure backlog based on the corresponding contract values assigned to the options as negotiated in our contract with our customer.

- *Unpriced Unexercised Options.* Unpriced unexercised contract options represent the remaining contract value of goods and services to be delivered under existing contracts if our customer elects to exercise all of the options available in the contract. For unpriced unexercised options, we estimate backlog generally under the assumption that our current level of support on the contract will persist for each option period.

The following table summarizes certain backlog information:

	December 31, 2024	December 31, 2023
Funded	$ 46,552	$ 30,112
Unfunded	72,474	49,382
Priced, unexercised options	283,258	63,878
Unpriced, unexercised options	16,021	24,438
Total backlog	$ 418,305	$ 167,810

Liquidity and Capital Resources

Our primary sources of liquidity are cash flows provided by our operations. Our primary short-term cash requirements are to fund payroll obligations, working capital, operating lease obligations, interest payments and short-term debt, including current maturities of long-term debt. Working capital requirements can vary significantly from period to period, particularly as a result of the timing of receipts and disbursements related to long-term contracts. Based on our projected cash flow and liquidity needs, we believe that our cash from operating activities generated from continuing operations during the year will be adequate for the next 12 months to meet our anticipated uses of cash flow.

Our medium-term to long-term cash requirements are to service and repay debt and to invest in facilities, equipment, technologies, and research and development for growth initiatives.

Our ability to fund our medium-term to long-term cash needs will depend, in part, on our ability to generate cash in the future, which depends on our future financial results. Our future results are subject to general economic, financial, competitive, legislative and regulatory factors that may be outside of our control. Our future access to, and the availability of credit on acceptable terms and conditions, is impacted by many factors, including capital market liquidity and overall economic conditions.

On May 10, 2024, we entered into a Controlled Equity Offering sales agreement with Cantor Fitzgerald & Co., as sales agent (the "sales agent"), pursuant to which we may, from time to time, sell shares of our common stock, having an aggregate offering price of up to $150.0 million through the sales agent under an "at-the-market" equity offering program. Any offer and sale of shares of our common stock under the Sales Agreement will be made pursuant to our shelf registration statement on Form S-3 (No. 333-271230), which was declared effective by the SEC on April 21, 2023, and the related prospectus supplement dated May 10, 2024 and accompanying prospectus that form a part of the registration statement.

While we intend to reduce debt over time using cash provided by operations, we may also attempt to meet long-term debt obligations, if necessary, by obtaining capital from a variety of additional sources or by refinancing existing obligations. These sources include public or private capital markets, bank financings, proceeds from dispositions or other third-party sources.

Our available liquidity as of December 31, 2024 and December 31, 2023, consisted primarily of available cash and cash equivalents. The following table details our available liquidity:

	December 31, 2024	December 31, 2023
Available cash and cash equivalents	$ 50,141	$ 32,557
Available borrowings from our existing credit facilities[1]	—	—
Total available liquidity	**$ 50,141**	**$ 32,557**

[1] Represents the total amount available under the credit facility, which is subject to borrowing base adjustments that limit the total amount available under the credit facilities to 90% of Eligible Prime Government Receivables and Eligible Subcontractor Government Receivables, plus 85% of Eligible Commercial Receivables. These credit facilities were terminated on December 19, 2024.

The following table summarizes borrowings under our debt obligations as of the dates indicated:

	December 31, 2024	December 31, 2023 (as restated)
2026 Convertible Notes	$ 17,668	$ 200,000
2029 Convertible Notes	182,332	—
Bank of America Senior Revolver[1]	—	—
D&O Financing Loan	818	1,229
Total debt	200,818	201,229
Less: unamortized debt issuance discount and costs	64,596	43,845
Total debt, net	136,222	157,384
Less: current portion	818	1,229
Long-term debt, net	$ 135,404	$ 156,155

[1] Represents the total amount available under the credit facility, which is subject to borrowing base adjustments that limit the total amount available under the credit facilities to 90% of Eligible Prime Government Receivables and Eligible Subcontractor Government Receivables, plus 85% of Eligible Commercial Receivables. These credit facilities were terminated on December 19, 2024.

Convertible Notes

On December 7, 2021, the Company issued $200.0 million of unsecured convertible notes (the *"2026 Convertible Notes"*) to certain investors. The 2026 Convertible Notes bear interest at a rate of 6.0% per annum, payable semi-annually, and not including any interest payments that are settled with the issuance of shares, were convertible into 17,391,304 shares of the Company's common stock at an initial Conversion Price of $11.50. The Conversion Price is subject to adjustments, including but not limited to, the Conversion Rate Reset described below and in Note 12—Debt of the Notes to consolidated financial statements included in this Annual Report on Form 10-K. The 2026 Convertible Notes mature on December 15, 2026.

On May 29, 2022, pursuant to the conversion rate adjustment provisions in the 2026 Convertible Notes indenture, the Conversion Price was adjusted to $10.61 (or 94.2230 shares of common stock per $1,000 principal amount of 2026 Convertible Notes) because the average of the daily volume-weighted average price of the common stock during the preceding 30 trading days was less than $10.00 (the "*Conversion Rate Reset*"). Subsequent to the Conversion Rate Reset, the 2026 Convertible Notes are convertible into 18,844,600 shares, not including any interest payments that are settled with the issuance of shares.

On December 19, 2024, the Company entered into privately negotiated exchange agreements (each, an "*Exchange Agreement*") with a limited number of holders of the Company's existing 2026 Convertible Notes, to exchange the 2026 Convertible Notes for new senior secured convertible notes due 2029 (the "2029 *Convertible Notes*", together with the 2026 Convertible Notes, the "*Convertible Notes*"). The Company exchanged (the "*Exchange Transaction*") approximately $182.3 million principal amount of the 2026 Convertible Notes for $182.3 million in aggregate principal amount of the Company's 2029 Convertible Notes and approximately $0.4 million in cash, with such cash payment representing the accrued and unpaid interest on such the exchanged 2026 Convertible Notes. The 2029 Convertible Notes bear interest at a rate of (i) 6.0% per annum, if interest is paid in cash and (ii) 7.0% per annum, if we elect, subject to certain conditions, to pay interest in kind with shares of our common stock. To the extent that the certain liquidity conditions of us and our subsidiaries is not satisfied as of the last business day of any calendar month, then with respect to the period applicable to the interest payment date immediately following the month in which such liquidity condition is not satisfied, the interest rate will be (i) 9.00% per annum, if interest is paid in cash and (ii) 10.00% per annum, if we elect, subject to certain conditions, to pay interest in kind with shares of our common stock (it being understood that such increased rate shall apply solely for such six-month period applicable to such interest payment date). The initial conversion rate is 281.4491 shares of common stock per $1,000 principal amount of 2029 Convertible Notes, which represents an initial conversion price of $3.55 per share of the Company's common stock. The conversion rate and the conversion price are subject to adjustments. The exchange was accounted for as an extinguishment of the 2026 Convertible Notes and the 2029 Convertible Notes were recognized at fair value, which approximated the carrying amount of the principal balances exchanged. The Company recognized a loss on extinguishment of $31.3 million on the consolidated statements of operations related to the unamortized debt issuance costs of the exchanged 2026 Convertible Notes.

The 2029 Convertible Notes were issued pursuant to, and are governed by, an indenture, dated as of December 27, 2024. The 2029 Convertible Notes will be fully and unconditionally guaranteed, on a senior, secured basis, by the Company and certain of its existing and future direct and indirect subsidiaries, subject to certain exceptions (the "Guarantors"), and will initially be secured on a first-priority basis by substantially all assets of the Company and such Guarantors, subject to certain exceptions.

Upon completion of the Exchange Transaction, the aggregate principal amount of the 2026 Convertible Notes outstanding was $17.7 million. The Company did not receive any cash proceeds from the issuance of the 2029 Convertible Notes pursuant to the Exchange Transactions.

The 2026 Convertible Notes and the 2029 Convertible Notes require the Company to meet certain financial and other covenants. The 2029 Convertible Notes added a covenant that require the Company to maintain liquidity of at least $15 million measured as an average of the last five business days of any month. As of December 31, 2024, the Company was in compliance with all covenants related to the Convertible Notes.

The following table presents the carrying amounts and fair values associated with the Convertible Notes as of December 31, 2024. The fair value of the Convertible Notes is considered to be a Level 3 fair value measurement.

	Outstanding principal balance	Unamortized issuance costs	Net principal balance	Fair value
2026 Convertible Notes	$ 17,668	$ (333)	$ 17,335	$ 13,600
2029 Convertible Notes	182,332	(3,978)	178,354	141,700
Total	$ 200,000	$ (4,311)	$ 195,689	$ 155,300

Bank of America Senior Revolver

BigBear.ai entered into a senior Bank of America Credit Agreement on December 7, 2021, subsequently amended on November 8, 2022, providing BigBear.ai with a $25.0 million senior secured revolving credit facility (the *"Senior Revolver"*). Proceeds from the Senior Revolver will be used to fund working capital needs, capital expenditures, and other general corporate purposes.

The Senior Revolver included borrowing capacity available for letters of credit and for borrowings on same-day notice, referred to as the "swing loans." Any issuance of letters of credit or making of a swing loan would reduce the amount available under the revolving credit facility. BigBear.ai could increase the commitments under the Senior Revolver in an aggregate amount of up to the greater of $25.0 million or 100% of consolidated adjusted EBITDA plus any additional amounts so long as certain conditions, including compliance with the applicable financial covenants for such period, in each case on a pro forma basis, were satisfied.

The Bank of America Credit Agreement required BigBear.ai to meet certain financial and other covenants. The Company was not in compliance with the Fixed Charge Coverage ratio requirement as of June 30, 2022, and as a result was unable to draw on the facility. The Company notified Bank of America N.A. of the covenant violation, and on August 9, 2022, entered into the First Amendment, which among other things, waived the requirement that the Company demonstrate compliance with the minimum Fixed Charge Coverage ratio provided for in the Credit Agreement for the quarter ended June 30, 2022.

The Company was not in compliance with the Fixed Charge Coverage ratio requirement as of September 30, 2022, and as a result was unable to draw on the facility. On November 8, 2022, the Company entered into a Second Amendment to the Bank of America Credit Agreement (the "*Second Amendment*"), which modifies key terms of the Senior Revolver. As a result of the Second Amendment, funds available under the Senior Revolver were reduced to $25.0 million from $50.0 million, limited to a borrowing base of 90% of Eligible Prime Government Receivables and Eligible Subcontractor Government Receivables, plus 85% of Eligible Commercial Receivables. Additionally, the Second Amendment increased the Base Rate Margin, BSBY Margin and unused commitment fees by 0.25%. Following entry into the Second Amendment, the Senior Revolver no longer was subject to a minimum Fixed Charge Coverage ratio covenant, but was still subject to the Secured Net Leverage ratio covenant. In order for the facility to become available for borrowings (the "*initial availability quarter*"), the Company must report Adjusted EBITDA of at least one dollar. Commencing on the first fiscal quarter after the initial availability quarter, the Company was required to have aggregated reported Adjusted EBITDA of at least $1 over the two preceding quarters to maintain its ability to borrow under the Senior Revolver (though the inability to satisfy such condition does not result in a default under the Senior Revolver). Failure to meet this Adjusted EBITDA requirement was not a default but limited the Company's ability to make borrowings under the Senior Revolver until such time that the Company was able to meet the Adjusted EBITDA thresholds as defined in the Second Amendment.

In connection with the Exchange Transaction entered into on December 19, 2024, the Senior Revolver was terminated, effective concurrently with the closing of the Exchange Transaction. There were no outstanding borrowings under the Secured Revolving Credit Facility prior to its termination. The Company was in compliance with all covenants through the termination of the Senior Revolver.

Refer to Note 12—Debt of the Notes to consolidated financial statements included in this Annual Report on Form 10-K for more information.

D&O Financing Loan

On December 13, 2024, the Company entered into a $1.1 million loan (the *"2025 D&O Financing Loan"*) with AFCO Credit Corporation to finance the Company's directors and officers insurance premium through September 2025. The D&O Financing Loan has an interest rate of 5.99% per annum and a maturity date of September 8, 2025.

On December 20, 2023, the Company entered into a $1.2 million loan (the *"2024 D&O Financing Loan"*) with US Premium Finance to finance the Company's directors and officers insurance premium through September 2024. The D&O Financing Loan had an interest rate of 6.99% per annum and a maturity date of September 8, 2024. The 2024 D&O Financing Loan was fully repaid at maturity.

On December 8, 2022, the Company entered into a $2.1 million loan (the "*2023 D&O Financing Loan*") with AFCO Credit Corporation to finance the Company's directors and officers insurance premium through December 2023. The 2023 D&O Financing Loan required an upfront payment of $1.1 million and has an interest rate of 5.75% per annum and a maturity date of December 8, 2023. The 2023 D&O Financing Loan was fully repaid at maturity.

RDO Warrant Exercise

On February 27, 2024, the Company entered into a warrant exercise agreement with an existing accredited investor to exercise in full the outstanding RDO warrants to purchase up to an aggregate of 8,886,255 shares of the Company's common stock for total gross proceeds of approximately $20.6 million, prior to deducting estimated offering expenses.

PIPE Warrant Exercise

On March 4, 2024, the Company entered into a warrant exercise agreement with an existing accredited investor to exercise in full the outstanding PIPE warrants to purchase up to an aggregate of 13,888,889 shares of the Company's common stock for total gross proceeds of approximately $33.2 million, prior to deducting estimated offering expenses.

Cash Flows

The table below summarizes certain information from our consolidated statements of cash flows for the following periods:

	Year Ended December 31,		
	2024	**2023**	**2022**
Net cash used in operating activities	(38,119)	(18,307)	(48,918)
Net cash provided by (used in) investing activities	2,821	(3,830)	(5,234)
Net cash provided by (used in) financing activities	52,458	42,062	(103,137)
Net increase (decrease) in cash and cash equivalents	17,584	19,925	(157,289)
Cash and cash equivalents at the beginning of period	32,557	12,632	169,921
Cash and cash equivalents at the end of the period	$ 50,141	$ 32,557	$ 12,632

Operating activities

For the year ended December 31, 2024, net cash used in operating activities was $38.1 million. Net loss before deducting depreciation, amortization and other non-cash items was $24.6 million and was further impacted by an unfavorable change in net working capital of $13.6 million which contributed to operating cash outflows during this period. The unfavorable change in net working capital was largely driven by an increase in accounts receivable of $11.8 million, a decrease in accounts payable of $4.0 million and a decrease in other liabilities of $1.4 million. These were partially offset by a decrease in contract assets of $3.9 million, a decrease in prepaid expenses and other assets of $2.1 million, an increase in accrued liabilities of $2.9 million, and an increase in contract liabilities of $0.5 million.

For the year ended December 31, 2023, net cash used in operating activities was $18.3 million. Net loss before deducting depreciation, amortization and other non-cash items was $21.9 million and offset by a favorable change in net working capital of $3.6 million which contributed to operating cash flows during this period. The favorable change in net working capital was largely driven by a decrease in accounts receivable of $6.4 million, a decrease in prepaid expenses and other assets of $5.9 million, and in increase in accrued liabilities of $2.6 million. These were partially offset by an increase in contract assets of $3.5 million, a decrease in accounts payable of $4.4 million, a decrease in contract liabilities of $1.1 million, and a decrease in other liabilities of $2.3 million.

For the year ended December 31, 2022, net cash used in operating activities was $48.9 million. Net loss before deducting depreciation, amortization and other non-cash items was $49.4 million and was offset by a favorable change in net working capital of $0.5 million which contributed to operating cash flows during this period. The favorable change in net working capital was largely driven by increases in accounts payable of $9.9 million and other liabilities of $2.2 million. These increases were partially offset by an increase in accounts receivable of $0.8 million, an increase in prepaid expenses and other assets of $1.7 million, a decrease in accrued liabilities of $5.1 million and a decrease in contract liabilities of $3.7 million.

Investing activities

For the year ended December 31, 2024, net cash provided by investing activities was $2.8 million, primarily consisting of cash acquired from the Pangiam acquisition of $13.9 million, partially offset by capitalized software development costs of $10.6 million.

For the year ended December 31, 2023, net cash used in investing activities was $3.8 million, primarily consisting of capitalized software development costs.

For the year ended December 31, 2022, net cash used in investing activities was $5.2 million, consisting of the net cash used to acquire ProModel Corporation of $4.5 million and purchase of property and equipment of $0.8 million.

Financing activities

For the year ended December 31, 2024, net cash provided by financing activities was $52.5 million, primarily consisting of the net proceeds from the issuance of shares pursuant to the exercise of the PIPE warrants and RDO warrants of $53.8 million, partially offset by the payment of taxes related to net share settlement of equity awards $2.4 million and the net repayment of $0.4 million related to the 2023 D&O Financing Loan.

For the year ended December 31, 2023, net cash provided by financing activities was $42.1 million, primarily consisting of net proceeds from the issuance of the Private Placement and Registered Direct Offering shares of $50.0 million, offset by the payment of transaction costs associated with the Private Placement and Registered Direct Offering of $5.7 million, proceeds from the issuance of common stock upon ESPP purchase of $1.2 million, the payment of taxes related to net share settlement of equity awards of $2.6 million, and net repayment of $0.8 million related to the 2023 D&O Financing Loan.

For the year ended December 31, 2022, net cash used in financing activities was $103.1 million, primarily consisting of the purchase of Company shares as a result of settlement of the FPAs of $100.9 million, and the net short-term borrowings of $2.1 million related to the 2022 D&O Financing Loan.

Critical Accounting Policies and Estimates

Our significant accounting policies are summarized in Note 3 of our audited consolidated financial statements for the year ended December 31, 2024 included in this Annual Report on Form 10-K. For the critical accounting estimates used in preparing our consolidated financial statements, we make assumptions and judgments that can have a significant impact on revenue and expenses in our consolidated statements of operations, as well as, on the value of certain assets and liabilities on our consolidated balance sheets. We base our assumptions, judgments and estimates on historical experience and various other factors that we believe are reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions.

In accordance with the Company's policies, we regularly evaluate estimates, assumptions, and judgments; our estimates, assumptions, and judgments are based on historical experience and on factors we believe are reasonable under the circumstances. The results involve judgments about the carrying values of assets and liabilities not readily apparent from other sources. If our assumptions or conditions change, the actual results the Company reports may differ from these estimates. We believe the following critical accounting policies affect the more significant estimates, assumptions, and judgments we use to prepare our consolidated financial statements.

Emerging Growth Company

Section 102(b)(1) of the Jumpstart Our Business Startups Act of 2012 (the "*JOBS*") Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that an emerging growth company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such an election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard.

This may make comparison of the Company's financial statements with another public company that is neither an emerging growth company nor an emerging growth company that has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

Business Combinations, Goodwill and Intangible Assets

Under the acquisition method of accounting, the Company recognizes tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at acquisition date. The accounting for business combinations requires us to make significant estimates and assumptions, especially with respect to goodwill and intangible assets.

Goodwill

The Company allocates the fair value of purchase consideration in a business combination to tangible assets acquired, liabilities assumed and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is allocated to goodwill. The allocation of the purchase consideration requires management to make significant estimates and assumptions, especially with respect to intangible assets. These estimates can include, but are not limited to, future expected cash flows from acquired customers and acquired technology from a market participant perspective, useful lives and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable but which are inherently uncertain and unpredictable, and, as a result, actual results may differ from estimates. During the measurement period, which is up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

We assess goodwill for impairment at least annually, as of October 1, and whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. For the purposes of impairment testing, we have determined that we have two reporting units. Our test of goodwill impairment starts with a qualitative assessment to determine whether it is necessary to perform a quantitative goodwill impairment test. If qualitative factors indicate that the fair value of the reporting unit is more likely than not less than its carrying amount, then a quantitative goodwill impairment test is performed.

The discounted cash flow approach requires management to make certain assumptions based upon information available at the time the valuations are performed. Actual results could differ from these assumptions. We believe the assumptions used are reflective of what a market participant would have used in calculating fair value considering current economic conditions.

Additional risks for goodwill across all reporting units include, but are not limited to:

- our failure to reach our internal forecasts could impact our ability to achieve our forecasted levels of cash flows and reduce the estimated discounted value of our reporting units;
- adverse technological events that could impact our performance;

- volatility in equity and debt markets resulting in higher discount rates; and
- significant adverse changes in the regulatory environment or markets in which we operate.

It is not possible at this time to determine if an impairment charge would result from these factors. We will continue to monitor our goodwill for potential impairment indicators in future periods.

Goodwill Impairment Testing

During the third quarter of fiscal 2024, we reevaluated our long-term forecasts due to changes in our expectations about the timing of forecasted revenues for one of our higher growth products. We concluded that the revision to the Company's forecasts constituted a triggering event and therefore performed a qualitative impairment analysis as of September 30, 2024. Due to the combination of changes to our forecasts and lack of headroom resulting from our goodwill impairment during the first quarter of fiscal 2024, we could not conclude that it is more likely than not that the fair value exceeded the carrying value of our reporting unit as of September 30, 2024 and therefore performed a quantitative interim impairment test.

Our quantitative goodwill impairment test reflected an allocation of 50% and 50% between the income and market-based approaches, respectively. Significant inputs into the valuation models included the discount rate, EBITDA growth and estimated future cash flows. We used a discount rate of 12.0%, guideline peer group and the historical and forward-looking revenue of the peer group in the goodwill impairment test. It was determined that there was no impairment for the three months ended September 30, 2024. We continued to evaluate these key assumptions and performed a qualitative analysis through December 31, 2024 and determined there was no impairment for the three months ended December 31, 2024.

Because the fair value of the reporting unit approximated its carrying value, a negative change in the key assumptions used in the interim impairment analysis or an increase in the carrying value may result in a future impairment of goodwill. Any significant adverse changes in future periods to our internal forecasts or external market conditions could reasonably be expected to negatively affect our key assumptions and may result in future goodwill impairment charges which could be material. For example, keeping all other assumptions the same, an additional increase in the discount rate or an increase in the carrying value could result in an impairment of goodwill.

Intangible assets

Identifiable finite-lived intangible assets, including technology and customer relationships, have been acquired through the Company's various business combinations. The fair value of the acquired technology and customer relationships has been estimated using various underlying judgments, assumptions, and estimates. Potential changes in the underlying judgments, assumptions, and estimates used in our valuations of acquired intangible assets could result in different estimates of the future fair values. A potential increase in discount rates, a reduction in projected cash flows or a combination of the two could lead to a reduction in estimated fair values, which may result in impairment charges that could materially affect our financial statements in any given year. The approaches used for determining the fair value of finite-lived technology and customer relationships acquired depends on the circumstances; the Company has used the income approach (within the income approach, various methods are available such as multi-period excess earnings, with and without, incremental and relief from royalty methods). Within each income approach method, a tax amortization benefit is included, which represents the tax benefit resulting from the amortization of that intangible asset depending on the tax jurisdiction where the intangible asset is held.

Finite-lived intangible assets are reported at cost, net of accumulated amortization, and are amortized on a straight-line basis over their estimated useful lives. Significant judgment is also required in assigning the respective useful lives of intangible assets. Our assessment of intangible assets that have a finite life is based on a number of factors including the competitive environment, market share, brand history, underlying product life cycles, attrition rate, operating plans, cash flows (i.e., economic life based on the discounted and undiscounted cash flows), future usage of intangible assets and the macroeconomic environment.

We evaluate the recoverability of our intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows the intangible assets are expected to generate. If such review indicates that the carrying amount of our intangible assets is not recoverable, the carrying amount of such assets is reduced to fair value.

Revenue Recognition

The recognition and measurement of revenue requires the use of judgments and estimates. Specifically, judgment is used in interpreting complex arrangements with nonstandard terms and conditions and determining when all criteria for revenue recognition have been met. The Company's revenues are derived from the sale of artificial intelligence, machine learning, and technical consulting solutions and services.

The Company engages in long-term contracts for production and service activities and generally recognizes revenue over time (versus point in time recognition) due to the fact that the Company's ongoing performance creates an asset with no alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. The Company considers the nature of these contracts and the types of solutions and services provided when determining the proper accounting for a particular contract. The Company performs under various types of contracts, which generally include firm-fixed-price ("*FFP*"), time-and-materials ("*T&M*"), and cost-reimbursable contracts.

The Company assesses each contract at its inception to determine whether it should be combined with other contracts. When making this determination, the Company considers factors such as whether two or more contracts were negotiated and executed at or near the same time or were negotiated with an overall profit objective. If combined, the Company treats the combined contracts as one single contract for revenue recognition purposes.

The Company evaluates the solutions or services promised in each contract at inception to determine whether the contract should be accounted for as having one or more performance obligations. Significant judgment is required in determining performance obligations, and these decisions could change the amount of revenue and profit recorded in a given period.

The Company determines the transaction price for each contract based on the consideration the Company expects to receive for the solutions or services being provided under the contract. For contracts where a portion of the price may vary, the Company estimates variable consideration at the most likely amount, which is included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur. The Company analyzes the risk of a significant revenue reversal and if necessary constrains the amount of variable consideration recognized in order to mitigate this risk.

At the inception of a contract, the Company estimates the transaction price based on its current rights and does not contemplate future modifications (including unexercised options) or follow-on contracts until they become legally enforceable. Contracts are often subsequently modified to include changes in specifications, requirements or price, which may create new or change existing enforceable rights and obligations. Depending on the nature of the modification, the Company considers whether to account for the modification as an adjustment to the existing contract or as a separate contract. Our contracts with the U.S. Government often contain options to renew existing contracts for an additional period of time (generally a year at a time) under the same terms and conditions as the original contract, and generally do not provide the customer any material rights under the contract. Therefore, such modifications are accounted for as if they were part of the existing contract and recognized as a cumulative adjustment to revenue. We account for renewal options as separate contracts when they include distinct goods or services at standalone selling prices.

For contracts with multiple performance obligations, the Company allocates the transaction price to each performance obligation based on the estimated standalone selling price of the solution or service underlying each performance obligation. In circumstances where the standalone selling price is not directly observable, we estimate the standalone selling price using the expected cost-plus margin approach.

The Company recognizes revenue as performance obligations are satisfied and the customer obtains control of the solutions and services. In determining when performance obligations are satisfied, the Company considers factors such as contract terms, payment terms and whether there is an alternative future use of the solution or service. Substantially all of the Company's revenue is recognized over time as the Company performs under the contract because control of the work in process transfers continuously to the customer.

For performance obligations to deliver solutions with continuous transfer of control to the customer, revenue is recognized based on the extent of progress towards completion of the performance obligation, generally using the percentage-of-completion cost-to-cost measure of progress for our contracts because it best depicts the transfer of control to the customer as we incur costs on our contracts. Under the percentage-of-completion cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs to complete the performance obligation(s).

Our cost estimation process is based on the professional knowledge of our professionals and draws on their significant experience and judgment. Accounting for long-term contracts requires significant judgment relative to estimating total contract revenues and costs, in particular, assumptions relative to the amount of time to complete the contract, including the assessment of the nature and complexity of the work to be performed. The Company's estimates are based upon the professional knowledge and experience of its personnel, who review each long-term contract to assess the contract's schedule, performance, technical matters and estimated cost at completion. Changes in estimates are applied retrospectively for contracts executed after the date of acquisition and are applied via the Accounting Standards Codification ("*ASC*") 805, *Business Combinations* ("*ASC 805*") reset method described above for contracts existing at the date of acquisition. When adjustments in estimated contract costs are identified, such revisions may result in current period adjustments to earnings applicable to performance in prior periods.

Impairment of Long-Lived Assets

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows to which the asset relates is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No such impairment charges were recognized during the periods presented.

