UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2026

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: 001-42392

MERLIN, INC.
(Exact name of registrant as specified in its charter)

Delaware	**98-1797826**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

100 Causeway St, Floor 23, Boston, MA 02114
(Address of principal executive offices, including zip code)

(617) 226-9968
(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, par value $0.0001 per share	MRLN	The Nasdaq Stock Market LLC

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

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

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

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

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

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

As of November 10, 2026, there were 102,418,930 shares of common stock, par value $0.0001 per share, outstanding.

MERLIN, INC.
Form 10-Q
For the Quarter ended September 30, 2026

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (the "Quarterly Report") contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts contained in this Quarterly Report are forward-looking statements, including without limitation statements regarding our business strategy, expected growth, future operations and financial performance, anticipated timing of commercialization of our autonomous flight technology, our ability to obtain and maintain regulatory approvals, our ability to secure additional capital, our expected cash runway, our ability to remediate our material weaknesses, and other plans and objectives of management for future operations. Such statements can be identified by the fact that they do not relate strictly to historical or current facts. When used in this Quarterly Report, words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "possible," "potential," "predict," "project," "should," "strive," "would," "strategy," "outlook," the negative of these words or other similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking.

We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are neither promises nor guarantees, and are subject to a number of important factors that could cause actual results to differ materially from any future results, performance or achievements expressed or implied by the forward-looking statements, including without limitation: our ability to realize the expected benefits of that certain business combination (the "Business Combination") pursuant to that certain Business Combination Agreement, dated as of August 13, 2025 (as amended on March 14, 2026, the "Business Combination Agreement"), by and among Inflection Point Acquisition Corp. IV ("Inflection Point"), IPDX Merger Sub, Inc., a Delaware corporation and direct, wholly-owned subsidiary of Inflection Point, and Merlin Labs, Inc., a Delaware corporation; our ability to maintain the listing of our Common Stock on Nasdaq; our public securities' potential liquidity and trading; our ability to raise financing in the future and to comply with restrictive covenants related to long-term indebtedness; our ability to retain or recruit, or to effect changes required in, our officers, key employees or directors; our reliance upon the efforts of our Board and key personnel to be successful; our limited operating history; expectations regarding the time during which the Company will be an "emerging growth company"; failure to manage our growth effectively; competition from existing or new companies; changes in the market for the Company's products and services and our ability to effectively compete in the aviation technology industry; unsatisfactory safety performance of our non-human pilot system, Merlin Pilot, or security incidents at our facilities; failure of the market to achieve the growth potential we expect; our customer concentration; our reliance on a limited number of suppliers for certain materials and supplied components; our reliance on proprietary technical data, interface specifications, and software owned or controlled by aircraft manufacturers and other third parties; failure of our products to operate in the expected manner or defects in our products; our history of losses and failure to achieve profitability in the future; counterparty risks on contracts entered into with our customers and failure of our prime contractors to maintain their relationships with their counterparties and fulfill their contractual obligations; failure to comply with laws and regulations relating to various aspects of our business and any changes in the funding levels of various governmental entities with which we do business; failure to protect the confidentiality of our trade secrets and know how; failure to comply with the terms of third-party open source software our systems utilize; our ability to maintain an effective system of internal controls over financial reporting, and remediate existing material weaknesses; 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 our dependence on U.S. government contracts; failure to comply with U.S. export and import control laws and regulations and U.S. economic sanctions and trade control laws and regulations; uncertain global macro-economic and geopolitical conditions and rising inflation; delays or disruptions from changes in the certification process, potential government shutdowns, budget reductions, and shifting regulatory priorities; and the other factors detailed under the section entitled "Risk Factors" of our final prospectus, dated May 13, 2026, filed with the Securities and Exchange Commission (the "SEC") on May 13, 2026 and in this Quarterly Report as well as the other information appearing in this report and other filings we make with the SEC, which we advise you to review.

Any forward-looking statements made herein speak only as of the date of this Quarterly Report, and you should not rely on forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, performance, or achievements reflected in the forward-looking statements will be achieved or will occur. Except as required by applicable law, we undertake no obligation to update any of these forward-looking statements for any reason after the date of this Quarterly Report or to conform these statements to actual results or revised expectations. Additionally, certain information we may

disclose (either herein or elsewhere) is informed by the expectations of various stakeholders or third-party frameworks and, as such, may not necessarily be material for purposes of our filings under U.S. federal securities laws, even if we use "material" or similar language in discussing such matters.