Using a discounted cash flow method involves significant judgment and requires the Company to make significant estimates and assumptions, including long-term projections of cash flows, market conditions and appropriate discount rates. Judgments are based on historical experience, current market trends, consultations with external valuation specialists and other information. If facts and circumstances change, the use of different estimates and assumptions could result in a materially different outcome. The Company generally develops these forecasts based on recent sales data, projections based on existing backlog, acquisitions, and estimated future growth of the market in which it operates.

Capitalization of Software Costs

Software development costs incurred in the development of software to be sold, leased, or otherwise marketed, incurred subsequent to the establishment of technological feasibility and prior to the general availability of the software, are capitalized when they are expected to become significant. Such costs are amortized over the estimated useful life of the applicable software once it is made generally available to our customers.

We evaluate the useful lives of these assets on an annual basis, and we test for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

Income Taxes

Significant judgments are required in order to determine the realizability of tax assets. In assessing the need for a valuation allowance, we evaluate all significant available positive and negative evidence, including historical operating results, estimates of future sources of taxable income, carry-forward periods available, the existence of prudent and feasible tax planning strategies and other relevant factors. The Company recognizes a tax benefit only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. The Company recognizes interest and penalties related to uncertain tax positions in its provision (benefit) for income taxes.

Derivatives

Derivatives are accounted for in accordance with the guidance of ASC 815, *Derivatives and Hedging* ("*ASC 815*"), under which the 2029 Notes Conversion Option, the 2026 Notes Conversion Option, IPO private warrants, Private Placement ("*PIPE*") warrants, warrants issued under the registered direct offering ("*RDO warrants*"), and the Written Put Option, do not meet the criteria for equity treatment and are classified as liabilities measured at fair value. Public warrants meet the criteria for equity classification. The Company remeasures these derivatives at fair value at each reporting period with changes in fair value recognized in the consolidated statements of operations.

Equity-based Compensation

Pursuant to ASC 718, *Compensation – Stock Compensation*, equity-based awards are measured at fair value on the grant date. For equity classified equity-based awards without performance conditions, the Company recognizes equity-based compensation cost on a straight-line basis over the vesting period of the award. For equity classified equity-based awards with performance conditions, the Company recognizes equity-based compensation cost using the accelerated attribution method over the requisite service period when the Company determines it is probable that the performance condition will be satisfied. The Company recognizes forfeitures of equity-based awards in the period they occur.

Class B Unit Incentive Plan

In February 2021, the Company's Parent, BBAI Ultimate Holdings, LLC ("*Parent*"), adopted a written compensatory benefit plan (the "*Class B Unit Incentive Plan*") to provide incentives to present and future directors, managers, officers, employees, consultants, advisors, and/or other service providers of the Company's Parent or its Subsidiaries in the form of the Parent's Class B Units ("*Incentive Units*"). Incentive Units have a participation threshold of $1.00 and are divided into three tranches ("*Tranche I*," "*Tranche II*," and "*Tranche III*"). Tranche I Incentive Units are subject to performance-based, service-based, and market-based conditions. The grant date fair value for the Incentive Units was $5.19.

On July 29, 2021, the Company's Parent amended the Class B Unit Incentive Plan so that the Tranche I and the Tranche III Incentive Units will immediately become fully vested, subject to continued employment or provision of services, upon the closing of the transaction stipulated in the GigCapital4, Inc. ("*GigCapital4*") Business Combination Agreement. The Company's Parent also amended the Class B Unit Incentive Plan so that the Tranche II Incentive Units will vest on any liquidation event, as defined in the Class B Unit Incentive Plan, rather than only upon the occurrence of an Exit Sale, subject to the market-based condition stipulated in the Class B Unit Incentive Plan prior to its amendment.

Equity-based compensation for awards with performance conditions is based on the probable outcome of the related performance condition. The performance conditions required to vest per the amended Incentive Plan remain improbable until they occur due to the unpredictability of the events required to meet the vesting conditions. As such events are not considered probable until they occur, recognition of equity-based compensation for the Incentive Units is deferred until the vesting conditions are met. Once the event occurs, unrecognized compensation cost associated with the performance-vesting Incentive Units (based on their modification date fair value) will be recognized based on the portion of the requisite service period that has been rendered.

On December 7, 2021, the Gig Business Combination between Parent and GigCapital4 was consummated. As a result, the Tranche I and Tranche III Incentive Units immediately became fully vested and the performance condition for the Tranche II Incentive Units was met. The fair value determined at the date of the amendment of the Class B Unit Incentive Plan was immediately recognized as compensation expense on the vesting date for Tranches I and III. Compensation expense for the Tranche II Incentive Units is recognized over the derived service period of thirty months from the modification date. The remaining compensation expense for the Tranche II Incentive Units will be recognized over the remaining service period of approximately 25 months from the date of the amendment.

Stock Options

On December 7, 2021, the Company adopted the BigBear.ai Holdings, Inc. 2021 Long-Term Incentive Plan (the "*Plan*"). The purpose of the Plan is to promote the long-term success of the Company and the creation of stockholder value by providing eligible employees, prospective employees, consultants, and non-employee directors of the Company the opportunity to receive stock- and cash-based incentive awards.

Stock options generally vest over four years with 25% vesting on the one year anniversary of the grant date and then 6.25% per each quarter thereafter during years two, three and four. Vesting is contingent upon continued employment or service to the Company and is accelerated in the event of death, disability, or a change in control, subject to certain conditions; both the vested and unvested portion of a Grantee's stock options will be immediately forfeited and cancelled if the Grantee ceases employment or service to the Company. The stock options expire on the 10th anniversary of the grant date. The Company recognizes equity-based compensation expense for the stock options equal to the fair value of the awards on a straight-line basis over the service based vesting period.

Restricted Stock Units

Pursuant to the Plan, the Company may award Restricted Stock Units ("*RSUs*") to eligible employees. RSUs generally vest over four years with 25% vesting on the one year anniversary of the grant date and then 6.25% per each quarter thereafter during years two, three and four. Vesting is contingent upon continued employment or service to the Company and is accelerated in the event of death, disability, or a change in control, subject to certain conditions; both the vested and unvested portion of a Grantee's RSUs will be immediately forfeited and cancelled if the Grantee ceases employment or service to the Company.

Performance Stock Units

Pursuant to the Plan, the Company's Board of Directors communicated the key terms and committed to grant Performance Stock Units ("*PSUs*") to a certain employees. The Company grants PSUs to certain employees with performance measures specific to the role of that employee ("*Discretionary PSUs*"). The Company also grants PSUs to employees under the Company's Short-term Incentive Plan ("*STIP PSUs*"), which contain performance measures based on a combination of Company's financial performance as well as the individual's personal performance. The number of Discretionary PSUs and STIP PSUs that will vest is based on the achievement of the performance criteria during each respective annual measurement period, provided that the employees remain in continuous service on each vesting date. Vesting will not occur unless a minimum performance criteria threshold is achieved.

Employee *Share Purchase Plan ("ESPP")*

Concurrently with the adoption of the Plan, the Company's Board of Directors adopted the 2021 Employee Stock Purchase Plan (the "*ESPP*"), which authorizes the grant of rights to purchase common stock of the Company to employees, officers, and directors (if they are otherwise employees) of the Company. As of January 1, 2025, the Company reserved an aggregate of 3,316,677 common shares (subject to annual increases on January 1 of each year and ending in 2031) of the Company's common stock for grants under the ESPP. Equity-based compensation expense related to purchase rights issued under the ESPP is based on the Black-Scholes OPM fair value of the estimated number of awards as of the beginning of the offering period. Equity-based compensation expense is recognized using the straight-line method over the offering period.

Recent Accounting Pronouncements

See Note 3—Summary of Significant Accounting Policies of the consolidated financial statements included in this Annual Report on Form 10-K for a discussion of recently issued accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks in the ordinary course of our business, which primarily relate to fluctuations in the value of derivative liabilities that are tied to our common stock or convertible debt, interest rates, foreign currency exchange, and inflation.

Market Risk

Our main exposure to market risk relates to changes in the market value our common stock or other instruments that are tied to our common stock, including warrants and other derivative liabilities related to our 2029 Convertible Notes and our 2026 Convertible Notes.

The estimated fair value of our derivative liabilities related to our warrants, including the 2024 RDO Warrants, the 2024 PIPE Warrants, and the IPO Private Warrants was $54.7 million as of December 31, 2024. The 2024 RDO Warrants and 2024 PIPE Warrants were fully exercised during the first quarter of 2025 and we issued 3.77 million new warrants. See Note 24—Subsequent Events for additional information. We remeasures the fair value of these derivatives at the end of each reporting period with changes in fair value recognized in the consolidated statements of operations.

The estimated fair value of our derivative liabilities related to our 2029 Convertible Notes and our 2026 Convertible Notes was $116.2 million as of December 31, 2024. Additionally, our Convertible Notes indenture contains certain “make-whole” provisions pursuant to which, under certain circumstances, the Company must increase the conversion rate and such increase depends, in part, on the price of our common stock. Refer to Note 18—Derivatives and Note 12—Debt in the notes to our consolidated financial statements in Item 1 on this Annual Report on Form 10-K for further information.

As of the date of this filing, approximately $57.7 million of the 2029 Convertible Notes have been voluntarily converted by noteholders following the Exchange Transaction. These conversions have resulted in the issuance of approximately 16.7 million shares of common stock in exchange for the retirement of the respective notes.

Interest Rate Risk

Our cash and cash equivalents consist of cash and money market funds. The primary objective of our investment activities and strategies are focused on the preservation of capital and supporting our liquidity requirements. Due to the short-term nature of the financial instruments, we have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in interest rates.

Foreign Currency Exchange Risk

Our contracts with customers are primarily denominated in U.S. dollars, with the remaining denominated in foreign currencies. Our expenses are generally denominated in the currencies of the jurisdictions in which we conduct our operations, which are primarily in the United States, United Kingdom, and other countries. Our results of current and future operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in GBP. We have experienced, and may continue to experience, fluctuations in net income (loss) as a result of transaction gains or losses related to remeasuring certain asset and liability balances that are denominated in foreign currencies. These exposures may change over time as business practices evolve and economic conditions change. To date, foreign currency transaction gains and losses have not been material to our consolidated financial statements, and we have not engaged in any foreign currency hedging transactions.

Inflation Risk

We do not believe that inflation has had a material effect on our business, results of operations, or financial condition. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition, or results of operations.

We are also exposed to market risk related to interest rates. Our financial instruments that are subject to interest rate risk principally include fixed-rate long-term debt. As of December 31, 2024, the outstanding principal amount of our long-term debt was $200.0 million excluding unamortized discounts and issuance costs of $64.6 million.

We have established policies, procedures and internal processes governing our management of market risks and to manage and mitigate our exposure to these risks.

Item 8. Financial Statements and Supplementary Data

BigBear.ai Holdings, Inc. and Subsidiaries

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
BigBear.ai Holdings, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of BigBear.ai Holdings, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2024 and 2023, the related consolidated statements of operations, changes in stockholders’ (deficit) equity, and cash flows for each of the three years in the period ended December 31, 2024, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

Restatement of prior periods

As discussed in Note 2, the December 31, 2023 and 2022 consolidated financial statements have been restated to correct a misstatement.

Basis for opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company’s auditor since 2021.

Arlington, Virginia
March 25, 2025

BIGBEAR.AI HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	December 31, 2024	December 31, 2023 (as restated)
Assets		
Current assets:		
Cash and cash equivalents	$ 50,141	$ 32,557
Accounts receivable, less allowance for credit losses of $127 as of December 31, 2024 and $230 as of December 31, 2023	38,953	21,949
Contract assets	895	4,822
Prepaid expenses and other current assets	3,768	4,449
Total current assets	**93,757**	**63,777**
Non-current assets:		
Property and equipment, net	1,566	997
Goodwill	119,081	48,683
Intangible assets, net	119,119	82,040
Right-of-use assets	9,263	4,041
Other non-current assets	990	372
Total assets	**$ 343,776**	**$ 199,910**
Liabilities and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	$ 8,455	$ 11,038
Short-term debt, including current portion of long-term debt	818	1,229
Accrued liabilities	19,496	16,233
Contract liabilities	2,541	879
Current portion of long-term lease liability	1,068	779
Derivative liabilities	170,515	38,353
Other current liabilities	73	602
Total current liabilities	**202,966**	**69,113**
Non-current liabilities:		
Long-term debt, net	135,404	156,155
Long-term lease liability	9,120	4,313
Deferred tax liabilities	—	328
Total liabilities	**347,490**	**229,909**
Commitments and contingencies (Note 16)		
Stockholders' equity (deficit):		
Common stock, par value $0.0001; 500,000,000 shares authorized and 251,554,378 shares issued and outstanding at December 31, 2024 and 157,287,522 shares issued and outstanding at December 31, 2023	26	17
Additional paid-in capital	625,130	303,428
Treasury stock, at cost 9,952,803 shares at December 31, 2024 and December 31, 2023	(57,350)	(57,350)
Accumulated deficit	(571,641)	(276,094)
Accumulated other comprehensive income	121	—
Total stockholders' equity (deficit)	**(3,714)**	**(29,999)**
Total liabilities and stockholders' equity (deficit)	**$ 343,776**	**$ 199,910**

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

BIGBEAR.AI HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(*in thousands, except share and per share data*)

	Year Ended December 31,		
	2024	2023 (as restated)	2022 (as restated)
Revenues	$ 158,236	$ 155,164	$ 155,011
Cost of revenues	113,016	114,563	112,018
Gross margin	**45,220**	**40,601**	**42,993**
Operating expenses:			
Selling, general and administrative	80,040	71,057	84,775
Research and development	10,863	5,035	8,393
Restructuring charges	1,287	822	4,203
Transaction expenses	1,450	2,721	2,605
Goodwill impairment	85,000	—	53,544
Operating loss	**(133,420)**	**(39,034)**	**(110,527)**
Interest expense	25,647	24,877	24,092
Net increase (decrease) in fair value of derivatives	107,658	7,361	(21,387)
Loss on extinguishment of debt	31,272	—	—
Other (income) expense	(2,194)	(393)	19
Loss before taxes	**(295,803)**	**(70,879)**	**(113,251)**
Income tax benefit	(256)	(222)	(1,884)
Net loss	**$ (295,547)**	**$ (70,657)**	**$ (111,367)**
Basic net loss per share	$ (1.27)	$ (0.47)	$ (0.87)
Diluted net loss per share	$ (1.27)	$ (0.47)	$ (0.87)
Weighted-average shares outstanding:			
Basic	233,604,500	149,234,917	127,698,478
Diluted	233,604,500	149,234,917	127,698,478
Other comprehensive income			
Foreign currency translation	121	—	—
Total other comprehensive income	121	—	—
Total comprehensive loss	**$ (295,426)**	**$ (70,657)**	**$ (111,367)**

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

BIGBEAR.AI HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY
(*in thousands, except share data*)

	Year Ended December 31, 2024						
	Common stock		Additional	Acc. Other	Treasury	Accumulated	Total stockholders'
	Shares	Amount	paid in capital	Comprehensive Income (Loss)	stock	deficit	(deficit) equity
As of December 31, 2023 (as restated)	**157,287,522**	**$ 17**	**$ 303,428**	**$ —**	**$ (57,350)**	**$ (276,094)**	**$ (29,999)**
Net loss	—	—	—	—	—	(295,547)	(295,547)
Foreign currency translation adjustments, net of tax	—	—	—	121	—	—	121
Equity-based compensation expense	—	—	21,127	—	—	—	21,127
Exercise of options	292,496	—	421	—	—	—	421
Issuance of common shares as consideration for the acquisition of Pangiam	63,982,145	6	210,751	—	—	—	210,757
Issuance of shares for equity-based compensation awards, net	6,138,947	—	(2,669)	—	—	—	(2,669)
Proceeds from exercise of 2023 warrants	22,775,144	2	90,705	—	—	—	90,707
Issuance of shares for exercised convertible notes	94	—	—	—	—	—	—
Issuance of shares purchased under ESPP	1,078,030	1	1,367	—	—	—	1,368
As of December 31, 2024	**251,554,378**	**$ 26**	**$ 625,130**	**$ 121**	**$ (57,350)**	**$ (571,641)**	**$ (3,714)**

	Year Ended December 31, 2023						
	Common stock		Additional	Acc. Other	Treasury	Accumulated	Total stockholders'
	Shares	Amount	paid in capital	Comprehensive Income (Loss)	stock	deficit	equity (deficit)
As of December 31, 2022 (as restated)	**127,022,363**	**$ 14**	**$ 272,528**	**$ —**	**$ (57,350)**	**$ (205,437)**	**$ 9,755**
Net loss	—	—	—	—	—	(70,657)	(70,657)
Equity-based compensation expense	—	—	18,671	—	—	—	18,671
Issuance of Private Placement	13,888,889	2	7,079	—	—	—	7,081
Issuance of Registered Direct Offering shares	11,848,341	1	6,764	—	—	—	6,765
Issuance of shares for equity-based compensation awards, net	3,374,625	—	(2,790)	—	—	—	(2,790)
Issuance of shares for exercised convertible notes	188	—	—	—	—	—	—
Issuance of shares purchased under ESPP	1,153,116	—	1,176	—	—	—	1,176
As of December 31, 2023 (as restated)	**157,287,522**	**$ 17**	**$ 303,428**	**$ —**	**$ (57,350)**	**$ (276,094)**	**$ (29,999)**

	Year Ended December 31, 2022						
	Common stock		Additional	Acc. Other	Treasury	Accumulated	Total stockholders'
	Shares	Amount	paid in capital	Comprehensive Income (Loss)	stock	deficit	equity (deficit)
As of December 31, 2021 (as previously reported)	**135,566,227**	**$ 14**	**$ 253,744**	**$ —**	**$ —**	**$ (131,390)**	**$ 122,368**
Restatement adjustment	—	—	—	—	—	37,320	37,320
As of December 31, 2021 (as restated)	**135,566,227**	**14**	**253,744**	**—**	**—**	**(94,070)**	**159,688**

BIGBEAR.AI HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY
(in thousands, except share data)

Net loss	—	—	—	—	—	(111,367)	(111,367)
Equity-based compensation expense	—	—	10,865	—	—	—	10,865
Repurchase of shares as a result of Forward Share Purchase Agreements	(9,952,803)	—	—	—	(57,350)	—	(57,350)
Issuance of common stock as consideration for the acquisition of ProModel Corporation	649,976	—	7,501	—	—	—	7,501
Exercise of warrants	51	—	1	—	—	—	1
Issuance of shares purchased under ESPP	508,062	—	417	—	—	—	417
Issuance of shares vested for RSUs	250,850	—	—	—	—	—	—
As of December 31, 2022 (as restated)	**127,022,363**	**$ 14**	**$ 272,528**	**$ —**	**$ (57,350)**	**$ (205,437)**	**$ 9,755**

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

BIGBEAR.AI HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended December 31,		
	2024	2023 (as restated)	2022 (as restated)
Cash flows from operating activities:			
Net loss	$ (295,547)	$ (70,657)	$ (111,367)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization expense	11,873	7,901	7,758
Amortization of debt issuance costs and discount	13,428	12,695	11,958
Equity-based compensation expense	21,127	18,671	10,865
Goodwill impairment	85,000	—	53,544
Impairment of right-of-use assets	—	—	901
Non-cash lease expense	720	597	174
Provision for doubtful accounts	228	1,739	55
Deferred income tax benefit	(328)	(235)	(1,924)
Loss on extinguishment of debt	31,272	—	—
Net increase (decrease) in fair value of derivatives	107,658	7,361	(21,387)
Loss on sale of property and equipment	—	10	—
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(11,753)	6,403	(798)
Decrease (increase) in contract assets	3,927	(3,510)	(286)
Decrease (increase) in prepaid expenses and other assets	2,076	5,899	(1,702)
(Decrease) increase in accounts payable	(4,027)	(4,384)	9,942
(Decrease) increase in accrued liabilities	(2,873)	2,637	(5,121)
Increase (decrease) in contract liabilities	514	(1,143)	(3,740)
(Decrease) increase in other liabilities	(1,414)	(2,291)	2,210
Net cash used in operating activities	**(38,119)**	**(18,307)**	**(48,918)**
Cash flows from investing activities:			
Acquisition of business, net of cash acquired	13,935	—	(4,465)
Purchases of property and equipment	(484)	(2)	(769)
Capitalized software development costs	(10,630)	(3,828)	—
Net cash provided by (used in) investing activities	**2,821**	**(3,830)**	**(5,234)**
Cash flows from financing activities:			
Proceeds from issuance of shares for exercised RDO and PIPE warrants	53,809	—	—
Proceeds from issuance of Private Placement and Registered Direct Offering shares	—	50,000	—
Payment of Private Placement and Registered Direct Offering transaction costs	—	(5,724)	—
Repurchase of shares as a result of forward share purchase agreements	—	—	(100,896)
Proceeds from short-term borrowings	817	1,229	2,059
Repayment of short-term borrowings	(1,229)	(2,059)	(4,233)
Payment of debt issuance costs to third parties	(349)	—	—
Issuance of common stock upon ESPP purchase	1,367	1,176	—
Proceeds from exercise of options	421	—	
Payments of tax withholding from the issuance of common stock	(2,378)	(2,560)	(67)
Net cash provided by (used in) financing activities	**52,458**	**42,062**	**(103,137)**
Effect of foreign currency rate changes on cash and cash equivalents	424	—	—
Net increase (decrease) in cash and cash equivalents	17,584	19,925	(157,289)
Cash and cash equivalents at the beginning of period	32,557	12,632	169,921
Cash and cash equivalents at the end of the period	**$ 50,141**	**$ 32,557**	**$ 12,632**
Cash paid during the period for:			
Interest	$ 12,555	$ 12,189	$ 12,409
Income taxes	$ (1,506)	$ (30)	$ 9

BIGBEAR.AI HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2024	2023 (as restated)	2022 (as restated)
Supplemental schedule of non-cash investing and financing activities:			
Issuance of common stock as consideration for Pangiam acquisition	$ 210,751	$ —	$ —
Issuance of common stock as consideration for the acquisition of ProModel	$ —	$ —	$ 7,501

Reconciliation of cash and cash equivalents and restricted cash:	**December 31, 2024**	**December 31, 2023**	**December 31, 2022**
Cash and cash equivalents	$ 50,141	$ 32,557	$ 12,632
Restricted cash	—	—	—
Cash and cash equivalents and restricted cash at end of the period	**$ 50,141**	**$ 32,557**	**$ 12,632**

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

Note 1—Description of the Business

BigBear.ai Holdings, Inc.'s ("*BigBear.ai*", "*BigBear.ai Holdings*", "*BigBear*" or the "*Company*") mission is to help deliver clarity for the world's most complex decisions. BigBear.ai is a leading provider of Edge AI-powered decision intelligence solutions for national security, supply chain management and digital identity. Customers and partners rely on BigBear.ai's predictive analytics capabilities in highly complex, distributed, mission-based operating environments. We are a technology-led solutions organization, providing both software and services to our customers. Unless otherwise indicated, references to "we", "us" and "our" refer collectively to BigBear.ai Holdings, Inc. and its consolidated subsidiaries.

Note 2—Restatement of Previously Issued Financial Statements

Description of Restatement Adjustments

In connection with the preparation of the Company's consolidated financial statements as of and for the period ended December 31, 2024, management identified a material error in the previously reported financial statements related to its convertible notes issued in December 2021 and due in December 2026 ("*2026 Notes*"). The conversion option embedded within the 2026 Notes was incorrectly deemed to be eligible for a scope exception from the bifurcation requirements of ASC 815-15 and therefore requires bifurcation as a derivative ("*2026 Notes Conversion Option*"). The 2026 Notes include certain adjustments to the conversion rate that violate the "fixed-for-fixed" criteria described in Accounting Standards Codification ("*ASC*") 815-40. As a result, the consolidated financial statements have been restated to reflect the issuance of the 2026 Notes Conversion Option at fair value as of December 7, 2021 and the subsequent remeasurement to fair value at each reporting date. Changes in the fair value of the 2026 Notes Conversion Option are recorded in the consolidated statements of operations. Bifurcation of the 2026 Notes Conversion Option from its host results in a discount to the 2026 Notes par value. The amortization of the discount to the par of the 2026 Notes is recorded in the consolidated statements of operations as non-cash interest expense using the effective interest rate method.

The following tables reflect the impact of the restatement to the specific line items presented in the Company's previously reported consolidated financial statements as of December 31, 2023 and for the years ended December 31, 2023 and December 31, 2022. The accompanying applicable notes to consolidated financial statements have been updated to reflect the effects of the restatement.

The impact of the restatement to the consolidated statements of stockholders' equity (deficit) includes an increase of $37.3 million in accumulated deficit as of December 31, 2023 and a $47.6 million increase to the accumulated deficit as of January 1, 2023.

The amounts in the "As previously reported" columns are amounts derived from the Company's previously filed consolidated financial statements. The amounts in the "Restatement adjustments" columns present the impact of the following adjustments:

- The amortization of the discount on the 2026 Notes.
- The change in the fair value of the 2026 Notes Conversion Option derivative.
- The impact to income tax provision as a result of the restatement adjustments above.

(in thousands of U.S. dollars unless stated otherwise)

The amounts in the "As restated" columns are the updated amounts including the impacts from the restatement.

		December 31, 2023		
Consolidated Balance Sheets	**Notes**	**As previously reported**	**Restatement adjustments**	**As restated**
Current assets:				
Cash and cash equivalents		$ 32,557	$ —	$ 32,557
Accounts receivable, less allowance for credit losses		21,949	—	21,949
Contract assets		4,822	—	4,822
Prepaid expenses and other current assets		4,449	—	4,449
Total current assets:		**63,777**	**—**	**63,777**
Non-current assets:				
Property and equipment, net		997	—	997
Goodwill		48,683	—	48,683
Intangible assets, net		82,040	—	82,040
Right-of-use assets		4,041	—	4,041
Other non-current assets		372	—	372
Total assets		**$ 199,910**	**$ —**	**$ 199,910**
Liabilities and stockholders' equity (deficit)				
Current liabilities:				
Accounts payable		$ 11,038	$ —	$ 11,038
Short-term debt, including current portion of long-term debt		1,229	—	1,229
Accrued liabilities		16,233	—	16,233
Contract liabilities		879	—	879
Current portion of long-term lease liability		779	—	779
Derivative liabilities	i	37,862	491	38,353
Other current liabilities		602	—	602
Total current liabilities		**68,622**	**491**	**69,113**
Non-current liabilities				
Long-term debt, net	ii	194,273	(38,118)	156,155
Long-term lease liability		4,313	—	4,313
Deferred tax liabilities	iii	37	291	328
Total liabilities		**267,245**	**(37,336)**	**229,909**
Stockholders deficit:				
Common stock		17	—	17
Additional paid-in capital		303,428	—	303,428
Treasury stock		(57,350)	—	(57,350)
Accumulated deficit	iv	(313,430)	37,336	(276,094)
Total stockholders' equity (deficit)		**(67,335)**	**37,336**	**(29,999)**
Total liabilities and stockholders' equity (deficit)		**$ 199,910**	**$ —**	**$ 199,910**

Description of restatement adjustments in the consolidated balance sheets:

i. The increase in derivative liabilities relates to the adjustments to record the change in the fair value of the 2026 Notes Conversion Option.

ii. The $38.1 million decrease in long-term debt, net relates to the adjustments to reflect the debt issuance discount resulting from the bifurcation of the 2026 Notes Conversion Option derivative as of December 7, 2021. The initial discount of $59.1 million has been reduced by cumulative amortization of the debt issuance discount of $20.9 million.

iii. The increase in deferred tax liabilities is related to the impact to income tax provision as a result of the adjustments above.

iv. The increase in accumulated deficit is related to a decrease in net loss due to the adjustments mentioned above for the year ended December 31, 2023 and an increase of $47.6 million in the beginning balance of the accumulated deficit as of January 1, 2023.

BIGBEAR.AI HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of U.S. dollars unless stated otherwise)

		Year Ended December 31,					
		2023			2022		
Consolidated Statements of Operations	**Notes**	**As previously reported**	**Restatement adjustments**	**As restated**	**As previously reported**	**Restatement adjustments**	**As restated**
Revenues		$ 155,164	$ —	$ 155,164	$ 155,011	$ —	$ 155,011
Cost of revenues		114,563	—	114,563	112,018	—	112,018
Gross margin		**40,601**	**—**	**40,601**	**42,993**	**—**	**42,993**
Operating expenses:							
Selling, general and administrative		71,057	—	71,057	84,775	—	84,775
Research and development		5,035	—	5,035	8,393	—	8,393
Restructuring charges		822	—	822	4,203	—	4,203
Transaction expenses		2,721	—	2,721	2,605	—	2,605
Goodwill impairment		—	—	—	53,544	—	53,544
Operating loss		**(39,034)**	**—**	**(39,034)**	**(110,527)**	**—**	**(110,527)**
Interest expense	i	14,200	10,677	24,877	14,436	9,656	24,092
Net increase (decrease) in fair value of derivatives	ii	7,424	(63)	7,361	(1,591)	(19,796)	(21,387)
Other (income) expense		(393)	—	(393)	19	—	19
Loss before taxes		**(60,265)**	**(10,614)**	**(70,879)**	**(123,391)**	**10,140**	**(113,251)**
Income tax expense (benefit)	iii	101	(323)	(222)	(1,717)	(167)	(1,884)
Net loss		**$ (60,366)**	**$ (10,291)**	**$ (70,657)**	**$ (121,674)**	**$ 10,307**	**$ (111,367)**
Basic and diluted net loss per share		$ (0.40)	$ (0.07)	$ (0.47)	$ (0.95)	$ 0.08	$ (0.87)

Description of restatement adjustments in the consolidated statements of operations:

i. The increases in interest expense for the years ended December 31, 2023 and December 31, 2022, respectively, relate to the amortization of the debt issuance discount on the 2026 Notes resulting from the bifurcation of the 2026 Notes Conversion Option derivative as of December 7, 2021.

ii. The decreases in net increase (decrease) in fair value of derivatives for the years ending December 31, 2023 and December 31, 2022, respectively, relate to the fair value remeasurement of the 2026 Notes Conversion Option.

iii. The change in income tax expense (benefit) for the years ended December 31, 2023 and December 31, 2022, respectively, are related to impact to the income tax provision as a result of the adjustments above.

BIGBEAR.AI HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of U.S. dollars unless stated otherwise)

		Year Ended December 31,					
		2023			2022		
Consolidated Statements of Cash Flows	**Notes**	**As previously reported**	**Restatement adjustments**	**As restated**	**As previously reported**	**Restatement adjustments**	**As restated**
Cash flows from operating activities:							
Net loss		$ (60,366)	$ (10,291)	$ (70,657)	$ (121,674)	$ 10,307	$ (111,367)
Adjustments to reconcile net loss to net cash used in operating activities:							
Depreciation and amortization expense		7,901	—	7,901	7,758	—	7,758
Amortization of debt issuance costs and discount	i	2,018	10,677	12,695	2,302	9,656	11,958
Equity-based compensation expense		18,671	—	18,671	10,865	—	10,865
Goodwill impairment		—	—	—	53,544	—	53,544
Impairment of right-of-use assets		—	—	—	901	—	901
Non-cash lease expense		597	—	597	174	—	174
Provision for doubtful accounts		1,739	—	1,739	55	—	55
Deferred income tax (benefit) expense	ii	88	(323)	(235)	(1,757)	(167)	(1,924)
Net increase (decrease) in fair value of derivatives	iii	7,424	(63)	7,361	(1,591)	(19,796)	(21,387)
Loss on sale of property and equipment		10	—	10	—	—	—
Changes in assets and liabilities:							
Decrease (increase) in accounts receivable		6,403	—	6,403	(798)	—	(798)
Increase in contract assets		(3,510)	—	(3,510)	(286)	—	(286)
Decrease (increase) in prepaid expenses and other assets		5,899	—	5,899	(1,702)	—	(1,702)
(Decrease) increase in accounts payable		(4,384)	—	(4,384)	9,942	—	9,942
Increase (decrease) in accrued liabilities		2,637	—	2,637	(5,121)	—	(5,121)
Decrease in contract liabilities		(1,143)	—	(1,143)	(3,740)	—	(3,740)
(Decrease) increase in other liabilities		(2,291)	—	(2,291)	2,210	—	2,210
Net cash used in operating activities		**(18,307)**	**—**	**(18,307)**	**(48,918)**	**—**	**(48,918)**
Cash flows from investing activities:							
Acquisition of business, net of cash acquired		—	—	—	(4,465)	—	(4,465)
Purchases of property and equipment		(2)	—	(2)	(769)	—	(769)
Capitalized software development costs		(3,828)	—	(3,828)	—	—	—
Net cash used in investing activities		**(3,830)**	**—**	**(3,830)**	**(5,234)**	**—**	**(5,234)**
Cash flows from financing activities:							
Proceeds from issuance of Private Placement and Registered Direct Offering shares		50,000	—	50,000	—	—	—
Payment of Private Placement and Registered Direct Offering transaction costs		(5,724)	—	(5,724)	—	—	—
Repurchase of shares as a result of forward share purchase agreements		—	—	—	(100,896)	—	(100,896)
Proceeds from short-term borrowings		1,229	—	1,229	2,059	—	2,059
Repayment of short-term borrowings		(2,059)	—	(2,059)	(4,233)	—	(4,233)
Issuance of common stock upon ESPP purchase		1,176	—	1,176	—	—	—
Payments of tax withholding from the issuance of common stock		(2,560)	—	(2,560)	(67)	—	(67)
Net cash provided by (used in) financing activities		**42,062**	**—**	**42,062**	**(103,137)**	**—**	**(103,137)**
Net increase (decrease) in cash and cash equivalents		19,925	—	19,925	(157,289)	—	(157,289)
Cash and cash equivalents at the beginning of period		12,632	—	12,632	169,921	—	169,921
Cash and cash equivalents at the end of the period		**$ 32,557**	**$ —**	**$ 32,557**	**$ 12,632**	**$ —**	**$ 12,632**

Description of restatement adjustments in the consolidated statements of cash flows:

i. The increases in amortization of debt issuance discount for the years ended December 31, 2023 and December 31, 2022, respectively, relate to the amortization of the debt issuance discount on the 2026 Notes resulting from the bifurcation of the 2026 Notes Conversion Option derivative as of December 7, 2021.

ii. The change in deferred income tax (benefit) expense for the years ended December 31, 2023 and December 31, 2022, respectively, are related to impact to the income tax provision as a result of the adjustments above.

iii. The decreases in net increase (decrease) in fair value of derivatives for the years ending December 31, 2023 and December 31, 2022, respectively, relate to the fair value remeasurement of the 2026 Notes Conversion Option.

Note 3—Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("*GAAP*") and all intercompany balances and transactions have been eliminated in consolidation. Amounts presented within the consolidated financial statements and accompanying notes are presented in thousands of U.S. dollars unless stated otherwise, except for percentages, units, shares, per unit, and per share amounts.

Use of Estimates

The preparation of the consolidated financial statements in conformity with 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 dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the consolidated financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future confirming events. Accordingly, actual results could differ materially from those estimates. Accounting policies subject to estimates include valuation of goodwill, intangible assets, impairments, fair value remeasurements, capitalized software development costs, revenue recognition, income taxes, business combinations and equity-based compensation.

Business Combinations

The Company utilizes the acquisition method of accounting under ASC 805, for all transactions and events in which it obtains control over one or more other businesses (even if less than 100% ownership is acquired), to recognize the fair value of all assets and liabilities assumed and to establish the acquisition date fair value as of the measurement date.

While the Company uses its best estimates and assumptions as part of the purchase price allocation process to accurately value assets acquired and liabilities assumed as of the acquisition date, the estimates and assumptions are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. For changes in the valuation of intangible assets between the preliminary and final purchase price allocation, the related amortization is adjusted in the period it occurs. Subsequent to the measurement period, any adjustment to assets acquired or liabilities assumed is included in operating results in the period in which the adjustment is determined. Transaction expenses that are incurred in connection with a business combination, other than costs associated with the issuance of debt or equity securities, are expensed as incurred.

Revenue Recognition

The Company's revenues from contracts with customers are from offerings including artificial intelligence and machine learning, data science, advanced analytics, offensive and defensive cyber, data management, cloud solutions, digital engineering, and systems integration, primarily with the U.S. Government and its agencies. The Company also serves manufacturing, third party logistics, retailers, healthcare, and life sciences organizations.

The Company organizes its solutions into four markets:

i. Supply Chain & Logistics Solutions: Data Conflation at Scale (providing a full view of operations, enabling real-time tracking of inventory, and facilitating predictive analytics to optimize functions like routes and delivery times), Discrete Event Simulation (Course of Action Analysis & Digital Twins), and Next-Gen Decision Support (e.g. Macroeconomic & Geopolitical Forecasting)
ii. Cybersecurity Solutions: AI-powered / machine-accelerated binary analysis, Cyber-Physical systems vulnerability testing & evaluation, Vulnerability assessment as a Service, and Specialized services for the Department of Defense and Intelligence Community
iii. Autonomous Systems Solutions: AI/machine learning (*"ML"*) decision intelligence solutions (conflate millions of data points to provide situational awareness, predictive forecasts, and anomaly detection), AI Orchestration as a Service, and specialized consulting services
iv. Digital Identity Services: security solutions specializing in customized digital identity, biometrics, AI/ML, and advanced analytics software and solutions for global trade, travel and digital identity industries. Airlines, airports and US government agencies are among the Company's customers relying on Vision AI, analytics capabilities, and expertise to streamline operations, secure facilities and verify identity.

Each of the Company's solutions can be sold individually or combined and sold together. Regardless of whether a customer is procuring only one of the Company's solutions or a combination of solutions, the Company's contracts generally include a significant service of integrating the solutions with the Company's customer's existing solutions and information systems. After the Company implements the solutions, the Company may also enter into contracts with the customers to further refine or customize these solutions to either enhance the functionality or adjust for changes in the customer's requirements. These post-implementation service contracts are generally performed on a time-and-materials basis.

The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. The Company performs under various types of contracts, which generally include firm-fixed-price ("*FFP*"), time-and-materials ("*T&M*"), and cost-reimbursable contracts. The Company also generates revenues from the sale of software licenses, primarily term licenses in the customers' environments, with ongoing maintenance and support services ("*M&S*").

Under fixed-price contracts, the Company agrees to perform the specified work for a pre-determined price. To the extent the Company's actual costs vary from the estimates upon which the price was negotiated, the Company will generate more or less profit or could incur a loss. Under T&M contracts, the Company agrees to perform the specified work for a pre-determined rate per hour, as well as the reimbursement of other direct billable costs which are presented on a gross basis. Cost-reimbursable contracts provide for the payment of allowable costs incurred during performance of the contract plus a fee up to a ceiling based on the amount that has been funded. The majority of our cost-reimbursable contracts are cost-plus-fixed-fee, which provide a fixed fee that is negotiated at the inception of the contract and does not vary with actual costs.

For T&M contracts and cost-reimbursable contracts, the Company has a right to consideration from the customer in an amount that corresponds directly with the value of the Company's performance and recognizes revenue in the amount to which the Company has a right to invoice (the "right to invoice" practical expedient).

Sales of the Company's software licenses, primarily term licenses, grant customers the right to use functional intellectual property, either on their internal hardware infrastructure or on their own cloud instance, over the contractual term and are also sold together with stand-ready M&S services. The M&S services include critical updates, training, support, and maintenance services required to operate the software. The Company has concluded that the software licenses and M&S services are each distinct performance obligations, and as such, revenue is recognized for the sale of software licenses upon delivery. For M&S, revenue is recognized over the contract term on a ratable basis.

The Company assesses each contract at its inception to determine whether it should be combined with other contracts. When making this determination, the Company considers factors such as whether two or more contracts were negotiated and executed at or near the same time or were negotiated with an overall profit objective. If combined, the Company treats the combined contracts as one single contract for revenue recognition purposes.

The Company generally uses internally developed and third-party applications, which the Company integrates, when implementing solutions to meet specific customer requirements. The Company evaluates the solutions or services promised in each contract at inception to determine whether the contract should be accounted for as having one or more performance obligations. Each of the Company's solutions is capable of being distinct as the customer can benefit from each individual solution on its own or with other resources that are readily available. When customer contracts include a significant service of integrating the solutions to provide a set of integrated or highly interrelated tasks, the Company accounts for these arrangements as a single performance obligation. While the contracts provide customers access to the Company's solutions, the contracts generally do not contain separate licensing provisions for independent use of the underlying internally developed software. Additionally, these components are highly interdependent and highly interrelated into the solutions delivered to the Company's customers. Therefore, these components are not capable of being distinct and are not separately identifiable from the other promises in the contract. In cases where customer contracts have an explicit licensing provision to the underlying software, such software is generally accounted for as a separate performance obligation.

The Company determines the transaction price for each contract based on the consideration the Company expects to receive for the solutions or services being provided under the contract. For contracts where a portion of the price may vary, the Company estimates variable consideration at the most likely amount, which is included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur. The Company analyzes the risk of a significant revenue reversal and if necessary, constrains the amount of variable consideration recognized in order to mitigate this risk.

At the inception of a contract, the Company estimates the transaction price based on its current rights and does not contemplate future modifications (including unexercised options) or follow-on contracts until they become legally enforceable. Contracts are often subsequently modified to include changes in specifications, requirements or price, which may create new or change existing enforceable rights and obligations. Depending on the nature of the modification, the Company considers whether to account for the modification as an adjustment to the existing contract or as a separate contract. The Company's contracts with the U.S. Government often contain options to renew existing contracts for an additional period of time (generally a year at a time) under the same terms and conditions as the original contract, and generally do not provide the customer any material rights under the contract. Therefore, such modifications are accounted for as if they were part of the existing contract and may result in a cumulative adjustment to revenue recognized. The Company accounts for renewal options as separate contracts when they include distinct goods or services at standalone selling prices.

For contracts with multiple performance obligations, the Company allocates the transaction price to each performance obligation based on the estimated standalone selling price of the solution or service underlying each performance obligation. The standalone selling price represents the amount for which the Company would sell the solution or service to a customer on a standalone basis (i.e., not bundled with any other solutions or services). The Company's contracts with the U.S. government are subject to the Federal Acquisition Regulation ("*FAR*") and priced on estimated or actual costs of providing the goods or services. The FAR provides guidance on types of costs that are allowable in establishing prices for goods and services provided to the U.S. government and its agencies. Each contract is competitively priced and bid separately. Pricing for non-U.S. government agencies and commercial customers is based on specific negotiations with each customer. In circumstances where the standalone selling price is not directly observable, the Company estimates the standalone selling price using the expected cost-plus margin approach.

The Company recognizes revenue as performance obligations are satisfied and the customer obtains control of the solutions and services. In determining when performance obligations are satisfied, the Company considers factors such as contract terms, payment terms and whether there is an alternative future use of the solution or service. Substantially all of the Company's revenue is recognized over time as the Company performs under the contract because control of the work in process transfers continuously to the customer. For most contracts with the U.S. Government, this continuous transfer of control of the work in process to the customer is supported by clauses in the contract that give the customer ownership of work in process and allow the customer to unilaterally terminate the contract for convenience and pay the Company for costs incurred plus a reasonable profit. For most non-U.S. Government contracts, continuous transfer of control to the customer is supported because the Company delivers solutions that do not have an alternative use to the Company and if the Company's customer were to terminate the contract for reasons other than the Company's non-performance, the Company would have the right to recover damages which would include, among other potential damages, the right to payment for the work performed to date plus a reasonable profit.

For performance obligations to deliver solutions with continuous transfer of control to the customer, revenue is recognized based on the extent of progress towards completion of the performance obligation, generally using the percentage-of-completion cost-to-cost measure of progress for the Company's contracts because it best depicts the transfer of control to the customer as the Company incurs costs on the contracts. Under the percentage-of-completion cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs to complete the performance obligation(s). For T&M contracts, revenue is recognized over time based on costs incurred or the right to invoice method (in situations where the value transferred matches the Company's billing rights) as the customer receives and consumes the benefits.

For arrangements with the U.S. Government, the Company generally does not begin work on contracts until funding is appropriated by the customer. Billing timetables and payment terms on the Company's contracts vary based on a number of factors, including the contract type. Cost-reimbursable and T&M contracts are generally billed on a monthly basis. FFP contracts are generally billed based on milestones, which are the achievement of specific events as defined in the contract. Amounts billed and due from customers are classified as receivables on the combined balance sheets. On some contracts, the Company may be entitled to receive an advance payment, which is not considered a significant financing component because it is used to facilitate inventory demands at the onset of a contract and to safeguard the Company from the failure of the other party to abide by some or all of their obligations under the contract.

In some cases where a portion of payment retained by the customer is not considered a significant financing component; the Company expects, at contract inception, that the lag period between the transfer of a promised good or service to a customer and when the customer pays for that good or service will not constitute a significant financing component.

Sale of Products

Revenue from sale of products to customers purchased from third parties is recognized at a point in time when control has transferred to the customer. Control is transferred to the customer upon customer acceptance or receipt of the product. At this point in time, the Company has a present right to payment, and the customer has legal title and physical possession of the product as well as the risks and rewards of ownership.

Contract Balances

Contract balances result from the timing of revenue recognized, billings and cash collections, and the generation of contract assets and liabilities.

Contract assets represent revenue recognized in excess of amounts invoiced to the customer and the right to payment is not subject to the passage of time. Contract liabilities consist of billings in excess of revenues and customer advances. Billings in excess of revenues represents milestone billing contracts where the billings of the contract exceed recognized revenues.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on hand, cash balances with banks and similar institutions and all highly liquid investments with an original maturity of three months or less when purchased.

(in thousands of U.S. dollars unless stated otherwise)

Restricted Cash

The Company's restricted cash consisted of cash deposited into escrow accounts reflecting the full obligation to certain investors related to the FPAs. The Company settled its obligations under the FPAs during the year ended December 31, 2022.

Accounts Receivable

Accounts receivable includes amounts billed and currently due from customers, and amounts billable where the right to consideration is unconditional and amounts unbilled. The Company generally records a receivable when revenue is recognized as the timing of revenue recognition may differ from the timing of payment from customers. Payment terms and conditions vary by contract, although terms generally include a requirement of payment within 30 to 60 days. The Company's accounts receivables do not bear interest, and they are recorded at the invoiced amount less an estimated allowance for expected credit losses. In addition to estimating an allowance based on specific identification of certain receivables that have a higher probability of not being paid, the Company also records an estimate for expected credit losses for the remaining receivables in the aggregate using a loss-rate method that considers historical bad debts, age of customer receivable balances, and current customer receivable balances. Additionally, the Company considers future reasonable and supportable forecasts of economic conditions to adjust historical loss rate percentages as necessary. Balances are written-off when determined to be uncollectible. The provision for expected credit losses is recorded in selling, general, and administrative expenses in the consolidated statements of operations.

Amounts unbilled included within accounts receivable as of December 31, 2024 and December 31, 2023 were $15.4 million and $9.1 million, respectively.

Property and Equipment

Property and equipment are the long-lived, physical assets of the Company acquired for use in the Company's normal business operations and not intended for resale by the Company. These assets are recorded at cost. Renewals and betterments that increase the useful lives of the assets are capitalized. Repair and maintenance expenditures that increase the efficiency of the assets are expensed as incurred. Assets under capital leases are recorded at the present value of the minimum lease payments required during the lease period. Depreciation is based on the estimated useful lives of the assets using the straight-line method and is included in selling, general and administrative or cost of revenues based upon the asset. Expected useful lives are reviewed at least annually.

Estimated useful lives are as follows:

Property and equipment	Estimate useful life in years
Computer equipment	3
Furniture and fixtures	7
Leasehold improvements	5 or lease term
Office equipment	5-10
Software	3-5

As assets are retired or sold, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations.

The Company regularly evaluates its property and equipment for impairment when events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable, in accordance with *ASC 360, Property, Plant, and Equipment*. If the Company determines that the carrying amount of an asset or asset group is not recoverable based upon the undiscounted expected future cash flows of the asset or asset group, the Company records an impairment loss equal to the excess of carrying amount over the estimated fair value of the asset or asset group.

Finite-lived Intangible Assets

Finite-lived intangible assets result from the Company's various business combinations and consist of identifiable finite-lived intangible assets, including customer relationships, technology, software for sale and trade names. These finite-lived intangible assets are reported at cost, net of accumulated amortization, and are either amortized on a straight-line basis over their estimated useful lives or over the period the economic benefits of the intangible asset are consumed.

The Company regularly evaluates its intangible assets other than goodwill for impairment when events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable, in accordance with *ASC 350, Intangibles–Goodwill and Other*. If the Company determines that the carrying amount of an asset or asset group is not recoverable based upon the undiscounted expected future cash flows of the asset or asset group, the Company records an impairment loss equal to the excess of carrying amount over the estimated fair value of the asset or asset group.

Leases

The Company determines whether an arrangement is a lease at inception. An arrangement is or contains a lease if it conveys the right to control the use of an asset for a period of time in exchange for consideration. The Company has operating leases for office space, automobiles, and other equipment that expire at various dates through 2030. These lease terms may include optional renewals, terminations or purchases, which are considered in the Company's assessments when such options are reasonably certain to be exercised.

The Company measures right-of-use assets and related lease liabilities based on the present value of remaining lease payments. Lease contracts may include fixed payments for non-lease components, such as common area maintenance, which are included in the measurement of lease liabilities for certain asset classes based on the Company's election to combine lease and non-lease components. The Company does not recognize short-term leases, those lease contracts with durations of twelve months or less, on the consolidated balance sheets.

As applicable borrowing rates are not typically implied within the lease arrangements, the Company discounts lease payments based on its estimated incremental borrowing rate at lease commencement, or modification, which is based on the Company's estimated credit rating and the lease term at commencement.

Derivatives

Financial instruments subject to the guidance of ASC 815, *Derivatives and Hedging* ("*ASC 815*") that do not meet the criteria for equity treatment are classified as assets or liabilities measured at fair value. The Company remeasures derivative asset or liability to fair value at each reporting period with changes in fair value recognized in the consolidated statements of operations.

Fair Value of Financial Instruments

The Company measures certain financial assets and liabilities at fair value. ASC 820, *Fair Value Measurement and Disclosures ("ASC 820")*, specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair-value hierarchy:

Level 1—Quoted prices for identical instruments in active markets;

Level 2—Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and

Level 3—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

These inputs are based on Company's own assumptions about current market conditions and require significant management judgement or estimation. Financial instruments consist of cash equivalents, accounts receivable, accounts payable, accrued liabilities, private warrants, written put options, and debt. Cash equivalents are stated at fair value on a recurring basis. Accounts receivable, accounts payable and accrued liabilities are stated at their carrying value, which approximates fair value due to the short time to the expected receipt of payment date. Private warrants and written put options are marked to fair value on a periodic basis.

Income Taxes

The Company estimates its current tax expense together with assessing temporary differences resulting from differing treatment of items not currently deductible for tax purposes. These differences result in deferred tax assets and liabilities on the Company's consolidated balance sheets, which are estimated based upon the difference between the financial statement and tax bases of assets and liabilities using the enacted tax rates that will be in effect when these differences reverse. In general, deferred tax assets represent future tax benefits to be received when certain expenses previously recognized in the Company's consolidated statements of operations become deductible expenses under applicable income tax laws or loss or credit carry forwards are utilized. Accordingly, the realization of the Company's deferred tax assets are dependent on future taxable income against which these deductions, losses, and credits can be utilized.

The Company evaluates the realizability of its deferred tax assets and recognizes a valuation allowance when it is more likely than not that a future benefit on such deferred tax assets will not be realized. Changes in the valuation allowance, when recorded, would be included in the Company's consolidated statements of operations. Management's judgment is required in determining the Company's valuation allowance recorded against its net deferred tax assets.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. The Company recognizes interest and penalties related to uncertain tax positions in its provision (benefit) for income taxes. As of December 31, 2024 and December 31, 2023, the Company accrued $0.8 million and $0.8 million for uncertain tax positions, respectively.

Concentration of Credit Risk

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, certificates of deposit, and accounts receivable. The Company places its cash and cash equivalents with financial institutions of high credit quality. At times, such amounts may exceed federally insured limits. Cash and cash equivalents including cash on deposit or invested with financial and lending institutions was $50.1 million and $32.6 million, as of December 31, 2024 and December 31, 2023, respectively.

The Company provides credit to customers in the normal course of business. The carrying amount of current accounts receivable is stated at cost, less an estimated allowance for expected credit losses. The Company performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary. The Company maintains an allowance for expected credit losses to provide for the estimated amount of accounts receivable that will not be fully collected. The estimate is calculated using a loss-rate method that considers historical bad debts, age of customer receivable balances, and current customer receivable balances. Additionally, the Company considers future reasonable and supportable forecasts of economic conditions to adjust historical loss rate percentages as necessary. Balances are written-off when determined to be uncollectible.

Segment Information

Operating segments are defined as components of an entity for which separate financial information is available and that is regularly reviewed by the Chief Operating Decision Maker ("*CODM*") in deciding how to allocate resources and in assessing performance.

As of December 31, 2022, the Company had two operating and reportable segments that were organized by sector: Cyber & Engineering and Analytics. During the first quarter of 2023, the Company reevaluated its operating and reportable segments under Financial Accounting Standards Board ("*FASB"*) *ASC 280 - Segment Reporting*, following an organizational and legal entity restructuring, which allowed the Company to align its operations with how the business will be managed. As a result of such changes, the performance of the Company's operations are evaluated by the CODM using the consolidated financial results of the Company. As a result of this reevaluation, effective for the first quarter of fiscal year 2023, the Company determined that it manages its operations as a single operating and reportable segment.

The single reportable segment is consistent with information used by the CODM to assess performance, make operating decisions, and allocate resources. The Company evaluates the operating performance of its one segment based upon information included in management reports.

Goodwill

Goodwill is the amount by which the purchase price exceeded the fair value of the net identifiable assets acquired and liabilities assumed in a business combination on the date of acquisition. Goodwill is assessed for impairment at least annually as of October 1, on a reporting unit basis, or when events and circumstances occur indicating that the recorded goodwill may be impaired. The Company assesses impairment first on a qualitative basis to determine if a quantitative assessment is necessary. In circumstances where the qualitative analysis indicates that it is more likely than not that the fair value of a reporting unit does not exceed its carrying value, the Company performs a quantitative impairment test by which the goodwill impairment loss is measured as the amount by which a reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill. All indefinite-lived assets are reviewed for impairment annually, and as necessary if indicators of impairment are present.

Internal-Use Software

Costs incurred in developing internal-use software are either capitalized or expensed, depending on both the nature of the costs and the phase of development in which they are incurred. Costs incurred for implementation activities during the preliminary and post-implementation phases of a project are expensed as incurred, while costs incurred during the application development phase are generally capitalized. Costs incurred to upgrade or enhance existing software are capitalized if the changes result in additional functionality, but these costs are expensed if the software's functionality is not improved. No costs were capitalized during the year ended December 31, 2024 and December 31, 2023.