GENERAL

Unless the context otherwise requires, all references in this Quarterly Report to "we," "us," "our," "Merlin," or the "Company" refer to Merlin Labs, Inc. and its subsidiaries prior to the consummation of the Business Combination and after the consummation of the Business Combination, to Merlin, Inc. and its subsidiaries. References to "Quarterly Report" herein refer to this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2026 and references to the "Prospectus" refer to the final prospectus, dated May 13, 2026, filed with the SEC on May 13, 2026.

All reports we file with the SEC are available for download free of charge via the Electronic Data Gathering Analysis and Retrieval (EDGAR) System on the SEC's website at www.sec.gov. We also make electronic copies of our reports available for download, free of charge, through our website under the heading "Investor Relations" at *www.merlinlabs.com* as soon as reasonably practicable after filing such material with the SEC.

We may announce material business and financial information to our investors using our investor relations website at *http://investors.merlinlabs.com/*. We therefore encourage investors and others interested in Merlin to review the information that we make available on our website, in addition to following our filings with the SEC, webcasts, press releases and conference calls. Information contained on our website is not incorporated into, and does not form a part of this Quarterly Report.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

MERLIN, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in thousands, except share amounts)

	As of:	
	September 30, 2026	**December 31, 2025**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 161,444	$ 59,343
Short-term investments	182	330
Accounts receivable, net	1,197	368
Prepaid expenses and other current assets	4,244	3,328
Capitalized transaction costs (Note 2)	—	7,562
Total current assets	167,067	70,931
Property and equipment, net	14,398	7,108
Operating lease right-of-use assets, net	2,268	979
Restricted cash	2,570	—
Deposits	140	1,564
Total assets	$ 186,443	$ 80,582
LIABILITIES, MEZZANINE EQUITY, AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 5,687	$ 3,154
Accrued expenses	7,450	7,937
Contract loss provision	72	4,173
Operating lease liabilities, current	1,235	657
Long-term debt, current portion, net ($19,175 at fair value and $96 at amortized cost, net as of December 31, 2025) (Note 8)	—	19,271
Convertible promissory notes (Note 8)	—	29,107
Total current liabilities	14,444	64,299
Operating lease liabilities, non-current	1,197	331
Warrant liabilities (Note 9)	26,517	76,766
Long-term debt, non-current portion, net ($12,207 at fair value and $577 at amortized cost, net as of December 31, 2025) (Note 8)	—	12,784
Total liabilities	42,158	154,180
Commitments and contingencies (Note 14)		
Series A Preferred Stock: $0.0001 par value; 50,000,000 shares authorized and 18,655,078 shares issued and outstanding as of September 30, 2026 (Note 10)	170,577	—
Redeemable convertible preferred stock	—	—
Stockholders' deficit:		
Common stock: $0.0001 par value; 800,000,000 and 138,655,675 shares authorized; 101,693,656 and 69,663,395 shares issued and outstanding as of September 30, 2026 and December 31, 2025, respectively	10	7
Additional paid-in capital	599,760	477,448
Accumulated deficit	(626,062)	(551,053)
Total stockholders' deficit	(26,292)	(73,598)
Total liabilities, mezzanine equity, and stockholders' deficit	$ 186,443	$ 80,582

See accompanying notes to unaudited condensed consolidated financial statements.