Capitalized Software Development Costs

Software development costs for software to be sold, leased, or otherwise marketed are expensed as incurred until the establishment of technological feasibility, at which time those costs are capitalized until the product is available for general release to customers and amortized over the estimated life the product. Software development costs of $10.2 million and $3.3 million were capitalized during the year ended December 31, 2024 and December 31, 2023, respectively.

(in thousands of U.S. dollars unless stated otherwise)

We evaluate the useful lives of these assets on an annual basis, and we test for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. For the year ended December 31, 2024 and December 31, 2023, we have recognized no impairments of capitalized software costs.

Equity-based Compensation

Pursuant to ASC 718, *Compensation – Stock Compensation*, stock-based awards are measured at fair value on the grant date. For equity classified equity-based awards without performance conditions, the Company recognizes equity-based compensation cost on a straight-line basis over the vesting period of the award. For equity classified equity-based awards with performance conditions, the Company recognizes equity-based compensation cost using the accelerated attribution method over the requisite service period when the Company determines it is probable that the performance condition will be satisfied. The Company recognizes forfeitures of equity-based awards in the period they occur.

Research and Development Costs

Research and development costs are primarily made up of labor charges, subcontractor labor costs, prototype material, and development expenses. Research and development costs are expensed in the period incurred.

Advertising Costs

All advertising, promotional and marketing costs are expensed when incurred and are included in selling, general and administrative expenses within the consolidated statements of operations.

The table below presents advertising costs for the following periods:

	Year Ended December 31,		
	2024	2023	2022
Advertising Costs	$ 157	$ 337	$ 339

Net (Loss) Income per Share

Basic net (loss) income per share is computed by dividing net (loss) income applicable to stockholders by the weighted average number of shares outstanding for the period. Diluted net (loss) income per share assumes conversion of potentially dilutive shares, such as stock options. The Company's consolidated statements of operations include a presentation of net loss per share for the year ended December 31, 2024, December 31, 2023, and December 31, 2022.

Recent Accounting Pronouncements

Recent Accounting Pronouncements Not Yet Adopted

In December 2023, the FASB issued Accounting Standards Update ("*ASU*") No. 2023-09, *Improvements to Income Tax Disclosures* ("*ASU 2023-09*"). Under ASU 2023-09, public benefit entities must disclose specific categories and provide additional information in the tax rate reconciliation if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pretax income or loss by the applicable statutory income tax rate. The amendments from ASU 2023-09 are effective for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The Company does not expect this guidance to have a material impact to its consolidated financial statements or related disclosures.

(in thousands of U.S. dollars unless stated otherwise)

Recent Accounting Pronouncements Adopted

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting: Improvements to Reportable Segment Disclosures* ("*ASU 2023-07*"). This ASU amends ASC 280 to permit the disclosure of multiple measures of a segment's profit or loss, and requires an entity with a single reportable segment to apply FASB Topic 280 in its entirety. In addition, this ASU requires the following new segment disclosures:

- Significant segment expenses by reportable segment if regularly provided to the CODM and included within the reported measure of segment profit or loss;
- Other segment items, which represents the difference between reported segment revenues less the significant segment expenses less reported segment profit or loss; and
- Title and position of the CODM.

Disclosures required under this new ASU and the existing segment profit or loss and asset disclosures currently required annually by FASB Topic 280 are to be disclosed in interim periods. The Company adopted ASU 2023-07 as of January 1, 2024, and the interim period disclosure requirements are effective beginning January 1, 2025. The adoption of ASU 2023-07 did not have an impact on the Company's consolidated financial statements.

Note 4—Restructuring Charges

During the three months ended March 31, 2024, the Company refined its organizational structure resulting in employee separation costs of $1.3 million, net of tax benefits. The Company had completed this organizational restructuring as of March 31, 2024. There were no unpaid employee separation costs related to this organizational restructuring as of December 31, 2024.

During the three months ended March 31, 2023, the Company refined its organizational structure resulting in employee separation costs of $0.8 million, net of tax benefits. The Company had completed this organizational restructuring as of March 31, 2023. There were no unpaid employee separation costs related to this organizational restructuring as of December 31, 2023.

Upon performing a strategic review of the Company's capacity and future projections, the Company initiated restructuring actions in the third and fourth quarters of 2022, both of which were completed as of December 31, 2022. The purpose of the restructuring was to better align the organization and cost structure and improve the affordability of products and services. A liability reflecting unpaid employee separation costs of $1.5 million is presented on the consolidated balance sheets within other current liabilities as of December 31, 2022.

The table below presents the activity in accrued restructuring charges for the year ended December 31, 2024:

As of December 31, 2022	$	1,535
Additions		822
Settlements		(2,357)
As of December 31, 2023	$	—
Additions		1,289
Settlements		(1,289)
As of December 31, 2024	$	—

Note 5—Business Combinations

Pangiam Acquisition

(in thousands of U.S. dollars unless stated otherwise)

On February 29, 2024, pursuant to the Agreement and Plan of Merger (the "*Merger Agreement*"), dated November 4, 2023, by and among BigBear.ai, Pangiam Merger Sub, Inc., a Delaware corporation and a direct wholly-owned subsidiary of the Company ("*Merger Sub*"), Pangiam Purchaser, LLC, a Delaware limited liability company and a direct wholly-owned subsidiary of the Company ("*Pangiam Purchaser*"), Pangiam Ultimate Holdings, LLC, a Delaware limited liability company (the "*Seller*"), and Pangiam Intermediate Holdings, LLC, a Delaware limited liability company ("*Pangiam Intermediate*"), (i) Merger Sub merged with and into Pangiam Intermediate, with Merger Sub ceasing to exist and Pangiam Intermediate surviving as a wholly-owned subsidiary of the Company (the "*First Merger*"), and (ii) immediately following the First Merger, Pangiam Intermediate merged with and into Pangiam Purchaser, with Pangiam Intermediate ceasing to exist and Pangiam Purchaser continuing as a wholly-owned subsidiary of the Company (the "*Second Merger*", together with the First Merger, the "*Mergers*").

As consideration for the Mergers and the related transactions contemplated by the Merger Agreement, BigBear.ai issued a total of 61,838,072 shares of the Company's common stock to Seller based on the 20-day volume-weighted average price for common stock ending on the trading day immediately prior to the date of the Merger Agreement of $1.3439, representing an enterprise value of $70 million (which was subject to customary adjustments for indebtedness, cash, working capital and transaction expenses) (the "*Purchase Price*"), less $3.5 million that was held back from the Purchase Price at the time of the closing of the Mergers to cover any post-closing downward adjustments to the Purchase Price (the "*Holdback Amount*"). On July 2, 2024 (the "*Finalization Date*"), BigBear.ai issued 2,144,073 shares of common stock at $1.3905 per share (as determined according to the volume weighted average price over the 20 trading days ending immediately prior to the Finalization Date) as settlement of the final determination of the post-close adjusted Purchase Price.

The following table summarizes the preliminary fair value of the consideration transferred and the estimated fair values of the major classes of assets acquired and liabilities assumed as of the acquisition date.

	February 29, 2024, as reported at March 31, 2024	Measurement period adjustments	February 29, 2024, as reported at December 31, 2024
Holdback amount	$ 3,500	$ (513)	$ 2,987
Equity issued	207,776	(6)	207,770
Purchase consideration	$ 211,276	$ (519)	$ 210,757
Assets:			
Cash	$ 13,935	$ —	$ 13,935
Accounts receivable	5,848	(369)	5,479
Prepaid expenses and other current assets	143	150	293
Property and equipment	635	—	635
Right-of-use assets	5,754	188	5,942
Intangible assets	39,100	(1,035)	38,065
Other non-current assets	1,772	—	1,772
Total assets acquired	$ 67,187	$ (1,066)	$ 66,121
Liabilities:			
Accounts payable	1,137	—	1,137
Accrued expenses	2,454	36	2,490
Other current liabilities	69	(24)	45
Deferred revenue	1,148	—	1,148
Current portion of long-term lease liability	1,080	(874)	206
Long-term lease liability	6,109	(373)	5,736
Total liabilities acquired	$ 11,997	$ (1,235)	$ 10,762
Fair value of net identifiable assets acquired	55,190	169	55,359
Goodwill	$ 156,086	$ (688)	$ 155,398

(in thousands of U.S. dollars unless stated otherwise)

The Holdback Amount is calculated for any potential differences between the estimated and final amount of cash balance, working capital and Seller transaction costs and is presented as other current liabilities on BigBear.ai's consolidated balance sheets. The Holdback Amount will be settled in Company shares and the number of shares will be calculated based on the volume weighted-average price for the BigBear.ai Holdings, Inc. shares over the 20 trading days ending on the Merger's closing date.

The following table summarizes the intangible assets acquired by class:

	February 29, 2024
Technology	$ 14,835
Trade names	1,560
Customer relationships	21,670
Total intangible assets	$ 38,065

The acquired technology, trade names, and customer relationship intangible assets have a weighted-average estimated useful lives of 7 years, 5 years, and 20 years, respectively.

The fair value of the acquired technology and trade name was determined using the relief from royalty ("*RFR*") method. The fair value of the acquired customer relationships was determined using the excess earnings method.

The acquisition was accounted for as a business combination, whereby the excess of the purchase consideration over the fair value of identifiable net assets was allocated to goodwill. The goodwill reflects the potential synergies and expansion of the Company's offerings across product lines and markets complementary to its existing products and markets. For tax purposes, the goodwill related to the acquisition is deductible.

The results of operations of Pangiam for the period from February 29, 2024, as reported at December 31, 2024 to December 31, 2024 have been included in the results of operations for the year ended December 31, 2024. The post-acquisition net revenues and net loss included in the results of operations for the year ended December 31, 2024 were $38.7 million and $82.6 million, respectively.

Pro Forma Financial Data (Unaudited)

The following table presents the pro forma consolidated results of operations of BigBear.ai for the year ended December 31, 2024 and the year ended December 31, 2023 as though the acquisition of Pangiam had been completed as of January 1, 2023.

	Pro forma for the year ended	
	December 31, 2024	December 31, 2023
Net revenue	$ 164,413	$ 195,813
Net loss	(242,468)	(84,789)

The amounts included in the pro forma information are based on the historical results and do not necessarily represent what would have occurred if the business combination had taken place as of January 1, 2023, nor do they represent the results that may occur in the future. Accordingly, the pro forma financial information should not be relied upon as being indicative of the results that would have been realized had the acquisition occurred as of the date indicated or that may be achieved in the future.

The Company incurred $1.5 million of transaction expenses attributable to the acquisition of Pangiam during the year ended December 31, 2024, which have been recorded in the pro forma results for the twelve months ended December 31, 2023. The Company incurred $85.0 million of goodwill impairment as outlined in Note 8—Goodwill during the year ended December 31, 2024, which has been recorded in the pro forma results for the year ended December 31, 2024.

(in thousands of U.S. dollars unless stated otherwise)

ProModel Corporation Acquisition

On April 7, 2022, the Company's subsidiary BigBear.ai, LLC acquired 100% of the equity interest in ProModel Corporation ("*ProModel Corporation*"), a leader in simulation-based predictive and prescriptive analytic software for process improvement enabling organizations to make better decisions, for approximately $16.1 million, subject to certain adjustments. This acquisition complements the Company's previous acquisition of ProModel, which closed on December 21, 2020. The acquisition was funded through a combination of cash on hand and the issuance of 649,976 shares of the Company's common stock. ProModel Corporation is aligned under the Company's Analytics business segment.

The purchase agreement with the sellers of ProModel Corporation also stipulates that certain funds would be held in escrow ("*Indemnity Escrow Deposit*", "*Distribution Withholding Deposit*", and "*Adjustment Escrow Deposit*"), for the benefit of the seller. Pursuant to and subject to the terms and conditions of the Escrow Agreement, the Adjustment Escrow Amount of $200 thousand the Distribution Withholding Escrow Amount of $100 thousand, and the Indemnity Escrow Amount of $100 thousand shall be held in escrow until released in accordance with the purchase agreement and the Escrow Agreement.

The following table summarizes the fair value of the consideration transferred and the estimated fair values of the major classes of assets acquired and liabilities assumed as of the acquisition date.

	April 7, 2022
Cash paid	$ 8,559
Equity issued	7,501
Purchase consideration	$ 16,060
Assets:	
Cash	$ 4,094
Accounts receivable	743
Prepaid expenses and other current assets	1,600
Contract assets	398
Property and equipment	83
Other non-current assets	21
Intangible assets	9,300
Total assets acquired	$ 16,239
Liabilities:	
Accounts payable	5
Accrued liabilities	7,752
Contract liabilities	1,555
Deferred tax liabilities	1,458
Total liabilities acquired	$ 10,770
Fair value of net identifiable assets acquired	5,469
Goodwill	$ 10,591

The following table summarizes the intangible assets acquired by class:

	April 7, 2022
Technology	$ 3,500
Customer relationships	5,800
Total intangible assets	$ 9,300

The acquired technology and customer relationship intangible assets have a weighted-average estimated useful lives of 7 years and 20 years, respectively.

The fair value of the acquired technology was determined using the relief from royalty ("RFR") method. The fair value of the acquired customer relationships was determined using the excess earnings method.

The acquisition was accounted for as a business combination, whereby the excess of the purchase consideration over the fair value of identifiable net assets was allocated to goodwill. The goodwill reflects the potential synergies and expansion of the Company's offerings across product lines and markets complementary to its existing products and markets. For tax purposes, the goodwill related to the acquisition is deductible.

Pro Forma Financial Data (Unaudited)

The results of operations of ProModel Corporation for the period from April 7, 2022 to December 31, 2022 have been included in the results of operations for the year ended December 31, 2022. The post-acquisition net revenues and net losses included in the results of operations for the year ended December 31, 2022 were $4,626 and $5,120, respectively.

The Company incurred $1,585 of transaction expenses attributable to the acquisition of ProModel Corporation during the year ended December 31, 2022.

Note 6—Fair Value of Financial Instruments

Cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable, short-term debt, including the current portion of long-term debt, accrued liabilities and other current liabilities are reflected on the consolidated balance sheets at amounts that approximate fair value because of the short-term nature of these financial assets and liabilities.

Certain warrants that were issued at BigBear.ai's initial public offering ("*IPO Private Warrants*"), warrants issued in BigBear.ai's 2023 and 2024 private placement warrants ("*PIPE Warrants*"), and warrants issued in BigBear.ai's 2023 and 2024 registered direct offering warrants ("*RDO Warrants*") are valued using a modified Black-Scholes option pricing model (*"OPM"*). The conversion options of the 2026 Convertible Notes ("*2026 Notes Conversion Option*") and 2029 Convertible Notes ("*2029 Notes Conversion Option*") are valued using a binomial lattice convertible bond model and discounted cash flow method, considering the traded price of the 2026 Convertible Notes and 2029 Convertible Notes, respectively, and other unobservable input assumptions. The 2026 Notes Conversion Option, 2029 Notes Conversion Option, RDO Warrants,PIPE warrants, and IPO private warrants are considered to be Level 3 fair value measurements. See Note 18—Derivatives for information on the Level 3 inputs used to value the IPO Private Warrants, PIPE Warrants, RDO Warrants, 2026 Notes Conversion Option, and the 2029 Notes Conversion Option.

(in thousands of U.S. dollars unless stated otherwise)

The table below presents the financial assets and liabilities measured at fair value :

		December 31, 2024			
	Balance Sheet Caption	Level 1	Level 2	Level 3	Total
Recurring fair value measurements:					
2023 PIPE warrants	Derivative liabilities	$ —	$ —	$ —	$ —
2023 RDO warrants	Derivative liabilities	—	—	—	—
IPO private warrants	Derivative liabilities	—	—	290	290
2026 Notes Conversion Option	Derivative liabilities	—	—	322	322
2024 PIPE warrants	Derivative liabilities	—	—	32,760	32,760
2024 RDO warrants	Derivative liabilities	—	—	21,634	21,634
2029 Notes Conversion Option	Derivative liabilities	—	—	115,831	115,831
Total recurring fair value measurements:		—	—	170,837	170,837
Nonrecurring fair value measurement:					
Goodwill[(1)]	Goodwill	—	—	119,081	119,081

		December 31, 2023 (as restated)			
	Balance Sheet Caption	Level 1	Level 2	Level 3	Total
2023 PIPE warrants	Derivative liabilities	$ —	$ —	$ 22,778	$ 22,778
2023 RDO warrants	Derivative liabilities	—	—	15,018	15,018
2026 Notes Conversion Option	Derivative liabilities	—	—	491	491
IPO private warrants	Derivative liabilities	—	—	66	66
2024 PIPE warrants	Derivative liabilities	—	—	—	—
2024 RDO warrants	Derivative liabilities	—	—	—	—
2029 Notes Conversion Option	Derivative liabilities	—	—	—	—
Total recurring fair value measurements:		—	—	38,353	38,353
Nonrecurring fair value measurement:					
Goodwill	Goodwill	—	—	48,683	48,683

(1) As of March 31, 2024, in accordance with Subtopic 350-20, goodwill with a carrying amount of $204.8 million was written down to its implied fair value of $119.8 million, resulting in an impairment charge of $85.0 million, which was included in earnings during the first quarter. Differences between the implied fair value of $119.8 million and the balance as of December 31, 2024 relate to subsequent measurement period adjustments.

The changes in the fair value of the Level 3 liabilities are as follows:

	2023 PIPE warrants	2023 RDO warrants	IPO private warrants	2026 Notes Conversion Option	2024 PIPE warrants	2024 RDO warrants	2029 Notes Conversion Option
December 31, 2022 (as restated)	$ —	$ —	$ 9	$ 554	$ —	$ —	$ —
Additions	14,893	15,536	—	—	—	—	—
Changes in fair value	7,885	(518)	57	(63)	—	—	—
Settlements	—	—	—	—	—	—	—
December 31, 2023 (as restated)	$ 22,778	$ 15,018	$ 66	$ 491	$ —	$ —	$ —
Additions	—	—	—	—	27,990	15,196	61,402
Changes in fair value	37,361	15,551	227	(169)	4,770	6,438	54,429
Settlements	(60,139)	(30,569)	(3)	—	—	—	—
December 31, 2024	$ —	$ —	$ 290	$ 322	$ 32,760	$ 21,634	$ 115,831

(in thousands of U.S. dollars unless stated otherwise)

Note 7—Property and Equipment, net

The property and equipment and accumulated depreciation balances are as follows:

	December 31, 2024	December 31, 2023
Computer equipment	$ 1,564	$ 1,006
Furniture and fixtures	937	712
Leasehold improvements	714	397
Office equipment	180	166
Software	60	60
Total cost	3,455	2,341
Less: accumulated depreciation	(1,889)	(1,344)
Property and equipment, net	$ 1,566	$ 997

The table below presents depreciation expense related to property and equipment for the following periods:

	Year Ended December 31,		
	2024	2023	2022
Depreciation expense on property and equipment	$ 540	$ 428	$ 497

Substantially all property and equipment is located within the United States of America.

Note 8—Goodwill

First Quarter of Fiscal 2024

During the first quarter of fiscal 2024, we performed a quantitative impairment analysis as a result of a decrease in the Company's share price during the quarter compared to the share price of the equity issued as consideration for the purchase of Pangiam as described in Note 5. As a result of this testing, we recorded an $85.0 million non-cash goodwill impairment charge during the three months ended March 31, 2024. Our goodwill impairment test reflected an allocation of 50% and 50% between the income and market-based approaches, respectively. Significant inputs into the valuation models included the discount rate, EBITDA growth and estimated future cash flows. We used a discount rate of 30.7%, guideline peer group and their historical and forward-looking revenues in the goodwill impairment test. Subsequent to the impairment, there was no excess of reporting unit fair value over carrying value.

Third Quarter of Fiscal 2024

During the third quarter of fiscal 2024, we reevaluated our long-term forecasts due to changes in our expectations about the timing of forecasted revenues for one of our higher growth products. We concluded that the revision to the Company's forecasts constituted a triggering event and therefore performed a qualitative impairment analysis as of September 30, 2024. Due to the combination of changes to our forecasts and lack of headroom resulting from our goodwill impairment during the first quarter of fiscal 2024, we could not conclude that it is more likely than not that the fair value exceeded the carrying value of our reporting unit as of September 30, 2024 and therefore performed a quantitative interim impairment test.

Our quantitative goodwill impairment test reflected an allocation of 50% and 50% between the income and market-based approaches, respectively. Significant inputs into the valuation models included the discount rate, EBITDA growth and estimated future cash flows. We used a discount rate of 12.0%, guideline peer group and the historical and forward-looking revenue of the peer group in the goodwill impairment test. It was determined that there was no impairment for the three months ended September 30, 2024.

(in thousands of U.S. dollars unless stated otherwise)

Because the fair value of the reporting unit approximated its carrying value, a negative change in the key assumptions used in the interim impairment analysis or an increase in the carrying value may result in a future impairment of goodwill. Any significant adverse changes in future periods to our internal forecasts or external market conditions could reasonably be expected to negatively affect our key assumptions and may result in future goodwill impairment charges which could be material. For example, keeping all other assumptions the same, an additional increase in the discount rate or an increase in the carrying value could result in an impairment of goodwill. We continued to evaluate these key assumptions and performed a qualitative analysis through December 31, 2024 and determined there was no impairment for the three months ended December 31, 2024.

The table below presents the changes in the carrying amount of goodwill:

	Total
As of December 31, 2023	$ 48,683
Goodwill arising from the Pangiam acquisition	155,398
Goodwill impairment	(85,000)
December 31, 2024	$ 119,081

Accumulated impairment losses to goodwill were $138.5 million as of December 31, 2024.

Note 9—Intangible Assets, net

The intangible asset balances and accumulated amortization are as follows:

	December 31, 2024				
	Gross carrying amount	Accumulated amortization	Impact of foreign currency translation	Net carrying amount	Weighted average useful life in years
Customer relationships	$ 96,270	$ (16,064)	$ —	$ 80,206	20
Technology	41,035	(16,665)	—	24,370	7
Software for sale	14,459	(927)	(289)	13,243	3
Trade name	1,560	(260)	—	1,300	5
Total	$ 153,324	$ (33,916)	$ (289)	$ 119,119	

	December 31, 2023				
	Gross carrying amount	Accumulated amortization	Impact of foreign currency translation	Net carrying amount	Weighted average useful life in years
Customer relationships	$ 74,600	$ (11,432)	$ —	$ 63,168	20
Technology	26,200	(11,156)	—	15,044	7
Software for sale	3,828	—	—	3,828	3
Trade name	—	—	—	—	5
Total	$ 104,628	$ (22,588)	$ —	$ 82,040	

Amortization expense of $0.9 million and zero was recognized for the capitalized software development costs during the year ended December 31, 2024 and December 31, 2023, respectively.

The table below presents the amortization expense related to intangible assets for the following periods:

	Year Ended December 31,		
	2024	2023	2022
Amortization expense related to intangible assets	$ 11,327	$ 7,473	$ 7,261

(in thousands of U.S. dollars unless stated otherwise)

The table below presents the estimated amortization expense on intangible assets for the next five years and thereafter as of December 31, 2024:

2025	$ 14,808
2026	15,713
2027	14,225
2028	8,650
2029	7,118
Thereafter	58,605
Total estimated amortization expense	$ 119,119

Note 10—Prepaid expenses and other current assets

The table below presents details on prepaid expenses and other current assets:

	December 31, 2024	December 31, 2023
Prepaid insurance	$ 1,021	$ 1,419
Prepaid expenses	2,498	1,246
Prepaid taxes	249	1,784
Total prepaid expenses and other current assets	$ 3,768	$ 4,449

Note 11—Accrued Liabilities

The table below presents details on accrued liabilities:

	December 31 2024	December 31 2023
Payroll accruals[(1)]	$ 13,533	$ 10,118
Accrued interest	231	560
Legal accruals	450	1,253
Other accrued expenses	5,283	4,302
Impact of foreign currency translation	(1)	—
Total accrued liabilities	$ 19,496	$ 16,233

(1) Inclusive of employer portion of taxes related to the vesting of equity awards and accrued subcontractor labor.

Note 12—Debt

The table below presents the Company's debt balances:

	December 31 2024	December 31, 2023 (as restated)
2026 Convertible Notes	$ 17,668	$ 200,000
2029 Convertible Notes	182,332	—
Bank of America Senior Revolver [(1)]	—	—
D&O Financing Loan	818	1,229
Total debt	200,818	201,229
Less: unamortized debt issuance discount and costs	64,596	43,845
Total debt, net	136,222	157,384
Less: current portion	818	1,229
Long-term debt, net	$ 135,404	$ 156,155

(1) These credit facilities were terminated on December 19, 2024.

2026 Convertible Notes

On December 7, 2021, the Company issued $200.0 million of unsecured convertible notes (the *"2026 Convertible Notes"*) to certain investors. The 2026 Convertible Notes bear interest at a rate of 6.0% per annum, payable semi-annually, and not including any interest payments that are settled with the issuance of shares, were initially convertible into 17,391,304 shares of the Company's common stock at an initial conversion price of $11.50 (the "*Conversion Price*"). The Conversion Price is subject to adjustments. On May 29, 2022, pursuant to the indenture governing the 2026 Convertible Notes (the *"2026 Convertible Notes Indenture"*), the conversion rate applicable to the 2026 Convertible Notes was adjusted to 94.2230 (previously 86.9565) shares of common stock per $1,000 principal amount of 2026 Convertible Notes because the average of the daily volume-weighted average price of the common stock during the preceding 30 trading days was less than $10.00 (the "*Conversion Rate Reset*"). After giving effect to the Conversion Rate Reset, the Conversion Price is $10.61 and the 2026 Convertible Notes are convertible into 18,844,600 shares, not including any interest payments that are settled with the issuance of shares. The 2026 Convertible Notes mature on December 15, 2026.

The Company may, at its election and subject to certain conditions, force conversion of the 2026 Convertible Notes after December 15, 2022 and prior to October 7, 2026 if the trading price of the Company's common stock exceeds 130% of the conversion price for 20 out of the preceding 30 trading days and the 30-day average daily trading volume ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to $3.0 million for the first two years after the initial issuance of the 2026 Convertible Notes and $2.0 million thereafter. In connection with such forced conversion, the conversion rate for the 2026 Convertible Notes will be increased but no Interest Make-Whole Payment (as defined below) will be made in connection with such forced conversion. In the event that a holder of the 2026 Convertible Notes elects to convert the 2026 Convertible Notes (a) prior to December 15, 2024, the Company will be obligated to pay an amount equal to twelve months of interest or (b) on or after December 15, 2024 but prior to December 15, 2025, any accrued and unpaid interest plus any remaining amounts that would be owed up to, but excluding, December 15, 2025 (such interest payments, an "*Interest Make-Whole Payments*"). The Interest Make-Whole Payments will be payable in cash or shares of the common stock, depending on the average of the daily volume-weighted average price per share of the Company's common stock for a specified period immediately prior to such conversion, as set forth in the 2026 Convertible Notes Indenture.

Following certain corporate events that occur prior to the maturity date or if the Company exercises its mandatory conversion right, the conversion rate will be increased in certain circumstances for a holder who elects, or has been forced, to convert its 2026 Convertible Notes in connection with such corporate events or such mandatory conversion..

If a Fundamental Change (as defined in the 2026 Convertible Notes Indenture) occurs prior to the maturity date, holders of the 2026 Convertible Notes will have the right to require the Company to repurchase all or any portion of their 2026 Convertible Notes in principal amounts of one thousand dollars or an integral multiple thereof, at a repurchase price equal to the principal amount of the 2026 Convertible Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the repurchase date.

On May 29, 2022, pursuant to the conversion rate adjustment provisions in the 2026 Convertible Notes Indenture, the Conversion Price was adjusted to $10.61 (or 94.2230 shares of common stock per one thousand dollars of principal amount of 2026 Convertible Notes). Subsequent to the adjustment, the 2026 Convertible Notes are convertible into 18,844,600 shares, not including any interest payments that are settled with the issuance of shares.

The 2026 Convertible Notes contain conversion features that meet the definition of a derivative and require separate accounting treatment from the debt host. Refer to Note 18—Derivatives for more information on the 2026 Notes Conversion Option.

2029 Convertible Notes

On December 19, 2024, the Company entered into privately negotiated exchange agreements (each, an "*Exchange Agreement*") with a limited number of holders of the Company's 2026 Convertible Notes, to exchange the 2026 Convertible Notes for new senior secured convertible notes due 2029 (the "*2029 Convertible Notes*", together with the 2026 Convertible Notes, the "*Convertible Notes*"). The Company exchanged (the "*Exchange Transaction*") approximately $182.3 million principal amount of the 2026 Convertible Notes for $182.3 million in aggregate principal amount of the Company's 2029 Convertible Notes and approximately $0.4 million in cash, with such cash payment representing the accrued and unpaid interest on the 2026 Convertible Notes at the time of the Exchange Transaction. The 2029 Convertible Notes bear interest at a rate of (i) 6.0% per annum, if interest is paid in cash and (ii) 7.0% per annum, if the Company elects, subject to certain conditions, to pay interest in kind with shares of its common stock. To the extent that the certain liquidity conditions of the Company and its subsidiaries is not satisfied as of the last business day of any calendar month, then with respect to the period applicable to the interest payment date immediately following the month in which such liquidity condition is not satisfied, the interest rate will be (i) 9.00% per annum, if interest is paid in cash and (ii) 10.00% per annum, if the Company elects, subject to certain conditions, to pay interest in kind with shares of its common stock (it being understood that such increased rate shall apply solely for such six-month period applicable to such interest payment date). Interest is payable semi-annually. The conversion rate is 281.4491 shares of common stock per $1,000 principal amount of 2029 Convertible Notes, which represents an initial conversion price of $3.55 per share of the Company's common stock. The conversion rate and the conversion price are subject to adjustments. In addition, if certain corporate events that constitute a "Make-Whole Fundamental Change" (as defined in the 2029 Convertible Notes Indenture) occur, then the conversion rate will, in certain circumstances, be increased for a specified period of time.

The exchange was accounted for as an extinguishment of the 2026 Convertible Notes and the 2029 Convertible Notes were recognized at fair value, which approximated the carrying amount of the principal balances exchanged. The Company recognized a loss on extinguishment of $31.3 million on the consolidated statements of operations related to the unamortized debt issuance costs of the exchanged 2026 Convertible Notes. The Company was in compliance with all covenants through the extinguishment of the exchanged 2026 Convertible Notes.

The 2029 Convertible Notes were issued pursuant to, and are governed by, an indenture (the "*2029 Convertible Notes Indenture*"), dated as of December 27, 2024. The 2029 Convertible Notes will be fully and unconditionally guaranteed, on a senior, secured basis, by the Company and certain of its existing and future direct and indirect subsidiaries, subject to certain exceptions (the "*Guarantors*"), and will initially be secured on a first-priority basis by substantially all assets of the Company and such Guarantors, subject to certain exceptions.

Upon completion of the Exchange Transaction, the aggregate principal amount of the 2026 Convertible Notes outstanding was $17.7 million. The Company did not receive any cash proceeds from the issuance of the 2029 Convertible Notes pursuant to the Exchange Transactions.

Holders who convert their 2029 Convertible Notes will also be entitled to an interest make-whole payment of up to 7.5% of the aggregate principal amount of notes converted, subject to reduction as further described in the 2029 Convertible Notes Indenture. Interest make-whole payments are payable in cash or shares of common stock, depending on the average of the daily volume-weighted average price per share of the Company's common stock for a specified period immediately prior to such conversion. Payment of the interest make-whole in shares will be at a price equal to 95% of such average of the daily volume-weighted average price.

The 2029 Convertible Notes will not be redeemable at the Company's election before December 27, 2025. The 2029 Convertible Notes will be redeemable, in whole but not in part (subject to certain limitations), for cash at the Company's option at any time, and from time to time, on or after December 27, 2025 and prior to the close of business on November 16, 2029, but only if the last reported sale price per share of the Company's common stock exceeds 130% of the conversion price for a specified period of time and certain other conditions are satisfied. The redemption price will be equal to the principal amount of the 2029 Convertible Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

(in thousands of U.S. dollars unless stated otherwise)

If a Fundamental Change (as defined in the 2029 Convertible Notes Indenture) occurs, holders of the 2029 Convertible Notes will have the right to require the Company to repurchase their 2029 Convertible Notes for cash in principal amounts of the 2029 Convertible Notes to be repurchased of one thousand dollars, plus accrued and unpaid interest, if any, to, but excluding, the applicable repurchase date, plus any remaining amounts that would be owed to, but excluding, the maturity date.

The 2026 Convertible Notes Indenture and the 2029 Convertible Notes Indenture require the Company to meet certain financial and other covenants. As of December 31, 2024, the Company was in compliance with all covenants related to the Convertible Notes.

The 2029 Convertible Notes contain conversion features that meet the definition of a derivative and require separate accounting treatment from the debt host. Refer to Note 18—Derivatives for more information on the 2029 Notes Conversion Option.

The following table presents the carrying amounts and fair values associated with the Convertible Notes as of December 31, 2024. The fair value of the Convertible Notes is considered to be a Level 3 fair value measurement.

	Outstanding principal balance	Unamortized issuance costs	Net principal balance	Fair value
2026 Convertible Notes	$ 17,668	$ (333)	$ 17,335	$ 13,600
2029 Convertible Notes	182,332	(3,978)	178,354	141,700
Total	$ 200,000	$ (4,311)	$ 195,689	$ 155,300

Bank of America Senior Revolver

The Company entered into a senior credit agreement with Bank of America, N.A. (the *"Bank of America Credit Agreement"*) on December 7, 2021 (the "*Closing Date*"), subsequently amended on November 8, 2022, providing the Company with a $25.0 million senior secured revolving credit facility (the *"Senior Revolver"*). Proceeds from the Senior Revolver will be used to fund working capital needs, capital expenditures and other general corporate purposes.

The Senior Revolver was secured by a pledge of 100% of the equity of certain of the Company's wholly owned subsidiaries and a security interest in substantially all of the Company's tangible and intangible assets. The Senior Revolver included borrowing capacity available for letters of credit and for borrowings on same-day notice, referred to as the "swing loans." Any issuance of letters of credit or making of a swing loan reduced the amount available under the revolving credit facility. The Company could increase the commitments under the Senior Revolver in an aggregate amount of up to the greater of $25.0 million or 100% of consolidated adjusted EBITDA plus any additional amounts so long as certain conditions, including compliance with the applicable financial covenants for such period, in each case on a pro forma basis, were satisfied.

As of the Closing Date, borrowings under the Senior Revolver bear interest, at the Company's option, at:

(i) A Base Rate plus a Base Rate Margin of 2.00%. Base Rate is a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 0.50%, (b) the prime rate of Bank of America, N.A., and (c) Bloomberg Short-Term Yield Index ("*BSBY*") Rate plus 1.00%; or

(ii) The BSBY Rate plus a BSBY Margin of 1.00%.

The Base Rate Margin and BSBY Margin became subject to adjustment based on the Company's Secured Net Leverage Ratio after March 31, 2022. The Company was also required to pay unused commitment fees and letter of credit fees under the Bank of America Credit Agreement. The Second Amendment (defined below) increased the Base Rate Margin, BSBY Margin and unused commitment fees by 0.25%.

The Bank of America Credit Agreement required the Company to meet certain financial and other covenants. The Company was not in compliance with the Fixed Charge Coverage ratio requirement as of June 30, 2022, and as a result was unable to draw on the facility. The Company notified Bank of America N.A. of the covenant violation, and on August 9, 2022, entered into the First Amendment (the *"First Amendment"*) to the Bank of America Credit Agreement, which, among other things, waived the requirement that the Company demonstrate compliance with the minimum Fixed Charge Coverage ratio provided for in the Bank of America Credit Agreement for the quarter ended June 30, 2022.

The Company was not in compliance with the Fixed Charge Coverage ratio requirement as of September 30, 2022, and as a result was unable to draw on the facility. On November 8, 2022, the Company entered into a Second Amendment to the Bank of America Credit Agreement (the "*Second Amendment*"), which modified key terms of the Senior Revolver. As a result of the Second Amendment, funds available under the Senior Revolver were reduced to $25.0 million from $50.0 million, limited to a borrowing base of 90% of Eligible Prime Government Receivables and Eligible Subcontractor Government Receivables, plus 85% of Eligible Commercial Receivables. Additionally, the Second Amendment increased the Base Rate Margin, BSBY Margin and unused commitment fees by 0.25%. Following entry into the Second Amendment, the Senior Revolver no longer was subject to a minimum Fixed Charge Coverage ratio covenant, but was still subject to the Secured Net Leverage ratio covenant. In order for the facility to become available for borrowings (the "*initial availability quarter*"), the Company must report Adjusted EBITDA of at least one dollar. Commencing on the first fiscal quarter after the initial availability quarter, the Company was required to have aggregated reported Adjusted EBITDA of at least one dollar over the two preceding quarters to maintain its ability to borrow under the Senior Revolver (though the inability to satisfy such condition does not result in a default under the Senior Revolver). Failure to meet this Adjusted EBITDA requirement is not a default but limits the Company's ability to make borrowings under the Senior Revolver until such time that the Company is able meet the Adjusted EBITDA threshold as defined in the Second Amendment.

The Bank of America Credit Agreement required the Company to meet certain financial and other covenants.

The Bank of America Credit Agreement required the Company to deliver monthly borrowing base certificates. The Company did not deliver such monthly borrowing base certificates for the months ending December 31, 2022, January 31, 2023, February 28, 2023, and March 31, 2023. Bank of America N.A. notified the Company of the reporting violation, and on April 21, 2023, Bank of America N.A. and the Company entered into the Third Amendment (the "*Third Amendment*") to the Bank of America Credit Agreement, which, among other things, waived the requirement that the Company deliver the monthly borrowing base certificate for the months ending December 31, 2022, January 31, 2023, February 28, 2023, and March 31, 2023, and removed the reporting requirement to deliver a monthly borrowing base certificate going forward until the Company meets the Adjusted EBITDA requirements set forth above and was permitted to draw on the Senior Revolver.

In connection with the Exchange Transaction on December 19, 2024, the Senior Revolver was terminated, effective concurrently with the closing of the Exchange Transaction. There were no outstanding borrowings under the Secured Revolving Credit Facility prior to its termination. The Company was in compliance with all covenants through the termination of the Senior Revolver.

D&O Financing Loan

On December 13, 2024, the Company entered into a $1.1 million loan (the *"2025 D&O Financing Loan"*) with AFCO Credit Corporation to finance the Company's directors and officers insurance premium through September 2025. The D&O Financing Loan has an interest rate of 5.99% per annum and a maturity date of September 8, 2025.

On December 20, 2023, the Company entered into a $1.2 million loan (the *"2024 D&O Financing Loan"*) with US Premium Finance to finance the Company's directors and officers insurance premium through September 2024. The D&O Financing Loan has an interest rate of 6.99% per annum and a maturity date of September 8, 2024.

(in thousands of U.S. dollars unless stated otherwise)

On December 8, 2022, the Company entered into a $2.1 million loan (the "*2023 D&O Financing Loan*") with AFCO Credit Corporation to finance the Company's directors and officers insurance premium through December 2023. The 2023 D&O Financing Loan required an upfront payment of $1.1 million and had an interest rate of 5.75% per annum and a maturity date of December 8, 2023. The 2023 D&O Financing Loan was fully repaid at maturity.

Note 13—Leases

The Company is obligated under operating leases for certain real estate and office equipment assets. The Company's finance leases are not material. Certain leases contained predetermined fixed escalation of minimum rents at rates ranging from 2.5% to 4.6% per annum and remaining lease terms of up to ten years, some of which include renewal options that could extend certain leases to up to an additional five years.

The following table presents supplemental information related to leases:

	December 31, 2024	December 31, 2023
Weighted average remaining lease term	8.06	4.79
Weighted average discount rate	13.52%	10.66%

The table below summarizes total lease costs for the following periods:

	Year Ended December 31,		
	2024	2023	2022
Operating lease expense	$ 2,139	$ 1,149	$ 1,459
Variable lease expense	47	221	42
Short-term lease expense	18	117	398
Rent expense	$ 2,204	$ 1,487	$ 1,899

	Year Ended December 31,		
	2024	2023	2022
Sublease income recognized (1)	$ 72	$ 133	$ 48

(1) As of December 31, 2024 and December 31, 2023, the Company has subleased two and one of its real estate leases.

The following table presents supplemental cash flow and non-cash information related to leases:

	Year Ended December 31,		
	2024	2023	2022
Cash paid for amounts included in the measurement of lease liabilities - operating cash flows from leases	$ 2,199	$ 1,430	$ 1,160
Right-of-use assets obtained in exchange for lease obligations - non-cash activity	$ 5,942	$ —	$ 2,027

(in thousands of U.S. dollars unless stated otherwise)

As of December 31, 2024, the future annual minimum lease payments for operating leases are as follows:

2025	$ 2,357
2026	2,275
2027	1,695
2028	1,668
2029	1,713
Thereafter	7,352
Total future minimum lease payments	$ 17,060
Less: amounts related to imputed interest	6,872
Present value of future minimum lease payments	10,188
Less: current portion of long-term lease liability	1,068
Long-term lease liability	$ 9,120

Note 14—Income Taxes

The table below presents the components of income tax expense (benefit) for the following periods

	Year Ended December 31,		
	2024	2023 (as restated)	2022 (as restated)
Federal:			
Current	$ —	$ —	$ —
Deferred	—	(323)	(1,539)
Total Federal	—	(323)	(1,539)
State:			
Current	16	13	40
Deferred	(37)	88	(385)
Total State	(21)	101	(345)
Total Foreign	(235)	—	—
Income tax expense (benefit)	$ (256)	$ (222)	$ (1,884)

(in thousands of U.S. dollars unless stated otherwise)

The following is the reconciliation of the amounts computed using the federal statutory income tax rate and the amounts computed using the effective income tax rate:

	Year Ended December 31,		
	2024	2023 (as restated)	2022 (as restated)
Tax benefit at federal statutory rates	$ (62,118)	$ (14,881)	$ (23,724)
State income tax, net of federal tax benefit	(11,422)	(5,070)	(6,426)
Class B Incentive Unit equity-based compensation	(4)	727	1,001
Valuation allowance	46,739	17,248	25,205
Net increase (decrease) in fair value of derivatives	11,281	1,559	(334)
Goodwill impairment	15,544	—	1,900
Other permanent differences	(276)	195	494
Income tax expense (benefit)	$ (256)	$ (222)	(1,884)
Effective tax rate	0.1 %	0.3 %	1.7 %

The table below presents the components of net deferred tax assets and deferred liabilities:

	December 31, 2024	December 31, 2023 (as restated)
Deferred tax assets:		
Net operating loss carryforwards	$ 62,811	$ 32,017
Interest carryforwards	12,755	8,356
Amortizable transaction costs	2,121	2,285
Accrued expenses	1,643	1,330
Equity-based compensation	3,175	2,313
Derivative liability	30,824	130
Depreciation and amortization	7,083	6,594
Lease liabilities	2,741	1,436
Section 174 costs	8,327	3,268
Other assets	109	493
Total deferred tax assets	131,589	58,222
Valuation allowance	(112,003)	(46,569)
Net deferred tax assets	19,586	11,653
Deferred tax liabilities:		
Discount on debt	16,340	10,081
Prepaid expenses	752	765
Right-of-use assets	2,494	1,135
Total deferred tax liabilities	19,586	11,981
Net deferred tax (liabilities) assets	$ —	$ (328)

As of December 31, 2024, the Company has $219.0 million of U.S. federal net operating losses, all of which can be carried forward indefinitely.

As of December 31, 2024, the Company has $231.4 million of U.S. state net operating losses which will begin to expire in 2031.

A valuation allowance is provided for deferred income tax assets when it is more likely than not that future tax benefits will not be realized. The Company assesses whether a valuation allowance should be established against deferred tax assets based upon consideration of all available evidence, both positive and negative, using a more likely than not standard. This assessment considers, among other matters, the Company's history of losses, the duration of statutory carryforward periods, the Company's experience with tax attributes expiring, impacts of enacted changes in tax laws and tax planning strategies, and the taxable income generated through the future reversals of deferred tax liabilities. In making such judgments, significant weight is given to evidence that can be objectively verified. After analyzing all available evidence, the Company determined it was more likely that it would not be able to utilize all of its deferred tax assets, and has therefore established a full valuation allowance. The Company had valuation allowances against net deferred tax assets of $112.0 million and $46.6 million as of December 31, 2024 and December 31, 2023, respectively. During the year ended December 31, 2024, the increase in the valuation allowance was primarily attributable to a net increase in our deferred tax assets resulting from net operating losses and section 174 capitalization.

(in thousands of U.S. dollars unless stated otherwise)

Unrecognized Tax Benefits

As of December 31, 2024 and December 31, 2023, the Company had gross unrecognized tax benefits of $0.8 million and $0.8 million, respectively. The unrecognized tax benefit was recorded as a reduction in our gross deferred tax assets, offset by a corresponding reduction in our valuation allowance. None of the unrecognized tax benefits, if recognized, would affect the effective tax rate because of the valuation allowance. There are no interest and penalties associated with the unrecognized tax benefits. For the year ended December 31, 2024 and prior periods, we were subject to income taxes only in the United States, and all tax years since the Company's inception are open for examination.

The table below presents the Company's gross unrecognized tax benefits:

Unrecognized tax benefits as of December 31, 2022	$	785
Increases related to positions taken on prior year items		—
Unrecognized tax benefits as of December 31, 2023	$	785
Increases related to positions taken on prior year items		—
Unrecognized tax benefits as of December 31, 2024	$	785

Note 15—Employee Benefit Plans

401(k) Plans

The Company maintains qualified 401(k) plans for its U.S. employees: the BigBear.ai 401(k) Plan and Pangiam Holdings, LLC Retirement Plan.

The table below presents the total contributions to the Company's 401(k) plan for the following periods:

	Year Ended December 31,		
	2024	2023	2022
Total contributions	$ 5,010	$ 4,684	$ 5,880

Note 16—Commitments and Contingencies

Contingencies in the Normal Course of Business

Under certain contracts with the U.S. government and certain governmental entities, contract costs, including indirect costs, are subject to audit by and adjustment through negotiation with governmental representatives. Revenue is recorded in amounts expected to be realized on final settlement of any such audits.

(in thousands of U.S. dollars unless stated otherwise)

Legal Proceedings

The Company is subject to litigation, claims, investigations and audits arising from time to time in the ordinary course of business. Although legal proceedings are inherently unpredictable, the Company intends to defend itself vigorously with respect to any matters currently pending against it. The outcome of these matters, individually and in the aggregate, is not expected to have a material impact on the Company's consolidated balance sheets, consolidated statements of operations, or cash flows. As of December 31, 2024, the Company has accrued $0.5 million related to various ongoing legal disputes. The $0.5 million balance as of December 31, 2024, reflects management's best estimate as of that date and is net of any anticipated amounts recoverable through insurance.

Note 17—Stockholders' Equity

Common Stock

The table below presents the details of the Company's authorized common stock as of the following periods:

	December 31, 2024	December 31, 2023
Common stock:		
Authorized shares of common stock	500,000,000	500,000,000
Common stock par value per share	$ 0.0001	$ 0.0001
Common stock outstanding at the period end	251,554,378	157,287,522

Treasury Stock

These shares are measured at cost and presented as treasury stock on the consolidated balance sheets and consolidated statements of stockholders' equity (deficit).

Dividend Rights

Subject to applicable law and the rights, if any, of the holders of any outstanding series of the Company's preferred stock or any class or series of stock having a preference over or the right to participate with the Company's common stock with respect to the payment of dividends, dividends may be declared and paid ratably on the Company's common stock out of the assets of the Company that are legally available for this purpose at such times and in such amounts as the Company's Board of Directors (the "*Board*") in its discretion shall determine.

Voting Rights

Each outstanding share of the Company's common stock is entitled to one vote on all matters submitted to a vote of stockholders. Holders of shares of common stock do not have cumulative voting rights.

Conversion or Redemption Rights

The Company's common stock is neither convertible nor redeemable.

Liquidation Rights

Upon the Company's liquidation, the holders of the Company's common stock are entitled to receive pro rata the Company's assets that are legally available for distribution, after payment of all debts and other liabilities and subject to the prior rights of any holders of the Company's preferred stock then outstanding.

(in thousands of U.S. dollars unless stated otherwise)

Preferred Stock

The table below presents the details of the Company's authorized preferred stock as of the following periods:

	December 31, 2024	December 31, 2023
Preferred stock:		
Authorized shares of preferred stock	1,000,000	1,000,000
Preferred stock par value per share	$ 0.0001	$ 0.0001
Preferred stock outstanding at the period end	—	—

The Company's Board may, without further action by the Company's stockholders, from time to time, direct the issuance of shares of preferred stock in series and may, at the time of issuance, determine the designations, powers, preferences, privileges and relative participating, optional or special rights as well as the qualifications, limitations or restrictions thereof, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights of the Company's common stock. Satisfaction of any dividend preferences of outstanding shares of the Company's preferred stock would reduce the amount of funds available for the payment of dividends on shares of the Company's common stock. Upon the affirmative vote of a majority of the total number of directors then in office, the Company's Board may issue shares of the Company's preferred stock with voting and conversion rights which could adversely affect the holders of shares of the Company's common stock.

Note 18—Derivatives

2029 Notes Conversion Option

On December 19, 2024, the Company entered into privately negotiated Exchange Agreements with a limited number of holders of the Company's 2026 Convertible Notes, to exchange the 2026 Convertible Notes for 2029 Convertible Notes. The 2029 Convertible Notes contain conversion features that meet the definition of a derivative and require separate accounting treatment from the debt host.

The table below presents the value of the 2029 Notes Conversion Option under the Black-Scholes OPM using the following assumptions as of the following dates:

	December 31, 2024	December 19, 2024
Value of 2029 Notes Conversion Option ($ thousands)	$ 115,831	$ 61,402
Conversion price	$ 3.55	$ 3.55
Common stock price	$ 4.45	$ 2.82
Expected term (years)	5.0	5.0
Expected volatility	37.60%	37.60%
Risk-free rate of return	4.30%	4.40%
Expected annual dividend yield	—%	—%

As of December 31, 2024, the 2029 Notes Conversion Option had a fair value of $115.8 million and is presented on the consolidated balance sheets within derivative liabilities. A loss of $54.4 million was recognized during the twelve months ended December 31, 2024, and is presented in net increase (decrease) in fair value of derivatives on the consolidated statements of operations.

As of December 31, 2024, the remaining principal of the 2029 Convertible Notes outstanding was $182.3 million.

(in thousands of U.S. dollars unless stated otherwise)

2023 Registered Direct Offering Warrants

On June 13, 2023, the Company consummated the closing of a registered direct offering pursuant to an Underwriting Agreement with Cowen and Company, LLC, as representative of the underwriters, for the sale and purchase of an aggregate of 11,848,341 shares of common stock at par value and accompanying common warrants ("*RDO warrants*"). Each share of common stock is accompanied by a common warrant to purchase three-quarters of a share of common stock at an exercise price of $2.32 per share. The RDO warrants were initially exercisable for up to 8,886,255 shares of common stock and became exercisable six months after issuance and had a five-year term.

The table below presents the value of the RDO warrants under the Black-Scholes OPM using the following assumptions as of the following dates:

	December 31, 2023
Value of each RDO warrant	$ 1.69
Exercise price	$ 2.32
Common stock price	$ 2.14
Expected term (years)	5.0
Expected volatility	110.00%
Risk-free rate of return	3.80%
Expected annual dividend yield	—%

On February 27, 2024, the Company entered into a warrant exercise agreement (the "*RDO Warrant Exercise Agreement*") with an existing accredited investor (the "*RDO Investor*") to exercise in full the outstanding RDO warrants to purchase up to an aggregate of 8,886,255 shares of the Company's common stock for gross proceeds of $20.6 million. Upon settlement of the RDO warrants, a loss of $10.1 million was recognized for the year ended December 31, 2024 and is presented in net increase (decrease) in fair value of derivatives on the consolidated statements of operations.

A loss of $1.9 million, which includes transaction costs associated with the issuance of the 2023 RDO warrants, was recognized for the year ended December 31, 2023, and is presented in net increase (decrease) in fair value of derivatives on the consolidated statements of operations.

2024 RDO Warrants

In consideration for the immediate and full exercise of the RDO warrants, on February 28, 2024, the RDO Investor received a new unregistered common stock purchase warrant to purchase up to an aggregate of 5,800,000 of the Company's common stock (the "*2024 RDO warrants*") in a private placement. The 2024 RDO warrants will become exercisable commencing at any time on or after August 28, 2024, with an expiration date five years thereafter, with an exercise price per share equal to $3.78.

The table below presents the value of the 2024 RDO warrants under the Black-Scholes OPM using the following assumptions as of the following dates:

	December 31, 2024	February 28, 2024
Value of each 2024 RDO warrant	$ 3.73	$ 2.62
Exercise price	$ 3.78	$ 3.78
Common stock price	$ 4.45	$ 3.14
Expected term (years)	4.7	5.5
Expected volatility	120.00%	117.60%
Risk-free rate of return	4.31%	4.20%
Expected annual dividend yield	—%	—%

(in thousands of U.S. dollars unless stated otherwise)

As of December 31, 2024, the 2024 RDO warrants had a fair value of $21.6 million and is presented on the consolidated balance sheets within derivative liabilities. A loss of $6.4 million, which includes transaction costs associated with the issuance of the RDO warrants, was recognized during the twelve months ended December 31, 2024, and is presented in net increase (decrease) in fair value of derivatives on the consolidated statements of operations.

As of December 31, 2024, there were 5,800,000 2024 RDO warrants issued and outstanding.

2023 PIPE Warrants

On January 19, 2023, the Company consummated the closing of a private placement (the "*Private Placement*") by and among the Company and Armistice Capital Master Fund Ltd (the "*Purchaser*"). At the closing of the Private Placement, the Company issued 13,888,889 shares of the Company's common stock at par value and warrants to purchase up to an additional 13,888,889 shares of common stock (the "*PIPE warrants*"). The PIPE warrants had an exercise price of $2.39 per share and were exercisable as of July 19, 2023. The PIPE warrants were subject to a 4.99% beneficial ownership limitation.

The table below presents the value of the PIPE warrants under the Black-Scholes OPM using the following assumptions as of the following dates:

	January 19, 2023
Value of each PIPE warrant	$ 1.22
Exercise price	$ 2.39
Common stock price	$ 1.87
Expected term (years)	5.5
Expected volatility	82.10%
Risk-free rate of return	3.40%
Expected annual dividend yield	—%

On March 4, 2024, the Company entered into a warrant exercise agreement (the "*PIPE Warrant Exercise Agreement*") with an existing accredited investor (the "*PIPE Investor*") to exercise in full the outstanding PIPE warrants to purchase up to an aggregate of 13,888,889 shares of the Company's common stock for gross proceeds of $33.2 million. Upon settlement of the PIPE warrants, a loss of $32.2 million was recognized as a result of the change in fair value for the year ended December 31, 2024 and are presented in net increase (decrease) in fair value of derivatives on the consolidated statements of operations.

A loss of $11.8 million was recognized as a result of the change in fair value for the year ended December 31, 2023, respectively, and are presented in net increase (decrease) in fair value of derivatives on the consolidated statements of operations.

2024 PIPE Warrant

In consideration for the immediate and full exercise of the PIPE warrants, on March 5, 2024, the PIPE Investor received a new unregistered common stock purchase warrant to purchase up to an aggregate of 9,000,000 shares of the Company's common stock (the "*2024 PIPE warrant*") in a private placement. The 2024 PIPE Warrant will become exercisable commencing at any time on or after September 5, 2024, with an expiration date five years thereafter, with an exercise price per share equal to $4.75.

(in thousands of U.S. dollars unless stated otherwise)

The table below presents the value of the 2024 PIPE warrant under the Black-Scholes OPM using the following assumptions as of the following dates:

	December 31, 2024	March 4, 2024
Value of each 2024 PIPE warrant	$ 3.64	$ 3.11
Exercise price	$ 4.75	$ 4.75
Common stock price	$ 4.45	$ 3.75
Expected term (years)	4.7	5.5
Expected volatility	120.00%	117.00%
Risk-free rate of return	4.32%	4.10%
Expected annual dividend yield	—%	—%

As of December 31, 2024, the 2024 PIPE warrant has a fair value of $32.8 million and is presented on the consolidated balance sheets within derivative liabilities. A loss of $4.8 million was recognized as a result of the change in fair value during the twelve months ended December 31, 2024, and is presented in net increase (decrease) in fair value of derivatives on the consolidated statements of operations.

As of December 31, 2024, there were 9,000,000 2024 PIPE warrants issued and outstanding.

2026 Notes Conversion Option (restated)

On December 7, 2021, the Company issued $200.0 million of unsecured convertible notes (the *"2026 Convertible Notes"*) to certain investors. The 2026 Convertible Notes contain conversion features that meet the definition of a derivative and require separate accounting treatment from the debt host.

The table below presents the value of the 2026 Notes Conversion Option under the Black-Scholes OPM using the following assumptions as of the following dates:

	December 31, 2024	December 31, 2023
Value of 2026 Notes Conversion Option ($ thousands)	$ 322	$ 491
Conversion price	$ 10.61	$ 10.61
Common stock price	$ 4.45	$ 2.14
Expected term (years)	1.9	2.9
Expected volatility	93.30%	40.00%
Risk-free rate of return	4.25%	4.01%
Expected annual dividend yield	—%	—%

As of December 31, 2024, the 2026 Notes Conversion Option had a fair value of $0.3 million and is presented on the consolidated balance sheets within derivative liabilities. A gain of $0.2 million was recognized during the twelve months ended December 31, 2024, and is presented in net increase (decrease) in fair value of derivatives on the consolidated statements of operations.

As of December 31, 2024, the remaining principal of the 2026 Convertible Notes outstanding was $17.7 million.

IPO Public Warrants

(in thousands of U.S. dollars unless stated otherwise)

Each warrant issued in connection with the Company's initial public offering (the "*IPO public warrants*") entitles the registered holder to purchase one share of common stock at a price of $11.50 per share, subject to adjustment. Pursuant to the warrant agreement, a warrant holder may exercise its warrants only for a whole number of shares of common stock. This means only a whole warrant may be exercised at a given time by a warrant holder. The warrants will expire on December 7, 2026, at 5:00 p.m., New York City time, or earlier upon redemption or liquidation.

The Company may call the IPO public warrants for redemption as follows: (1) in whole and not in part; (2) at a price of $0.01 per warrant; (3) upon a minimum of 30 days' prior written notice of redemption; (4) if there is an effective registration statement covering the shares of common stock issuable upon exercise of the warrants and a current prospectus available throughout the 30-day notice period; and (5) only if the last reported closing price of the common stock equals or exceeds $18.00 per share for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date on which the Company sends the notice of redemption to the warrant holders.

If the Company calls the IPO public warrants for redemption, management will have the option to require all holders that wish to exercise the Company IPO public warrants to do so on a "cashless basis."

The exercise price and number of shares of common stock issuable upon exercise of the IPO public warrants may be adjusted in certain circumstances including stock dividends, stock splits, extraordinary dividends, consolidation, combination, reverse stock split or reclassification of shares of the Company's common stock or other similar event. In no event will the Company be required to net cash settle the warrant shares.

The table below presents the Company's IPO public warrants issued and outstanding as of the following periods:

	December 31, 2024	December 31, 2023
IPO public warrants issued	12,168,378	12,150,878
IPO public warrants outstanding	12,168,378	12,150,878

IPO Private Warrants

The terms and provisions of the IPO public warrants above also apply to the private warrants issued by the Company ("*IPO private warrants*"). If the IPO private warrants are held by holders other than GigAcquisitions4, LLC ("*Sponsor*"), Oppenheimer & Co. Inc. and Nomura Securities International, Inc. (together, the *"Underwriters"*), or any respective permitted transferees, the IPO private warrants will be redeemable by the Company and exercisable by the holders on the same basis as the IPO public warrants. The Sponsor, the Underwriters and any respective permitted transferees have the option to exercise the IPO private warrants on a cashless basis.

The table below presents the value of the IPO private warrants under the Black-Scholes OPM using the following assumptions as of the following dates:

	December 31, 2024	December 31, 2023
Fair value of each IPO private warrant	$ 1.84	$ 0.38
Exercise price	$ 11.50	$ 11.50
Common stock price	$ 4.45	$ 2.14
Expected term (in years)	1.9	2.9
Expected volatility	93.30%	82.30%
Risk-free rate of return	4.25%	4.00%
Expected annual dividend yield	—%	—%

(in thousands of U.S. dollars unless stated otherwise)

As of December 31, 2024 and December 31, 2023, the IPO private warrants have a fair value of $0.3 million and $0.1 million and are presented on the consolidated balance sheets within derivative liabilities and other non-current liabilities, respectively. The following was recognized as a result of the change in fair value for the three and the year ended December 31, 2024 and December 31, 2023 and is presented in net increase (decrease) in fair value of derivatives on the consolidated statements of operations:

	Year Ended December 31,		
	2024	2023	2022
Loss (gain) on change in fair value of IPO private warrants	$ 266	$ 57	$ (267)

The table below presents the Company's IPO private warrants issued and outstanding as of the following periods:

	December 31, 2024	December 31, 2023
IPO private warrants issued	157,394	174,894
IPO private warrants outstanding	157,394	174,894

Written Put Option

Immediately prior to the stockholder vote for the merger between the Company's Parent, BBAI Ultimate Holdings, LLC ("*Parent*"), and GigCapital4, Inc. ("G*igCapital4*"), which was consummated on December 7, 2021 (the "Merger"), GigCapital4 executed a series of Forward Share Purchase Agreements (*"FPAs"*) with certain investors (the "*Investors*"). The FPAs provide that each of the Investors would not redeem their shares and instead would hold the shares for a period of up to three months following the consummation of the Merger, at which time they would have the right to sell the shares to the Company for $10.15 per share (the "*Written Put Option*"). The Investors had the right to sell shares on the open market before the end of the three-month period provided that the share price was at least $10.00 per share. If the Investors sold any shares in the open market within the first month of the three-month period and at a price greater than $10.05 per share, the Company would pay the Investors $0.05 per share sold.

During the first quarter of 2022, the Company settled the derivative liability associated with the Written Put Option by repurchasing all 9,952,803 shares of its common stock that were subject to the FPAs at the Investors' request. Certain of the Investors requested for their shares to be repurchased prior to the end of the three-month period at a reduced price per share. As a result, 5,000,000 shares were repurchased at $10.125 per share during the first quarter of 2022. Of the $101.0 million previously presented as restricted cash on the Company's consolidated balance sheets on December 31, 2021, $100.9 million was released from the escrow account to settle the obligation to Investors and the remaining $0.1 million was reclassified to cash and cash equivalents.

During the three months ended March 31, 2022, the derivative liability was remeasured to its intrinsic value at each date that the underlying shares were repurchased. The resulting gain of $1.3 million was presented in net increase (decrease) in fair value of derivatives on the consolidated statement of operations during the first quarter of 2022. The intrinsic value of the Written Put Option upon settlement was $43.5 million and was recognized directly in equity during the first quarter of 2022.

Note 19—Equity-Based Compensation

Class A Units granted to Board of Directors

Prior to the Gig Business Combination, certain members of the Board of Directors of the Company had elected to receive compensation for their services as a board member in stock, Class A units of the Parent. The number of units granted by the Parent were determined by dividing the compensation payable for the quarter by the fair value of the Class A units at the end of each respective quarter. No Class A units were granted to the Board of Directors during the year ended December 31, 2024 and December 31, 2023, respectively.

(in thousands of U.S. dollars unless stated otherwise)

Class B Unit Incentive Plan

In February 2021, the Company's parent, BBAI Ultimate Holdings, LLC ("*Parent*") adopted a compensatory benefit plan (the *"Class B Unit Incentive Plan"*) to provide incentives to directors, managers, officers, employees, consultants, advisors and/or other service providers of the Company's Parent or its Subsidiaries in the form of the Parent's Class B Units (*"Incentive Units"*). Incentive Units have a participation threshold of $1.00 and are divided into three tranches (*"Tranche I," "Tranche II," and "Tranche III"*). Tranche I Incentive Units are subject to performance-based, service-based and market-based conditions. The grant date fair value for the Incentive Units was $5.19 per unit.

The assumptions used in determining the fair value of the Incentive Units at the grant date are as follows:

	February 16, 2021
Volatility	57.0%
Risk-free interest rate	0.1%
Expected time to exit (in years)	1.6

On July 29, 2021, the Company's Parent amended the Class B Unit Incentive Plan so that the Tranche I and the Tranche III Incentive Units immediately became fully vested, subject to continued employment or provision of services, upon the closing of the transaction stipulated in the Agreement and Plan of Merger (the *"Gig Business Combination Agreement"*) dated June 4, 2021. The Company's Parent also amended the Class B Unit Incentive Plan so that the Tranche II Incentive Units will vest on any liquidation event, as defined in the Class B Unit Incentive Plan, rather than only upon the occurrence of an Exit Sale, subject to the market-based condition stipulated in the Class B Unit Incentive Plan prior to its amendment.

Equity-based compensation for awards with performance conditions is based on the probable outcome of the related performance condition. The performance conditions required to vest per the amended Incentive Plan remain improbable until they occur due to the unpredictability of the events required to meet the vesting conditions. As such events are not considered probable until they occur, recognition of equity-based compensation for the Incentive Units is deferred until the vesting conditions are met. Once the event occurs, unrecognized compensation cost associated with the performance-vesting Incentive Units (based on their modification date fair value) will be recognized based on the portion of the requisite service period that has been rendered.

The modification date fair value of the Incentive Units was $9.06 per unit. The assumptions used in determining the fair value of the Incentive Units at the modification date are as follows:

	July 29, 2021
Volatility	46.0%
Risk-free interest rate	0.2%
Expected time to exit (in years)	1.2

The volatility used in the determination of the fair value of the Incentive Units was based on analysis of the historical volatility of guideline public companies and factors specific to the Company.

On December 7, 2021, the previously announced Gig Business Combination was consummated. As a result, the Tranche I and Tranche III Incentive Units immediately became fully vested and the performance condition for the Tranche II Incentive Units was met. The fair value determined at the date of the amendment of the Class B Unit Incentive Plan was immediately recognized as compensation expense on the vesting date for Tranches I and III. Compensation expense for the Tranche II Incentive Units is recognized over the derived service period of 30 months from the modification date. The remaining compensation expense for the Tranche II Incentive Units will be recognized over the remaining service period of approximately 25 months from the date of the amendment. During the year ended December 31, 2022, the Company's Parent modified the vesting conditions for four former employees. Under the original terms of the grant agreements, Incentive Units are forfeited upon separation. Due to the amended agreement, the Incentive Units held by the former employees are no longer contingent upon service and are considered vested as of the separation dates. The former employees will not receive the awards until the market condition is achieved. The result of the amended agreement is an accounting modification that resulted in 100% of the compensation expense being recognized for the former employees based on the modification date fair value. The incremental compensation cost recognized as a result of the modification was $1.5 million during the year ended December 31, 2022.

(in thousands of U.S. dollars unless stated otherwise)

The table below presents the activity in Tranche II of the Incentive Units:

Unvested as of December 31, 2022	1,295,000
Forfeited	(140,000)
Unvested as of December 31, 2023	1,155,000
Unvested as of December 31, 2024	1,155,000

As of December 31, 2024, there was no unrecognized compensation cost related to Tranche II Incentive Units.

Stock Options

On December 7, 2021, the Company adopted the BigBear.ai Holdings, Inc. 2021 Long-Term Incentive Plan (the *"Plan"*). The purpose of the Plan is to promote the long-term success of the Company and the creation of stockholder value by providing eligible employees, prospective employees, consultants and non-employee directors of the Company the opportunity to receive stock- and cash-based incentive awards.

During the year ended December 31, 2023, pursuant to the Plan, the Company's Board of Directors granted certain grantees Stock Options to purchase shares of the Company's common stock at a weighted-average exercise price of $2.01. The Stock Options vest over four years with 25% vesting on the one year anniversary of the grant date and then 6.25% per each quarter thereafter during years two, three and four. Vesting is contingent upon continued employment or service to the Company and is accelerated in the event of death, disability, or a change in control, subject to certain conditions; both the vested and unvested portion of a Grantee's Stock Options will be immediately forfeited and cancelled if the Grantee ceases employment or service to the Company. The Stock Options expire on the 10th anniversary of the grant date.

There were no stock options granted during the year ended December 31, 2024.

The table below presents the fair value of the Stock Options granted during the year-ended December 31, 2023 using the Black-Scholes OPM and the following assumptions:

	December 31, 2023
Number of Stock Options granted	3,153,641
Price of common stock on the grant date	$1.90 to $2.74
Expected option term (in years)	5.80 to 6.20
Expected volatility[(1)]	96.8% to 127.9%
Risk-free rate of return	3.3% to 4.1%
Expected annual dividend yield	— %
Fair value of the Stock Options on the grant date	$1.51 to $2.29

(1) Expected volatility is based on a combination of implied and historical equity volatility of selected reasonably similar publicly traded companies.

(in thousands of U.S. dollars unless stated otherwise)

The table below presents the activity of outstanding stock options:

	Stock Options Outstanding	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2022	2,982,893	$ 2.89	9.64	$ —
Granted	3,153,641	2.01		
Vested	—	—		
Exercised	(12,102)	1.32		
Forfeited	(875,410)	3.45		
Expired	(121,349)	7.98		
Outstanding as of December 31, 2023	5,127,673	$ 2.14	9.03	$ 2,209
Granted	—	—		
Vested	—	—		
Exercised	(292,496)	1.44		
Forfeited	(826,308)	2.35		
Expired	(78,267)	3.08		
Outstanding as of December 31, 2024	3,930,602	$ 2.12	8.01	$ 10,138
Vested and exercisable as of December 31, 2024	2,006,781	$ 2.27	7.91	$ 5,121

The stock options had $10.1 million intrinsic value as of December 31, 2024. The Company recognizes equity-based compensation expense for the stock options equal to the fair value of the awards on a straight-line basis over the service based vesting period. As of December 31, 2024, there was approximately $2.0 million of unrecognized compensation costs related to the stock options, which is expected to be recognized over the remaining weighted average period of 1.34 years.

Restricted Stock Units

During the year ended December 31, 2024, pursuant to the Plan, the Company's Board communicated the key terms and committed to grant Restricted Stock Units (*"RSUs"*) to certain employees and certain nonemployee directors and consultants. The Company granted 10,026,914 RSUs to employees and 614,866 RSUs to nonemployee directors during the year ended December 31, 2024. RSUs granted to employees generally vest over four years, with 25% vesting on the one year anniversary of the grant date and then 6.25% per each quarter thereafter on the two, three and four year anniversary of the grant date. RSUs granted to nonemployee directors vest 25% each quarter following the grant date or 100% upon the first anniversary of the grant date. Vesting of RSUs is accelerated in the event of death, disability, or a change in control, subject to certain conditions.

The table below presents the activity in the RSUs:

	RSUs Outstanding	Weighted-Average Grant Date Fair Value Per Share
Unvested as of December 31, 2022	7,595,185	$ 2.35
Granted	9,336,171	2.03
Vested	(4,146,826)	1.84
Forfeited	(2,732,417)	2.91
Unvested as of December 31, 2023	10,052,113	$ 2.11
Granted	10,641,780	2.10
Vested	(4,671,720)	2.18
Forfeited	(2,151,771)	2.29
Unvested as of December 31, 2024	13,870,402	$ 1.94

(in thousands of U.S. dollars unless stated otherwise)

As of December 31, 2024, there was approximately $23.3 million of unrecognized compensation costs related to the RSUs, which is expected to be recognized over the remaining weighted average period of 1.46 years.

Performance Stock Units

Pursuant to the Plan, the Company's Board communicated the key terms and granted Performance Stock Units (*"PSUs"*) to certain employees. The Company grants PSUs to certain employees with performance measures specific to the role of that employee or as a retention incentive ("*Discretionary PSUs*"). During the year ended December 31, 2024, the Company granted 1,943,363 Discretionary PSUs. The Company also granted 1,759,783 Short-term Incentive PSUs ("*STI PSUs*") to employees, which contain performance measures based on a combination of Company's financial performance as well as the individual's personal performance. The number of Discretionary PSUs and STI PSUs that will vest is based on the achievement of the performance criteria during each respective annual measurement period, provided that the employees remain in continuous service on each vesting date. Vesting will not occur unless a minimum performance criteria threshold is achieved.

The table below presents the activity in the PSUs:

	PSUs Outstanding	Weighted-Average Grant Date Fair Value Per Share
Unvested as of December 31, 2022	287,500	$ 4.86
Granted	3,370,623	1.82
Vested	(568,824)	2.21
Forfeited	(503,468)	3.73
Unvested as of December 31, 2023	2,585,831	$ 1.70
Granted	3,703,146	5.00
Vested	(2,559,844)	1.45
Forfeited	(795,517)	6.61
Unvested as of December 31, 2024	2,933,616	$ 2.88

As of December 31, 2024, there was approximately $3.3 million of unrecognized compensation costs related to the Discretionary PSUs and STI PSUs, which is expected to be recognized over the remaining average period of 0.64 years.

Employee Share Purchase Plan ("ESPP")

Concurrently with the adoption of the Plan, the Company's Board adopted the 2021 Employee Stock Purchase Plan (the "*ESPP*"), which authorizes the grant of rights to purchase common stock of the Company to employees, officers and directors (if they are otherwise employees) of the Company. As of December 31, 2024, the Company reserved an aggregate of 3,316,677 common shares (subject to annual increases on January 1 of each year and ending in 2031) of the Company's common stock for grants under the ESPP. During the year ended December 31, 2024, 1,078,030 shares were sold under the ESPP. As of December 31, 2024, the Company has withheld employee contributions of $0.2 million for future ESPP purchases, which are presented on the consolidated balance sheets within other current liabilities.

Equity-based compensation expense related to purchase rights issued under the ESPP is based on the Black-Scholes OPM fair value of the estimated number of awards as of the beginning of the offering period. Equity-based compensation expense is recognized using the straight-line method over the offering period.

The table below presents the assumptions used to estimate the grant date fair value of the purchase rights under the ESPP:

	Year Ended December 31,	
	2024	2023
Price of common stock on the grant date	$1.50 to $2.20	$1.80 to $2.09
Expected term (in years)	0.50	0.50
Expected volatility(1)	122.9% to 101.0%	94.9% to 162.2%
Risk-free rate of return	5.3% to 4.3%	5.3% to 5.4%
Expected annual dividend yield	—%	—%
Fair value of the award on the grant date	$0.74 to $2.15	$0.75 to $1.23

(1) Expected volatility is based on a combination of implied and historical equity volatility of selected reasonably similar publicly traded companies.

As of December 31, 2024, there was approximately $0.2 million of unrecognized compensation costs related to the ESPP, which is expected to be recognized over the remaining weighted average period of 0.16 years.

Equity-based Compensation Expense

The table below presents the total equity-based compensation expense recognized for Incentive Units, stock options, RSUs, PSUs and ESPP in selling, general and administrative expense, cost of revenues and research and development for the following periods:

The table below presents the total equity-based compensation expense recognized for Class A Units, Class B Units, Stock Options, RSUs, PSUs, and ESPP in selling, general and administrative expense, cost of revenues, and research and development for the following periods:

	Year Ended December 31,		
	2024	2023	2022
Equity-based compensation expense in selling, general and administrative	$ 12,088	$ 11,349	$ 7,359
Equity-based compensation expense in cost of revenues	6,274	5,446	$ 3,172
Equity-based compensation expense in research and development	2,765	1,876	334
Total equity-based compensation expense	$ 21,127	$ 18,671	$ 10,865

Note 20—Net Loss Per Share

The numerators and denominators of the basic and diluted net loss per share are computed as follows (in thousands, except per share, unit and per unit data):

	Year Ended December 31,		
Basic and diluted net loss per share	2024	2023 (as restated)	2022 (as restated)
Numerator:			
Net loss	$ (295,547)	$ (70,657)	$ (111,367)
Denominator:			
Weighted average shares outstanding—basic and diluted	233,604,500	149,234,917	127,698,478
Basic and diluted net loss per share	$ (1.27)	$ (0.47)	$ (0.87)

(in thousands of U.S. dollars unless stated otherwise)

The following securities were not included in the computation of diluted shares outstanding because the effect would be anti-dilutive:

	Year Ended December 31,		
	2024	2023	2022
Stock options	4,086,187	5,005,889	2,982,268
Private warrants	140,726	174,894	210,642
Public warrants	12,185,046	12,150,878	12,115,130
2023 PIPE warrants	—	13,888,889	—
2024 PIPE warrants	9,000,000	—	—
2023 RDO warrants	—	8,886,255	—
2024 RDO warrants	5,800,000	—	—
2026 Convertible notes	99,867	18,844,600	18,844,600
2029 Convertible notes	51,317,177	—	—
PSUs	793,781	678,552	287,500
RSUs	4,723,239	9,359,923	7,595,185
ESPP	1,288,536	1,128,675	3,482,791
Total	89,434,559	70,118,555	45,518,116

Note 21—Revenues

Substantially all revenues were generated within the United States of America.

The table below presents total revenues by contract type for the following periods:

	Year Ended December 31,		
	2024	2023	2022
Time and materials	$ 88,740	$ 85,734	$ 102,255
Firm fixed price	46,259	50,100	35,939
Cost-reimbursable	23,237	19,330	16,817
Total revenues	$ 158,236	$ 155,164	$ 155,011

The majority of the Company's revenue is recognized over time. Revenue derived from contracts that recognize revenue at a point in time was insignificant for all periods presented.

The table below summarizes the activity in the allowance for expected credit losses:

	Year Ended December 31,		
	2024	2023	2022
Beginning balance	$ 230	$ 98	$ 43
Additions	125	1,739	244
Write-offs	(228)	(1,607)	(189)
Recoveries	—	—	—
Ending balance	$ 127	$ 230	$ 98

Concentration of Risk

Revenue earned from customers contributing in excess of 10% of total revenues are presented in the tables below for the following periods:

(in thousands of U.S. dollars unless stated otherwise)

	Year Ended December 31, 2024	
	Total	Percent of total revenues
Customer A	$ 21,284	13 %
Customer B	25,681	16 %
Customer C	18,731	12 %
Customer D(1)	—	— %
Customer E	16,840	11 %
All others	75,700	48 %
Total revenues	$ 158,236	100 %

	Year Ended December 31, 2023	
	Total	Percent of total revenues
Customer A	$ 33,266	21 %
Customer B	24,560	16 %
Customer C	18,143	12 %
Customer D(1)	14,197	9 %
Customer E(1)	—	— %
All others	64,998	42 %
Total revenues	$ 155,164	100 %

	Year Ended December 31, 2022	
	Total	Percent of total revenues
Customer A	$ 29,413	19 %
Customer B(1)	9,751	6 %
Customer C	17,426	11 %
Customer D	29,087	19 %
Customer E(1)	—	— %
All others	69,334	45 %
Total revenues	$ 155,011	100 %

(1) Customers that contributed in excess of 10% of consolidated revenues in any period presented have been included in all periods presented for comparability.

Contract Balances

The table below presents the contract assets and contract liabilities included on the consolidated balance sheets for the following periods:

	December 31, 2024	December 31, 2023
Contract assets	$ 895	$ 4,822
Contract liabilities	$ 2,541	$ 879

The change in contract assets between December 31, 2023 and December 31, 2024 was primarily driven by invoices being issued for services previously rendered. The change in contract liability balances between December 31, 2023 and December 31, 2024 was primarily driven by upfront payments for services yet to be rendered to customers. Revenue recognized in the year ended December 31, 2024 that was included in the contract liability balance as of December 31, 2023 was $0.9 million.

When the Company's estimate of total costs to be incurred to satisfy a performance obligation exceeds the expected revenue, the Company recognizes the loss immediately. When the Company determines that a change in estimate has an impact on the associated profit of a performance obligation, the Company records the cumulative positive or negative adjustment in the consolidated statements of operations. Changes in estimates and assumptions related to the status of certain long-term contracts may have a material effect on the Company's operating results.

(in thousands of U.S. dollars unless stated otherwise)

The following table summarizes the impact of the net estimates at completion (*"EAC"*) adjustments on the Company's operating results:

	Year Ended December 31,		
	2024	2023	2022
Net EAC Adjustments, before income taxes	$ 626	$ 593	$ 1,598
Net EAC Adjustments, net of income taxes	$ 495	$ 468	$ 1,262
Net EAC Adjustments, net of income taxes, per diluted share	$ —	$ —	$ 0.01

Remaining Performance Obligations

The Company includes in its computation of remaining performance obligations customer orders for which it has accepted signed sales orders and generally includes the funded and unfunded components of contracts that have been awarded. As of December 31, 2024, the aggregate amount of the transaction price allocated to remaining performance obligations was $119.0 million. The Company expects to recognize approximately 98% of its remaining performance obligations as revenue within the next 12 months and the balance thereafter.

Note 22—Segments

The Company has determined that it operates in a single operating and reportable segment, as the Chief Operating Decision Maker ("*CODM*") reviews financial information presented on a consolidated basis for purposes of making operating decisions, allocating resources, and evaluating financial performance. The Company's CODM is its Chief Executive Officer.

Consolidated net loss is the primary measure of segment profitability used by the CODM to assess performance and to allocate resources to the segment. The Company's significant segment expenses, which reflects segment-level information that is regularly provided to the CODM, consist of adjusted cost of revenues, adjusted selling and marketing, adjusted general and administrative, and adjusted research and development. Other material segment expenses and other segment items are presented to reconcile significant segment expenses to consolidated net income.

(in thousands of U.S. dollars unless stated otherwise)

The tables below present the Company’s operating segment results of operations for the following periods:

	Year Ended December 31,		
	2024	2023	2022
Revenues	$ 158,236	$ 155,164	$ 155,011
Less significant segment expenses:			
Adjusted cost of revenues	105,818 [a]	109,117 [f]	108,846 [f]
Adjusted selling and marketing	4,728 [b]	5,299 [b]	6,664 [b]
Adjusted general and administrative	41,891 [c]	40,793 [g]	53,690 [i]
Adjusted research and development	8,096 [d]	3,159 [d]	3,658 [j]
Goodwill impairment	85,000	—	53,544
Equity-based compensation expense	21,127	18,671	10,865
Net increase (decrease) in fair value of derivatives	107,658	7,361	(21,387)
Interest income	(2,293)	(392)	—
Interest expense	25,647	24,877	24,092
Depreciation and amortization	11,873	7,901	7,758
Loss on extinguishment of debt	31,272	—	—
Other segment items	12,966 [e]	9,035 [h]	18,648 [k]
Consolidated net loss	**$ (295,547)**	**$ (70,657)**	**$ (111,367)**

[a] Adjusted cost of revenues consists of cost of revenues adjusted to remove amortization expense and equity-based compensation expense.

[b] Adjusted selling and marketing consists of selling and marking costs adjusted to remove equity-based compensation expense.

[c] Adjusted general and administrative consists of general and administrative costs adjusted to remove depreciation and amortization costs, equity-based compensation expense, employer payroll taxes related to equity-based compensation, non-recurring strategic initiatives costs, non-recurring integration costs, and non-recurring litigation expenses.

[d] Adjusted research and development expenses consists of research and development costs adjusted to remove equity-based compensation expense.

[e] Other segment items included in consolidated net income includes employer payroll taxes related to equity-based compensation, non-recurring strategic initiatives costs, non-recurring integration costs, non-recurring litigation costs, restructuring charges, transaction expenses, income tax expense, and other income and expense.

[f] Adjusted cost of revenues consists of cost of revenues adjusted to remove equity-based compensation expense.

[g] Adjusted general and administrative consists of general and administrative costs adjusted to remove depreciation and amortization costs, equity-based compensation expense, employer payroll taxes related to equity-based compensation, non-recurring strategic initiatives costs, and non-recurring litigation expenses.

[h] Other segment items included in consolidated net income includes employer payroll taxes related to equity-based compensation, non-recurring strategic initiatives costs, non-recurring litigation costs, restructuring charges, transaction expenses, income tax expense, and other income and expense.

[i] Adjusted general and administrative consists of general and administrative costs adjusted to remove depreciation and amortization costs, equity-based compensation expense, non-recurring integration costs, capital market advisory fees, and commercial start-up costs.

(in thousands of U.S. dollars unless stated otherwise)

[j] Adjusted research and development expenses consists of research and development costs adjusted to remove equity-based compensation expense and commercial start-up costs.

[k] Other segment items included in consolidated net income includes non-recurring integration costs, capital market advisory fees, commercial start-up costs, restructuring charges, transaction expenses, income tax expense, and other income and expense.

Note 23—Related Party Transactions

The table below presents the total amount of compensation expense, including equity-based compensation related to the RSUs, the Company paid or accrued for Board members which is included in selling, general and administrative expenses within the consolidated statements of operations for the following periods:

	Year Ended December 31,		
	2024	2023	2022
Total compensation expense paid or accrued for Board members	$ 1,659	$ 1,542	$ 2,272
RSU expense for Board members included in total compensation expense	$ 1,464	$ 1,201	$ 1,218

Note 24—Subsequent Events

Warrants

On February 5, 2025, the Company entered into a warrant exercise agreement with an existing accredited investor to exercise in full an outstanding Common Stock Purchase Warrant to purchase up to an aggregate of 5,800,000 shares of the Company's common stock. In consideration for the immediate and full exercise of the existing warrant for cash, the investor received a new unregistered Common Stock Purchase Warrant to purchase up to an aggregate of 3,770,000 shares of the Company's common stock (the "New Warrant") in a private placement.

The New Warrant will become exercisable commencing any time on or after August 6, 2025 (the "Exercise Date") with an expiration date five years after the Exercise Date with an exercise price per share equal to $9.00. The gross proceeds to the Company from the exercise were $21.9 million, prior to deducting estimated offering expenses.

During the quarter ended March 31, 2025, an existing accredited investor exercised a Common Stock Purchase Warrant and purchased 9,000,000 shares of the Company's common stock for gross proceeds of $42.8 million.

2029 Convertible Notes

As of the date of this filing, approximately $57.7 million of the 2029 Convertible Notes have been voluntarily converted by noteholders following the Exchange Transaction. These conversions have resulted in the issuance of approximately 16.7 million shares of common stock in exchange for the retirement of the respective notes.

Note 25—Restatement of Quarterly Financial Information (Unaudited)

As described in Note 2—Restatement of Previously Issued Financial Statements, for the period ended December 31, 2024, management identified a material error in the previously reported financial statements related to its convertible notes issued in December 2021 and due in December 2026 ("*2026 Notes*"). The conversion option embedded within the 2026 Notes was incorrectly deemed to be eligible for a scope exception from the bifurcation requirements of ASC 815-15 and therefore requires bifurcation as a derivative ("*2026 Notes Conversion Option*"). The 2026 Notes include certain adjustments to the conversion rate that violate the "fixed-for-fixed" criteria described in Accounting Standards Codification ("*ASC"*) 815-40. As a result, the consolidated financial statements have been restated to reflect the issuance of the 2026 Notes Conversion Option at fair value as of December 7, 2021 and the subsequent remeasurement to fair value at each reporting date. The following tables present the effect of the restatement on the Company's previously reported:

- unaudited condensed consolidated balance sheets as of March 31, 2023, June 30, 2023, and September 30, 2023;
- unaudited condensed consolidated balance sheets as of March 31, 2024, June 30, 2024, and September 30, 2024;
- unaudited condensed consolidated statements of operations for the three months ended March 31, 2023, the three months and six months ended June 30, 2023, and the three months and nine months ended September 30, 2023;
- unaudited condensed consolidated statements of operations for the three months ended March 31, 2024, the three months and six months ended June 30, 2024, and the three months and nine months ended September 30, 2024;
- unaudited condensed consolidated statements of cash flows for the three months ended March 31, 2023, the six months ended June 30, 2023, and the nine months ended September 30, 2023; and
- unaudited condensed consolidated statements of cash flows for the three months ended March 31, 2024, the six months ended June 30, 2024, and the nine months ended September 30, 2024.

The values as previously reported were derived from the previously filed Quarterly Reports on Form 10-Q for the periods ended March 31, 2023, June 30, 2023, September 30, 2023, March 31, 2024, June 30, 2024, and September 30, 2024. These restatements do not result in a reclassification between cash flows from operating activities, cash flows from investing activities, or cash flows from financing activities in the unaudited condensed consolidated statements of cash flows for the periods presented. The restatements only impact net loss and accumulated other comprehensive loss in the unaudited condensed consolidated statements of changes in stockholders' equity in the periods presented.

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Unaudited Condensed Consolidated Balance Sheets	Notes	March 31, 2023 As previously reported	March 31, 2023 Restatement adjustments	March 31, 2023 As restated	June 30, 2023 As previously reported	June 30, 2023 Restatement adjustments	June 30, 2023 As restated	September 30, 2023 As previously reported	September 30, 2023 Restatement adjustments	September 30, 2023 As restated
Assets										
Current assets:										
Cash and cash equivalents		$ 21,827	$ —	$ 21,827	$ 29,923	$ —	$ 29,923	$ 32,184	$ —	$ 32,184
Accounts receivable, net		32,678	—	32,678	36,269	—	36,269	29,030	—	29,030
Contract assets		2,427	—	2,427	346	—	346	452	—	452
Prepaid expenses and other current assets		8,775	—	8,775	5,042	—	5,042	4,104	—	4,104
Total current assets		**65,707**	**—**	**65,707**	**71,580**	**—**	**71,580**	**65,770**	**—**	**65,770**
Non-current assets:										
Property and equipment, net		1,308	—	1,308	1,199	—	1,199	1,095	—	1,095
Goodwill		48,683	—	48,683	48,683	—	48,683	48,683	—	48,683
Intangible assets, net		83,816	—	83,816	81,948	—	81,948	82,823	—	82,823
Right-of-use assets		4,491	—	4,491	4,341	—	4,341	4,188	—	4,188
Deferred tax assets		51	—	51	—	—	—	—	—	—
Other non-current assets		509	—	509	469	—	469	452	—	452
Total Assets		**$ 204,565**	**$ —**	**$ 204,565**	**$ 208,220**	**$ —**	**$ 208,220**	**$ 203,011**	**$ —**	**$ 203,011**
Liabilities and stockholders' equity (deficit)										
Current liabilities:										
Accounts payable		$ 10,508	$ —	$ 10,508	$ 7,298	$ —	$ 7,298	$ 9,076	$ —	$ 9,076
Short-term debt, including current portion of long-term debt		1,296	—	1,296	522	—	522	—	—	—
Accrued liabilities		18,271	—	18,271	15,630	—	15,630	15,460	—	15,460
Contract liabilities		2,347	—	2,347	2,000	—	2,000	2,320	—	2,320
Current portion of long-term lease liabilities		810	—	810	850	—	850	803	—	803
Derivative liabilities	i	25,469	3,000	28,469	44,126	2,309	46,435	28,467	699	29,166
Other current liabilities		2,136	—	2,136	1,355	—	1,355	871	—	871
Total current liabilities		**60,837**	**3,000**	**63,837**	**71,781**	**2,309**	**74,090**	**56,997**	**699**	**57,696**
Non-current liabilities:										
Long-term debt	ii	192,807	(46,267)	146,540	193,296	(43,641)	149,655	193,784	(40,914)	152,870
Long-term leases		4,906	—	4,906	4,714	—	4,714	4,517	—	4,517
Deferred tax liabilities	iii	54	613	667	2	613	615	2	613	615
Total liabilities		**258,604**	**(42,654)**	**215,950**	**269,793**	**(40,719)**	**229,074**	**255,300**	**(39,602)**	**215,698**
Stockholders' equity (deficit):										
Common stock		16	—	16	17	—	17	17	—	17
Additional paid in capital		282,573	—	282,573	291,933	—	291,933	297,218	—	297,218
Treasury stock		(57,350)	—	(57,350)	(57,350)	—	(57,350)	(57,350)	—	(57,350)
Accumulated deficit	iv	(279,278)	42,654	(236,624)	(296,173)	40,719	(255,454)	(292,174)	39,602	(252,572)
Total stockholders' equity (deficit)		**(54,039)**	**42,654**	**(11,385)**	**(61,573)**	**40,719**	**(20,854)**	**(52,289)**	**39,602**	**(12,687)**
Total liabilities and stockholders' equity (deficit)		**$ 204,565**	**$ —**	**$ 204,565**	**$ 208,220**	**$ —**	**$ 208,220**	**$ 203,011**	**$ —**	**$ 203,011**

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Unaudited Condensed Consolidated Balance Sheets	Notes	March 31, 2024 As previously reported	March 31, 2024 Restatement adjustments	March 31, 2024 As restated	June 30, 2024 As previously reported	June 30, 2024 Restatement adjustments	June 30, 2024 As restated	September 30, 2024 As previously reported	September 30, 2024 Restatement adjustments	September 30, 2024 As restated
Assets										
Current assets:										
Cash and cash equivalents		$ 81,412	$ —	$ 81,412	$ 72,266	$ —	$ 72,266	$ 65,584	$ —	$ 65,584
Accounts receivable, net		36,584	—	36,584	33,944	—	33,944	32,464	—	32,464
Contract assets		2,379	—	2,379	1,041	—	1,041	1,914	—	1,914
Prepaid expenses and other current assets		4,661	—	4,661	4,519	—	4,519	4,222	—	4,222
Total current assets		**125,036**	**—**	**125,036**	**111,770**	**—**	**111,770**	**104,184**	**—**	**104,184**
Non-current assets:										
Property and equipment, net		1,570	—	1,570	1,586	—	1,586	1,519	—	1,519
Goodwill		119,769	—	119,769	118,621	—	118,621	118,621	—	118,621
Intangible assets, net		120,444	—	120,444	118,197	—	118,197	119,257	—	119,257
Right-of-use assets		9,701	—	9,701	9,620	—	9,620	9,430	—	9,430
Other non-current assets		1,107	—	1,107	1,089	—	1,089	1,072	—	1,072
Total Assets		**$ 377,627**	**$ —**	**$ 377,627**	**$ 360,883**	**$ —**	**$ 360,883**	**$ 354,083**	**$ —**	**$ 354,083**
Liabilities and stockholders' equity (deficit)										
Current liabilities:										
Accounts payable		$ 6,215	$ —	$ 6,215	$ 7,128	$ —	$ 7,128	$ 4,249	$ —	$ 4,249
Short-term debt, including current portion of long-term debt		826	—	826	417	—	417	—	—	—
Accrued liabilities		21,516	—	21,516	20,375	—	20,375	26,356	—	26,356
Contract liabilities		3,853	—	3,853	3,496	—	3,496	2,082	—	2,082
Current portion of long-term lease liabilities		848	—	848	1,077	—	1,077	1,075	—	1,075
Derivative liabilities	i	24,956	306	25,262	17,074	107	17,181	15,796	55	15,851
Other current liabilities		4,856	—	4,856	3,748	—	3,748	1,027	—	1,027
Total current liabilities		**63,070**	**306**	**63,376**	**53,315**	**107**	**53,422**	**50,585**	**55**	**50,640**
Non-current liabilities:										
Long-term debt	ii	194,761	(35,288)	159,473	195,250	(32,387)	162,863	195,738	(29,376)	166,362
Long-term leases		11,300	—	11,300	9,562	—	9,562	9,327	—	9,327
Deferred tax liabilities	iii	14	291	305	—	291	291	—	291	291
Total liabilities		**269,145**	**(34,691)**	**234,454**	**258,127**	**(31,989)**	**226,138**	**255,650**	**(29,030)**	**226,620**
Stockholders' equity (deficit):										
Common stock		25	—	25	25	—	25	25	—	25
Additional paid in capital		604,384	—	604,384	610,395	—	610,395	618,256	—	618,256
Treasury stock		(57,350)	—	(57,350)	(57,350)	—	(57,350)	(57,350)	—	(57,350)
Accumulated deficit	iv	(438,577)	34,691	(403,886)	(450,314)	31,989	(418,325)	(462,490)	29,030	(433,460)
Accumulated other comprehensive income		—	—	—	—	—	—	(8)	—	(8)
Total stockholders' equity (deficit)		**108,482**	**34,691**	**143,173**	**102,756**	**31,989**	**134,745**	**98,433**	**29,030**	**127,463**
Total liabilities and stockholders' equity (deficit)		**$ 377,627**	**$ —**	**$ 377,627**	**$ 360,883**	**$ —**	**$ 360,883**	**$ 354,083**	**$ —**	**$ 354,083**

Description of restatement adjustments in the unaudited condensed consolidated balance sheets:

i. The increase in derivative liabilities relates to the adjustments to record changes in fair value of the 2026 Notes Conversion Option.

ii. The decreases in long-term debt, net relates to the adjustments to reflect the debt issuance discount resulting from the bifurcation of the 2026 Notes Conversion Option derivative as of December 7, 2021. The initial discount of $59.1 million has been reduced by cumulative amortization of the debt issuance discount.

iii. The increase in deferred tax liabilities is related to the impact to income tax provision as a result of adjustments to restate prior annual periods.

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iv. The increase in accumulated deficit is related to a decrease in net loss due to the adjustments mentioned above and an increase of $47.6 million in the beginning balance of the accumulated deficit as of January 1, 2023.

Unaudited Condensed Consolidated Statements of Operations	Notes	Three months ended March 31, 2023			Three months ended June 30, 2023			Three months ended September 30, 2023		
		As previously reported	Restatement adjustments	As restated	As previously reported	Restatement adjustments	As restated	As previously reported	Restatement adjustments	As restated
Revenues		$ 42,154	$ —	$ 42,154	$ 38,459	$ —	$ 38,459	$ 33,988	$ —	$ 33,988
Cost of revenues		31,941	—	31,941	29,496	—	29,496	25,579	—	25,579
Gross margin		**10,213**	**—**	**10,213**	**8,963**	**—**	**8,963**	**8,409**	**—**	**8,409**
Operating expenses:										
Selling, general and administrative		20,362	—	20,362	16,930	—	16,930	15,533	—	15,533
Research and development		1,128	—	1,128	2,225	—	2,225	(349)	—	(349)
Restructuring charges		755	—	755	25	—	25	—	—	—
Transaction expenses		—	—	—	—	—	—	1,437	—	1,437
Goodwill impairment		—	—	—	—	—	—	—	—	—
Operating loss		**(12,032)**	**—**	**(12,032)**	**(10,217)**	**—**	**(10,217)**	**(8,212)**	**—**	**(8,212)**
Interest expense	i	3,556	2,528	6,084	3,560	2,626	6,186	3,540	2,727	6,267
Net increase (decrease) in fair value of derivatives	ii	10,567	2,445	13,012	3,121	(691)	2,430	(15,659)	(1,610)	(17,269)
Loss on extinguishment of debt		—	—	—	—	—	—	—	—	—
Other (income) expense		—	—	—	—	—	—	(87)	—	(87)
Loss before taxes		**(26,155)**	**(4,973)**	**(31,128)**	**(16,898)**	**(1,935)**	**(18,833)**	**3,994**	**(1,117)**	**2,877**
Income tax expense (benefit)		59	—	59	(3)	—	(3)	(5)	—	(5)
Net loss		**$ (26,214)**	**$ (4,973)**	**$ (31,187)**	**$ (16,895)**	**$ (1,935)**	**$ (18,830)**	**$ 3,999**	**$ (1,117)**	**$ 2,882**
Basic and diluted net loss per share		$ (0.19)	$ (0.04)	$ (0.23)	$ (0.12)	$ (0.01)	$ (0.13)	$ 0.03	$ (0.01)	$ 0.02
Other comprehensive income										
Foreign currency translation		—	—	—	—	—	—	—	—	—
Total other comprehensive income		—	—	—	—	—	—	—	—	—
Total comprehensive loss		**$ (26,214)**	**$ (4,973)**	**$ (31,187)**	**$ (16,895)**	**$ (1,935)**	**$ (18,830)**	**$ 3,999**	**$ (1,117)**	**$ 2,882**

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Unaudited Condensed Consolidated Statements of Operations	Notes	Six months ended June 30, 2023 As previously reported	Six months ended June 30, 2023 Restatement adjustments	Six months ended June 30, 2023 As restated	Nine months ended September 30, 2023 As previously reported	Nine months ended September 30, 2023 Restatement adjustments	Nine months ended September 30, 2023 As restated	Three months ended December 31, 2023 As previously reported	Three months ended December 31, 2023 Restatement adjustments	Three months ended December 31, 2023 As restated
Revenues		$ 80,613	$ —	$ 80,613	$ 114,601	$ —	$ 114,601	$ 40,563	$ —	$ 40,563
Cost of revenues		61,437	—	61,437	87,016	—	87,016	27,547	—	27,547
Gross margin		**19,176**	**—**	**19,176**	**27,585**	**—**	**27,585**	**13,016**	**—**	**13,016**
Operating expenses:										
Selling, general and administrative		37,292	—	37,292	52,825	—	52,825	18,232	—	18,232
Research and development		3,353	—	3,353	3,004	—	3,004	2,031	—	2,031
Restructuring charges		780	—	780	780	—	780	42	—	42
Transaction expenses		—	—	—	1,437	—	1,437	1,284	—	1,284
Goodwill impairment		—	—	—	—	—	—	—	—	—
Operating loss		**(22,249)**	**—**	**(22,249)**	**(30,461)**	**—**	**(30,461)**	**(8,573)**	**—**	**(8,573)**
Interest expense	i	7,116	5,154	12,270	10,656	7,881	18,537	3,544	2,796	6,340
Net increase (decrease) in fair value of derivatives	ii	13,688	1,754	15,442	(1,971)	144	(1,827)	9,395	(207)	9,188
Loss on extinguishment of debt		—	—	—	—	—	—	—	—	—
Other (income) expense		—	—	—	(87)	—	(87)	(306)	—	(306)
Loss before taxes		**(43,053)**	**(6,908)**	**(49,961)**	**(39,059)**	**(8,025)**	**(47,084)**	**(21,206)**	**(2,589)**	**(23,795)**
Income tax expense (benefit)		56	—	56	51	—	51	50	(323)	(273)
Net loss		**$ (43,109)**	**$ (6,908)**	**$ (50,017)**	**$ (39,110)**	**$ (8,025)**	**$ (47,135)**	**$ (21,256)**	**$ (2,266)**	**$ (23,522)**
Basic and diluted net loss per share		$ (0.30)	$ (0.05)	$ (0.35)	$ (0.27)	$ (0.05)	$ (0.32)	$ (0.14)	$ (0.01)	$ (0.15)
Other comprehensive income										
Foreign currency translation		—	—	—	—	—	—	—	—	—
Total other comprehensive income		—	—	—	—	—	—	—	—	—
Total comprehensive loss		**$ (43,109)**	**$ (6,908)**	**$ (50,017)**	**$ (39,110)**	**$ (8,025)**	**$ (47,135)**	**$ (21,256)**	**$ (2,266)**	**$ (23,522)**

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(in thousands of U.S. dollars unless stated otherwise)

		Three months ended March 31, 2024			Three months ended June 30, 2024		
Unaudited Condensed Consolidated Statements of Operations	**Notes**	**As previously reported**	**Restatement adjustments**	**As restated**	**As previously reported**	**Restatement adjustments**	**As restated**
Revenues		$ 33,121	$ —	$ 33,121	$ 39,783	$ —	$ 39,783
Cost of revenues		26,135	—	26,135	28,720	—	28,720
Gross margin		**6,986**	**—**	**6,986**	**11,063**	**—**	**11,063**
Operating expenses:							
Selling, general and administrative		16,948	—	16,948	23,364	—	23,364
Research and development		1,144	—	1,144	3,565	—	3,565
Restructuring charges		860	—	860	457	—	457
Transaction expenses		1,103	—	1,103	347	—	347
Goodwill impairment		85,000	—	85,000	—	—	—
Operating loss		**(98,069)**	**—**	**(98,069)**	**(16,670)**	**—**	**(16,670)**
Interest expense	i	3,555	2,830	6,385	3,551	2,901	6,452
Net increase (decrease) in fair value of derivatives	ii	23,992	(185)	23,807	(7,882)	(199)	(8,081)
Loss on extinguishment of debt		—	—	—	—	—	—
Other (income) expense		(455)	—	(455)	(617)	—	(617)
Loss before taxes		**(125,161)**	**(2,645)**	**(127,806)**	**(11,722)**	**(2,702)**	**(14,424)**
Income tax expense (benefit)		(14)	—	(14)	15	—	15
Net loss		**$ (125,147)**	**$ (2,645)**	**$ (127,792)**	**$ (11,737)**	**$ (2,702)**	**$ (14,439)**
Basic and diluted net loss per share		$ (0.67)	$ (0.01)	$ (0.68)	$ (0.05)	$ (0.01)	$ (0.06)
Other comprehensive income							
Foreign currency translation		—	—	—	—	—	—
Total other comprehensive income		—	—	—	—	—	—
Total comprehensive loss		**$ (125,147)**	**$ (2,645)**	**$ (127,792)**	**$ (11,737)**	**$ (2,702)**	**$ (14,439)**

		Six months ended June 30, 2024			Nine months ended September 30, 2024		
Unaudited Condensed Consolidated Statements of Operations	**Notes**	**As previously reported**	**Restatement adjustments**	**As restated**	**As previously reported**	**Restatement adjustments**	**As restated**
Revenues		$ 72,904	$ —	$ 72,904	$ 114,409	$ —	$ 114,409
Cost of revenues		54,855	—	54,855	85,594	—	85,594
Gross margin		**18,049**	**—**	**18,049**	**28,815**	**—**	**28,815**
Operating expenses:							
Selling, general and administrative		40,312	—	40,312	57,797	—	57,797
Research and development		4,709	—	4,709	8,529	—	8,529
Restructuring charges		1,317	—	1,317	1,317	—	1,317
Transaction expenses		1,450	—	1,450	1,450	—	1,450
Goodwill impairment		85,000	—	85,000	85,000	—	85,000
Operating loss		**(114,739)**	**—**	**(114,739)**	**(125,278)**	**—**	**(125,278)**
Interest expense	i	7,106	5,731	12,837	10,647	8,742	19,389
Net increase (decrease) in fair value of derivatives	ii	16,110	(384)	15,726	14,832	(436)	14,396
Loss on extinguishment of debt	iii	—	—	—	—	—	—
Other (income) expense		(1,072)	—	(1,072)	(1,719)	—	(1,719)
Loss before taxes		**(136,883)**	**(5,347)**	**(142,230)**	**(149,038)**	**(8,306)**	**(157,344)**
Income tax expense (benefit)		1	—	1	22	—	22
Net loss		**$ (136,884)**	**$ (5,347)**	**$ (142,231)**	**$ (149,060)**	**$ (8,306)**	**$ (157,366)**
Basic and diluted net loss per share		$ (0.63)	$ (0.03)	$ (0.66)	$ (0.65)	$ (0.04)	$ (0.69)
Other comprehensive income							
Foreign currency translation		—	—	—	(8)	—	(8)
Total other comprehensive income		—	—	—	(8)	—	(8)
Total comprehensive loss		**$ (136,884)**	**$ (5,347)**	**$ (142,231)**	**$ (149,068)**	**$ (8,306)**	**$ (157,374)**

Description of restatement adjustments in the unaudited condensed consolidated statements of operations:

i. The increases in interest expense relate to the amortization of the debt issuance discount on the 2026 Notes resulting from the bifurcation of the 2026 Notes Conversion Option derivative as of December 7, 2021.

(in thousands of U.S. dollars unless stated otherwise)

ii. The decreases in net increase (decrease) in fair value of derivatives relate to the fair value remeasurement of the 2026 Notes Conversion Option.

iii. The increase in loss on extinguishment of debt during the three months ended December 31, 2024 relates to the remaining unamortized debt issuance costs of the exchanged 2026 Notes.

		Three months ended March 31, 2023			Six months ended June 30, 2023			Nine months ended September 30, 2023		
Unaudited Condensed Consolidated Statements of Cash Flows	**Notes**	**As previously reported**	**Restatement adjustments**	**As restated**	**As previously reported**	**Restatement adjustments**	**As restated**	**As previously reported**	**Restatement adjustments**	**As restated**
Cash flows from operating activities:										
Net loss		$ (26,214)	$ (4,973)	$ (31,187)	$ (43,109)	$ (6,908)	$ (50,017)	$ (39,110)	$ (8,025)	$ (47,135)
Adjustments to reconcile net loss to net cash used in operating activities:										
Depreciation and amortization expense		1,986	—	1,986	3,965	—	3,965	5,936	—	5,936
Amortization of debt issuance costs and discount	i	500	2,528	3,028	1,006	5,154	6,160	1,512	7,881	9,393
Equity-based compensation expense		3,805	—	3,805	7,799	—	7,799	12,592	—	12,592
Non-cash lease expense		(35)	—	(35)	297	—	297	450	—	450
Provision for doubtful accounts		882	—	882	1,557	—	1,557	1,607	—	1,607
Deferred income tax expense		54	—	54	53	—	53	53	—	53
Net increase (decrease) in fair value of derivatives	ii	10,567	2,445	13,012	13,688	1,754	15,442	(1,971)	144	(1,827)
Loss on sale of property and equipment		8	—	8	8	—	8	10	—	10
Changes in assets and liabilities:										
Increase in accounts receivable		(3,469)	—	(3,469)	(7,735)	—	(7,735)	(546)	—	(546)
(Increase) decrease in contract assets		(1,115)	—	(1,115)	966	—	966	860	—	860
Decrease in prepaid expenses and other assets		1,488	—	1,488	5,244	—	5,244	6,181	—	6,181
Decrease in accounts payable		(4,914)	—	(4,914)	(8,124)	—	(8,124)	(6,346)	—	(6,346)
Increase in accrued liabilities		4,066	—	4,066	660	—	660	2,035	—	2,035
Increase (decrease) in contract liabilities		325	—	325	(22)	—	(22)	298	—	298
Increase (decrease) in other liabilities		49	—	49	(1,066)	—	(1,066)	(1,794)	—	(1,794)
Net cash used in operating activities		**(12,017)**	**—**	**(12,017)**	**(24,813)**	**—**	**(24,813)**	**(18,233)**	**—**	**(18,233)**
Cash flows from investing activities:										
Purchases of property and equipment		—	—	—	(2)	—	(2)	(2)	—	(2)
Capitalized software development costs		—	—	—	—	—	—	(2,744)	—	(2,744)
Net cash used in investing activities		**—**	**—**	**—**	**(2)**	**—**	**(2)**	**(2,746)**	**—**	**(2,746)**
Cash flows from financing activities:										
Proceeds from issuance of Private Placement and Registered Direct Offering shares		25,000	—	25,000	50,000	—	50,000	50,000	—	50,000
Payment of Private Placement and Registered Direct Offering transaction costs		(3,025)	—	(3,025)	(5,225)	—	(5,225)	(5,724)	—	(5,724)
Repayment of short-term borrowings		(763)	—	(763)	(1,537)	—	(1,537)	(2,059)	—	(2,059)
Issuance of common stock upon ESPP purchase		—	—	—	—	—	—	531	—	531
Payments of tax withholding from the issuance of common stock		—	—	—	(1,132)	—	(1,132)	(2,217)	—	(2,217)
Net cash provided by financing activities		**21,212**	**—**	**21,212**	**42,106**	**—**	**42,106**	**40,531**	**—**	**40,531**
Net increase in cash and cash equivalents		9,195	—	9,195	17,291	—	17,291	19,552	—	19,552
Cash and cash equivalents at the beginning of period		12,632	—	12,632	12,632	—	12,632	12,632	—	12,632
Cash and cash equivalents at the end of the period		**$ 21,827**	**$ —**	**$ 21,827**	**$ 29,923**	**$ —**	**$ 29,923**	**$ 32,184**	**$ —**	**$ 32,184**

BIGBEAR.AI HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of U.S. dollars unless stated otherwise)

Unaudited Condensed Consolidated Statements of Cash Flows	Notes	Three months ended March 31, 2024			Six months ended June 30, 2024			Nine months ended September 30, 2024		
		As previously reported	Restatement adjustments	As restated	As previously reported	Restatement adjustments	As restated	As previously reported	Restatement adjustments	As restated
Cash flows from operating activities:										
Net loss		$ (125,147)	$ (2,645)	$ (127,792)	$ (136,884)	$ (5,347)	$ (142,231)	$ (149,060)	$ (8,306)	$ (157,366)
Adjustments to reconcile net loss to net cash used in operating activities:										
Depreciation and amortization expense		2,439	—	2,439	5,346	—	5,346	8,740	—	8,740
Amortization of debt issuance costs and discount	i	506	2,830	3,336	1,012	5,731	6,743	1,517	8,742	10,259
Equity-based compensation expense		5,157	—	5,157	10,906	—	10,906	16,074	—	16,074
Goodwill impairment		85,000	—	85,000	85,000	—	85,000	85,000	—	85,000
Non-cash lease expense		94	—	94	363	—	363	553	—	553
Provision for doubtful accounts		171	—	171	176	—	176	220	—	220
Deferred income tax benefit		(23)	—	(23)	(37)	—	(37)	(37)	—	(37)
Net increase (decrease) in fair value of derivatives	ii	23,992	(185)	23,807	16,110	(384)	15,726	14,832	(436)	14,396
Changes in assets and liabilities:										
Increase in accounts receivable		(8,957)	—	(8,957)	(6,232)	—	(6,232)	(5,396)	—	(5,396)
Decrease in contract assets		2,443	—	2,443	3,781	—	3,781	3,078	—	3,078
Decrease in prepaid expenses and other assets		950	—	950	1,243	—	1,243	1,540	—	1,540
Decrease in accounts payable		(5,960)	—	(5,960)	(5,047)	—	(5,047)	(8,224)	—	(8,224)
Increase in accrued liabilities		2,599	—	2,599	1,652	—	1,652	7,610	—	7,610
Increase in contract liabilities		1,826	—	1,826	1,469	—	1,469	486	—	486
Increase (decrease) in other liabilities		551	—	551	(275)	—	(275)	(246)	—	(246)
Net cash used in operating activities		**(14,359)**	**—**	**(14,359)**	**(21,417)**	**—**	**(21,417)**	**(23,313)**	**—**	**(23,313)**
Cash flows from investing activities:										
Acquisition of business, net of cash acquired		13,935	—	13,935	13,935	—	13,935	13,935	—	13,935
Purchases of property and equipment		(38)	—	(38)	(167)	—	(167)	(304)	—	(304)
Capitalized software development costs		(1,643)	—	(1,643)	(3,225)	—	(3,225)	(7,396)	—	(7,396)
Net cash provided by investing activities		**12,254**	**—**	**12,254**	**10,543**	**—**	**10,543**	**6,235**	**—**	**6,235**
Cash flows from financing activities:										
Proceeds from issuance of shares for exercised RDO and PIPE warrants		53,809	—	53,809	53,809	—	53,809	53,809	—	53,809
Repayment of short-term borrowings		(403)	—	(403)	(812)	—	(812)	(1,229)	—	(1,229)
Issuance of common stock upon ESPP purchase		—	—	—	607	—	607	607	—	607
Proceeds from exercise of options		86	—	86	119	—	119	119	—	119
Payments of tax withholding from the issuance of common stock		(2,532)	—	(2,532)	(3,140)	—	(3,140)	(3,143)	—	(3,143)
Net cash provided by financing activities		**50,960**	**—**	**50,960**	**50,583**	**—**	**50,583**	**50,163**	**—**	**50,163**
Effect of foreign currency rate changes on cash and cash equivalents		—	—	—	—	—	—	(58)	—	(58)
Net increase in cash and cash equivalents		48,855	—	48,855	39,709	—	39,709	33,027	—	33,027
Cash and cash equivalents at the beginning of period		32,557	—	32,557	32,557	—	32,557	32,557	—	32,557
Cash and cash equivalents at the end of the period		**$ 81,412**	**$ —**	**$ 81,412**	**$ 72,266**	**$ —**	**$ 72,266**	**$ 65,584**	**$ —**	**$ 65,584**

Description of restatement adjustments in the unaudited condensed consolidated statements of cash flows:

i. The increases in amortization of debt issuance costs relate to the amortization of the debt issuance discount on the 2026 Notes resulting from the bifurcation of the 2026 Notes Conversion Option derivative as of December 7, 2021.

ii. The increases (decreases) in net increase (decrease) in fair value of derivatives relate to the fair value remeasurement of the 2026 Notes Conversion Option.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Annual Report on Form 10-K, and have concluded that, based on such evaluation, our disclosure controls and procedures were not effective as of December 31, 2024 due to a material weakness in our internal control over financial reporting described below.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the U.S. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Our management, with the participation of our principal executive officer and principal financial officer, conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2024. This assessment was based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013 framework). Based on this assessment, management concluded that our internal control over financial reporting was not effective as of December 31, 2024 due to the material weakness described below.

Notwithstanding the identified material weakness, management, including our principal executive officer and principal financial officer, believes the consolidated financial statements included in this Annual Report on Form 10-K fairly represent in all material respects our financial condition, results of operations and cash flows at and for the periods presented in accordance with U.S. GAAP.

Material Weakness in Internal Control Over Financial Reporting

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

In connection with the Company's evaluation of internal control over financial reporting for the year ended December 31, 2024, the following material weakness was identified:

- We have not consistently executed our technical accounting review policies, inclusive of the application of certain interpretations subject to significant judgement or differences in interpretation, at a precision level sufficient to achieve complete, accurate and timely financial accounting, reporting and disclosures of certain non-routine, unusual, or complex transactions.

The material weakness described above did not result in a material misstatement to the consolidated financial statements as of December 31, 2024 and the year then ended presented in this Annual Report on Form 10-K; however, the material weakness did result in a material misstatement to the consolidated financial statements as of and for the years ended December 31, 2023 and

December 31, 2022, and as of and for the interim quarterly periods during the years ended December 31, 2024 and 2023 presented in this Annual Report on Form 10-K and labeled as restated.

Remediation Plans

We are in the process of implementing the following measures designed to improve our internal control over financial reporting and to remediate the deficiencies that led to the material weakness, including designing and implementing new controls activities, and enhancing existing control activities.

- We will continue to evaluate and analyze in consultation with outside third-party accounting experts on non-routine, unusual, or complex transactions that are subject to technical accounting standards and significant judgement or differences in interpretation, in reaching technical accounting conclusions.
- We will subject our technical accounting conclusions to various quality control reviews prior to finalization for non-routine, unusual, or complex transactions that are subject to significant judgment or differences in interpretation.

We have begun to remediate the material weakness and will continue to remediate the matter as efficiently and effectively as possible and expect a full remediation of this material weakness to be completed by the second quarter of 2025. We will not be able to conclude that we have remediated the material weakness until the applicable controls are fully implemented and operate for a sufficient period of time and management has concluded, through formal testing, that these controls are operating effectively. We will continue to monitor the design and effectiveness of these and other processes, procedures, and controls and make any further changes management deems appropriate.

In accordance with Section 103 of the Jumpstart Our Business Startups ("JOBS") Act, for as long as it qualifies as an emerging growth company, the Company is not required to comply with the requirements to provide an auditor's report on internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act of 2022.

Changes in Internal Controls Over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended December 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

(a) As disclosed above, this Annual Report on Form 10-K reflects the correction of an error to previously issued financial statements that required a recovery analysis of incentive-based compensation received by the Company's executive officers. The Company has determined that no recovery of incentive-based compensation is required as the correction resulted in no changes to the performance metrics used to determine incentive-based compensation for executive officers during any of the applicable completed fiscal years.

(b) None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspection

Not Applicable.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 will be filed on with the SEC no later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by Item 11 will be filed on with the SEC no later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owner and Management and Related Stockholder Matters

The information required by Item 12 will be filed on with the SEC no later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 will be filed on with the SEC no later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by Item 14 will be filed on with the SEC no later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K and is incorporated herein by reference.

Part IV

Item 15. Exhibits and Financial Statement Schedules

		Incorporated by Reference					
Exhibit Number	Description of Exhibits	Form	Date Filed	File Number	Original Exhibit Number	Filed Herewith	Furnished Herewith
1.1	Underwriting Agreement, dated as of June 8, 2023, by and between BigBear.ai Holdings, Inc. and Cowen and Company, LLC, as representative of the several underwriters named therein.	8-K	6/12/2023	001-40031	1.1		
2.1†	Agreement and Plan of Merger, dated as of June 4, 2021, as amended by the Amendment to Merger Agreement, dated August 6, 2021, by and among GigCapital4, Inc., GigCapital4 Merger Sub Corporation, BigBear.ai Holdings, LLC and BBAI Ultimate Holdings, LLC (included as Annex A to the definitive Proxy Statement filed by GigCapital4, Inc. on November 5, 2021).	Schedule 14A	11/5/2021	001-40031	Annex A		
2.2†	Amendment No. 2 to Merger Agreement, dated as of November 29, 2021 (incorporated by reference to Exhibit 10.1 filed on the Company's Current Report on Form 8-K, filed by GigCapital4, Inc. on November 30, 2021 and on Exhibit 2.2 to BigBear.ai Holdings, Inc.'s Form 8-K filed on December 13, 2021, respectively).	8-K	11/30/2021	001-40031	10.1		
3.1	Second Amended and Restated Certificate of Incorporation of BigBear.ai Holdings, Inc., filed with the Secretary of State of the State of Delaware on December 7, 2021 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed by BigBear.ai Holdings, Inc. on December 13, 2021).	8-K	12/13/2021	001-40031	3.1		
3.2	Amended and Restated Bylaws of BigBear.ai Holdings, Inc. (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed by BigBear.ai Holdings, Inc. on December 13, 2021).	8-K	12/13/2021	001-40031	3.2		

		Incorporated by Reference					
Exhibit Number	**Description of Exhibits**	**Form**	**Date Filed**	**File Number**	**Original Exhibit Number**	**Filed Herewith**	**Furnished Herewith**
4.1	Warrant Agreement, dated as of February 8, 2021, between Continental Stock Transfer & Trust Company and the GigCapital4, Inc. (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed by GigCapital4, Inc. on February 12, 2021).	8-K	2/12/2021	001-40031	4.1		
4.2	Indenture, dated December 7, 2021, between Wilmington Trust, National Association and GigCapital4, Inc., relating to the 6.00% Convertible Notes due 2026 (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed by BigBear.ai Holdings, Inc. on December 13, 2021).	8-K	12/13/2021	001-40031	10.2		
4.3	Form of 2026 Convertible Note (included in Exhibit 4.2).	8-K	12/13/2021	001-40031	10.2		
4.4	Description of the Registrant’s Securities Registered pursuant to Section 12 of the Securities Exchange Act of 1934	10-K	3/31/2022	001-40031	4.4		
4.5	Form of Common Stock Purchase Warrant	8-K	2/28/2024	001-40031	4.1		
4.6	Form of Common Stock Purchase Warrant	8-K	3/5/2024	001-40031	4.1		
4.7	Third Supplemental Indenture, dated December 27, 2024 among BigBear.ai Holdings, Inc., BigBear.ai Intermediate Holdings, LLC, BigBear.ai, LLC, BigBear.ai Federal, LLC (f/k/a NuWave Solutions, L.L.C.), ProModel, LLC, Pangiam Purchaser, LLC, Pangiam Intermediate II Holdings, LLC, Pangiam Holdings, LLC, Pangiam Labs, LLC, Linkware, LLC, Pre, LLC, veriScan LLC, 214 Technologies, Inc. d/b/a	8-K	12/30/2024	001-40031	4.1		
4.8	Indenture, dated as of December 27, 2024, among BigBear.ai Holdings, Inc., BigBear.ai Intermediate Holdings, LLC, BigBear.ai, LLC, BigBear.ai Federal, LLC (f/k/a NuWave Solutions, L.L.C.), ProModel, LLC, Pangiam Purchaser, LLC, Pangiam Intermediate II Holdings, LLC, Pangiam Holdings, LLC, Pangiam Labs, LLC, Linkware, LLC, Pre, LLC, veriScan LLC, 214 Technologies, Inc. d/b/a Trueface and Wilmington Trust,	8-K	12/30/2024	001-40031	4.2		
4.9	Form of certificate representing the 6.00% Convertible Senior Secured Notes due 2029 (included as Exhibit A to Exhibit 4.2)	8-K	12/30/2024	001-40031	4.3		
4.10	Form of New Warrant.	8-K	2/6/2025	001-40031	4.1		
10.1	Form of Amended and Restated Convertible Note Subscription Agreement and form of Revised Indenture (incorporated by reference to Exhibit 10.3 filed on the Company’s Current Report on Form 8-K filed by the Registrant on November 30, 2021).	8-K	11/30/2021	001-40031	10.3		
10.2#	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed by BigBear.ai Holdings, Inc. on December 13, 2021).	8-K	12/13/2021	001-40031	10.3		
10.3#	BigBear.ai Holdings, Inc. 2021 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed by BigBear.ai Holdings, Inc. on December 13, 2021).	8-K	12/13/2021	001-40031	10.4		
10.4#	Form of BigBear.ai Holdings, Inc. 2021 Long-Term Incentive Plan Restricted Stock Unit Grant Notice (Employees).	10-K	3/31/2022	001-40031	10.4		
10.5#	Form of BigBear.ai Holdings, Inc. 2021 Long-Term Incentive Plan Stock Option Grant Notice.	10-K	3/31/2022	001-40031	10.5		
10.6#	Form of BigBear.ai Holdings, Inc. 2021 Long-Term Incentive Plan Restricted Stock Unit Grant Notice (Non-Employee Director).	10-K	3/31/2022	001-40031	10.6		
10.7#	BigBear.ai Holdings, Inc. 2021 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K filed by BigBear.ai Holdings, Inc. on December 13, 2021).	8-K	12/13/2021	001-40031	10.5		
10.8#	Form of Employee Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.6 to the Current Report on Form 8-K filed by BigBear.ai Holdings, Inc. on December 13, 2021).	8-K	12/13/2021	001-40031	10.6		
10.9#	Form of Non-Employee Director Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.7 to the Current Report on Form 8-K filed by BigBear.ai Holdings, Inc. on December 13, 2021).	8-K	12/13/2021	001-40031	10.7		
10.10#	Form of Nonqualified Stock Option Award Agreement (incorporated by reference to Exhibit 10.8 to the Current Report on Form 8-K filed by BigBear.ai Holdings, Inc. on December 13, 2021).	8-K	12/13/2021	001-40031	10.8		
10.11#	Form of Performance Stock Unit Agreement (incorporated by reference to Exhibit 10.9 to the Current Report on Form 8-K filed by BigBear.ai Holdings, Inc. on December 13, 2021).	8-K	12/13/2021	001-40031	10.9		
10.12	Backstop Subscription Agreement, dated as of November 29, 2021, by and between GigCapital4, Inc. and AE BBAI Aggregator, LP (incorporated by reference to Exhibit 10.2 filed on the Company’s Current Report on Form 8-K, filed by the Registrant on November 30, 2021).	8-K	11/30/2021	001-40031	10.2		

Exhibit Number	Description of Exhibits	Incorporated by Reference Form	Date Filed	File Number	Original Exhibit Number	Filed Herewith	Furnished Herewith
10.13	First Amendment to Backstop Subscription Agreement, dated as of December 6, 2021, by and between GigCapital4, Inc. and AE BBAI Aggregator, LP (incorporated by reference to Exhibit 10.1 filed on the Company's Current Report on Form 8-K, filed by the Registrant on December 7, 2021).	8-K	12/7/2021	001-40031	10.1		
10.14	Payment Agreement, dated December 6, 2021, by and between GigCapital4, Inc. and Oppenheimer & Co. Inc. (incorporated by reference to Exhibit 10.3 filed on the Company's Current Report on Form 8-K, filed by the Registrant on December 7, 2021).	8-K	12/7/2021	001-40031	10.3		
10.15	Payment Agreement, dated December 6, 2021, by and between GigCapital4, Inc. and Nomura Securities International, Inc. (incorporated by reference to Exhibit 10.4 filed on the Company's Current Report on Form 8-K, filed by the Registrant on December 7, 2021).	8-K	12/7/2021	001-40031	10.4		
10.16	Payment Agreement, dated December 6, 2021, by and between GigCapital4, Inc. and BMO Capital Markets Corp. (incorporated by reference to Exhibit 10.5 filed on the Company's Current Report on Form 8-K, filed by the Registrant on December 7, 2021).	8-K	12/7/2021	001-40031	10.5		
10.17	Payment Agreement, dated December 6, 2021, by and among GigCapital4, Inc., BBAI Ultimate Holdings, LLC and William Blair & Company, L.L.C. (incorporated by reference to Exhibit 10.6 filed on the Company's Current Report on Form 8-K, filed by the Registrant on December 7, 2021).	8-K	12/7/2021	001-40031	10.6		
10.18	Amended and Restated Investor Rights Agreement, dated December 6, 2021, by and among GigCapital4, Inc., BBAI Ultimate Holdings, LLC, AE BBAI Aggregator, LP, GigAcquisitions4, LLC, Oppenheimer & Co. Inc., Nomura Securities International, Inc., BMO Capital Markets Corp., William Blair & Company, L.L.C., and Other Holders (as defined in the Amended and Restated Investor Rights Agreement) (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K, filed by the Registrant on December 7, 2021).	8-K	12/7/2021	001-40031	10.7		
10.19	Credit Agreement, dated as of December 7, 2021, by and among BigBear.ai Holdings, Inc., the other borrowers party thereto from time to time, the lenders from time to time party thereto and Bank of America, N.A., as administrative agent and collateral agent for the lenders (incorporated by reference to Exhibit 10.17 to the Current Report on Form 8-K filed by BigBear.ai Holdings, Inc. on December 13, 2021).	8-K	12/13/2021	001-40031	10.17		
10.20#	Employment Agreement, dated as of October 23, 2020, between PCI Strategic Management, LLC, and Joshua Kinley (incorporated by reference to Exhibit 10.18 to the Current Report on Form 8-K filed by BigBear.ai Holdings, Inc. on December 13, 2021).	8-K	12/13/2021	001-40031	10.18		
10.21#	Offer Letter, dated as of May 22, 2020, on behalf of AE Industrial Partners Fund II, L.P., to Mr. Reginald Brothers (incorporated by reference to Exhibit 10.19 to the Current Report on Form 8-K filed by BigBear.ai Holdings, Inc. on December 13, 2021).	8-K	12/13/2021	001-40031	10.19		
10.22	Forward Share Purchase Agreement, dated October 21, 2021, by and among GigCapital4, Inc. and Tenor Opportunity Master Fund, Ltd. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by BigBear.ai Holdings, Inc. on October 22, 2021).	8-K	10/22/2021	001-40031	10.1		
10.23	Termination of the Forward Share Purchase Agreement, dated February 22, 2022, by and among BigBear.ai Holdings, Inc., Glazer Capital, LLC and Meteora Capital, LLC (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by BigBear.ai Holdings, Inc. on February 23, 2022).	8-K	2/23/2022	001-40031	10.1		
10.24	First Amendment to Credit Agreement with Bank of America, N.A., dated August 9, 2022	10-Q	8/12/2022	001-40031	10.1		
10.25	Second Amendment to Credit Agreement with Bank of America, N.A., dated November 8, 2022	10-Q	11/10/2022	001-40031	10.2		
10.26	Separation Agreement and General Release, dated as of September 15, 2022, by and between BigBear.ai, LLC and Brian Frutchey	8-K	9/20/2022	001-40031	10.1		

		Incorporated by Reference					
Exhibit Number	Description of Exhibits	Form	Date Filed	File Number	Original Exhibit Number	Filed Herewith	Furnished Herewith
10.27	Offer Letter, dated as of October 11, 2022, between BigBear.ai Holdings, Inc. and Amanda Long	8-K	10/11/2022	001-40031	10.1		
10.28	Separation Agreement and General Release, dated as of October 9, 2022, by and between BigBear.ai, LLC and Dr. Louis R. Brothers	8-K	10/11/2022	001-40031	10.3		
10.29	Consulting Agreement, dated as of October 9, 2022, between BigBear.ai LLC and Dr. Louis R. Brothers	8-K	10/11/2022	001-40031	10.4		
10.30	BigBear.ai, LLC Executive Severance Plan	8-K	11/21/2022	001-40031	10.1		
10.31	Separation and Release Agreement, dated as of December 30, 2022, by and between BigBear.ai Holdings, Inc. and Joshua Kinley	8-K	1/4/2023	001-40031	10.1		
10.32	Form of Securities Purchase Agreement, dated as of January 16, 2023, by and among the Company and the Purchaser	8-K	1/19/2023	001-40031	10.1		
10.33	Form of Registration Rights Agreement, dated as of January 16, 2023, by and among the Company and the Purchaser	8-K	1/19/2023	001-40031	10.2		
10.34	Offer Letter, dated May 4, 2023, between BigBear.ai Holdings, Inc. and Norm Laudermilch	8-K	5/9/2023	001-40031	10.1		
10.35	Third Amendment to Credit Agreement with Bank of America, N.A.,	10Q-Q	5/15/2023	001-40031	10.3		
10.36	First Amendment to the Amended and Restated Investor Rights Agreement dated as of July 20. 2023 by and among BigBear.ai Holdings, Inc., AE BBAI Aggregator, LP, BBAI Ultimate Holdings, LLC, GigAcquisitions4, LLC, Oppenheimer & Co. Inc., Nomura Securities International Inc., William Blair & Company, L.L.C. and BMO Capital Markets Corp.	10-Q	8/10/2023	001-40031	10.2		
10.37	Business Covenants Agreement, dated as of November 4, 2023, by and among AE Industrial Partners, LP, AE Industrial Operating Partners, LLC, and the Company	8-K	11/6/2023	001-40031	10.1		
10.38	Warrant Exercise Agreement, dated as of February 27, 2024, by and between BigBear.ai and the Investor.	8-K	2/28/2024	001-40031	10.1		
10.39	Joinder & Second Amendment to Amended & Restated Investor Rights Agreement, by and among BBAI, AE BBAI Aggregator, LP, BBAI Ultimate Holdings, LLC, Seller and the other parties thereto, dated as of December 6, 2021, as amended on July 20, 2023, effective as of February 29, 2024.	8-K	3/1/2024	001-40031	10.1		
10.40	Warrant Exercise Agreement, dated as of March 4, 2024, by and between BigBear.ai and the Investor.	8-K	3/5/2024	001-40031	4.1		
10.41	Form of Exchange Agreement, dated December 19, 2024	8-K	12/19/2024	001-40031	10.1		
10.42	Offer Letter, dated as of January 15, 2025, between BigBear.ai Holdings, Inc. and Kevin McAleenan	8-K	1/16/2025	001-40031	10.1		
10.43	Warrant Exercise Agreement, dated as of February 5, 2025, by and between BigBear.ai and the Investor.	8-K	2/6/2025	001-40031	10.1		
19	Insider Trading Policy					X	
21.1	Significant Subsidiaries of the Registrant	10-K	3/31/2023	001-40031	21.1		
23.1	Consent of Independent Registered Public Accounting Firm					X	
24.1	Power of Attorney (included in signature page)					X	
31.1	Certification of Chief Executive Officer (Principal Executive Officer) pursuant to Rules 13a-14(a) and 15d-14(a), under the Securities Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X	
31.2	Certification of Chief Financial Officer (Principal Financial and Accounting Officer) pursuant to Rules 13a-14(a) and 15d-14(a), under the Securities Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X	

		Incorporated by Reference					
Exhibit Number	**Description of Exhibits**	**Form**	**Date Filed**	**File Number**	**Original Exhibit Number**	**Filed Herewith**	**Furnished Herewith**
32.1	Certification of Chief Executive Officer (Principal Executive Officer) pursuant to 18 U.S.C 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.						X
32.2	Certification of Chief Financial Officer (Principal Financial and Accounting Officer) pursuant to 18 U.S.C 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.						X
97	Clawback Policy BigBear.ai Holdings Inc.					X	
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)					X	
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X	
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X	
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X	
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X	
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X	
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).					X	

† Schedules and similar attachments to this Exhibit have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company agrees to furnish supplementally a copy of such omitted materials to the SEC upon request.

# Indicates a management contract or compensatory plan, contract or arrangement.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, BigBear.ai Holdings, Inc. has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 25, 2025	**By:**	/s/ Julie Peffer
	Name	Julie Peffer
	Title:	Chief Financial Officer

KNOWN ALL BY THOSE PRESENT, that each person whose signature appears below constitutes and appoints Kevin McAleenan, Carolyn Blankenship, and Sean Ricker or any of them, severally, as his or her attorney-in-fact and agent, with full power of substitution and resubstitution, for such person and in such person's name, place, and stead, in any and all capacities, to sign any and all amendments to this Report, and to file the same with all exhibits hereto, and all other documents in connection herewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and any of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Signature	Title	Date
/s/ Kevin McAleenan	Chief Executive Officer and Director (Principal Executive Officer)	March 25, 2025
Kevin McAleenan		
/s/ Julie Peffer	Chief Financial Officer (Principal Financial Officer)	March 25, 2025
Julie Peffer		
/s/ Sean Ricker	Principal Accounting Officer	March 25, 2025
Sean Ricker		
/s/ Peter Cannito	Chairman of the Board	March 25, 2025
Peter Cannito		
/s/ Sean Battle	Director	March 25, 2025
Sean Battle		
/s/ Pamela Braden	Director	March 25, 2025
Pamela Braden		
/s/ Paul Fulchino	Director	March 25, 2025
Paul Fulchino		
/s/ Jeffrey Hart	Director	March 25, 2025
Jeffrey Hart		
/s/ Dorothy D. Hayes	Director	March 25, 2025
Dorothy D. Hayes		
/s/ Kirk Konert	Director	March 25, 2025
Kirk Konert		