MERLIN, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(in thousands, except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Revenue	$ 3,461	$ 1,924	$ 6,657	$ 5,899
Cost of revenue	5,238	3,945	8,967	7,725
Contract loss adjustments	—	—	(2,229)	—
Gross loss	(1,777)	(2,021)	(81)	(1,826)
Operating expenses:				
Research and development	14,712	8,164	45,189	21,699
General and administrative	12,944	6,141	42,613	14,467
Selling and marketing	2,040	281	4,138	1,029
Total operating expenses	29,696	14,586	91,940	37,195
Loss from operations	(31,473)	(16,607)	(92,021)	(39,021)
Other (expense) income:				
Interest income	1,504	430	3,468	862
Interest expense	—	—	(9)	(2,956)
Other income (expense)	13	18	(183)	(193)
Change in fair value of warrant liabilities	103,620	(683)	104,030	(4,562)
Change in fair value of convertible promissory notes	—	(3,118)	(87,824)	(3,118)
Loss on exchange of warrant liabilities	—	(3,320)	—	(3,320)
Loss on issuance of financial instruments	—	(585)	—	(585)
Loss on extinguishment of long-term debt	—	(2,157)	—	(2,157)
Change in fair value of long-term debt	—	(672)	(2,470)	(672)
Total other income (expense)	105,137	(10,087)	17,012	(16,701)
Income (loss) before provision for income taxes	73,664	(26,694)	(75,009)	(55,722)
Provision for (benefit from) income taxes	(173)	2	—	3
Net income (loss)	$ 73,837	$ (26,696)	$ (75,009)	$ (55,725)
Series A Preferred Stock dividends and accretion	(8,072)	—	(17,713)	—
Income attributable to participating securities	(28,087)	—	—	—
Series A Preferred Stock deemed dividend on down round	—	—	(60,864)	—
Deemed dividend on exchange of redeemable convertible preferred stock	—	(345,717)	—	(345,717)
Net income (loss) attributable to common stockholders	$ 37,678	$ (372,413)	$ (153,586)	$ (401,442)
Net income (loss) per share:				
Basic	$ 0.37	$ (5.24)	$ (1.72)	$ (5.66)
Diluted	$ 0.37	$ (5.24)	$ (1.72)	$ (5.66)
Weighted-average shares outstanding:				
Basic	101,217,672	71,045,916	89,253,660	70,986,625
Diluted	103,174,834	71,045,916	89,253,660	70,986,625

See accompanying notes to unaudited condensed consolidated financial statements.

MERLIN, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF MEZZANINE EQUITY AND STOCKHOLDERS' DEFICIT (UNAUDITED)
(in thousands, except share and per share amounts)

	Series A Preferred Stock		Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Deficit
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount			
Balances as of December 31, 2024	—	$ —	17,696,748	$ 130,616	5,169,812	$ 1	$ 4,009	$ (135,532)	$ (131,522)
Retroactive application of recapitalization	—	—	(17,696,748)	(130,616)	65,750,960	7	130,609	—	130,616
Adjusted balances as of December 31, 2024*	—	—	—	—	70,920,772	8	134,618	(135,532)	(906)
Exercise of common stock options	—	—	—	—	38,617	—	10	—	10
Stock-based compensation	—	—	—	—	—	—	513	—	513
Net loss	—	—	—	—	—	—	—	(12,733)	(12,733)
Balances as of March 31, 2025	—	$ —	—	$ —	70,959,389	$ 8	135,141	$ (148,265)	$ (13,116)
Exercise of common stock options	—	—	—	—	38,806	—	9	—	9
Stock-based compensation	—	—	—	—	—	—	433	—	433
Net loss	—	—	—	—	—	—	—	(16,296)	(16,296)
Balances as of June 30, 2025	—	$ —	—	$ —	70,998,195	$ 8	135,583	$ (164,561)	$ (28,970)
Exercise of common stock options	—	—	—	—	110,873	—	60	—	60
Stock-based compensation	—	—	—	—	—	—	526	—	526
Deemed dividend on exchange of redeemable convertible preferred stock	—	—	—	—	—	—	340,743	(340,743)	—
Net loss	—	—	—	—	—	—	—	(26,696)	(26,696)
Balances as of September 30, 2025	—	$ —	—	$ —	71,109,068	$ 8	476,912	$ (532,000)	$ (55,080)
Balances as of December 31, 2025	—	$ —	17,154,902	$ 461,963	5,306,250	$ 1	$ 15,491	$ (551,053)	$ (535,561)
Retroactive application of recapitalization	—	—	(17,154,902)	(461,963)	64,357,145	6	461,957	—	461,963
Adjusted balances as of December 31, 2025*	—	—	—	—	69,663,395	7	477,448	(551,053)	(73,598)
Exercise of common stock options	—	—	—	—	406,385	—	226	—	226
Stock-based compensation	—	—	—	—	—	—	1,295	—	1,295
Equity-based payments to non-employees	—	—	—	—	—	—	643	—	643
Issuance of common stock upon exercise of warrants	—	—	—	—	19,623	—	—	—	—
Issuance of redeemable convertible preferred stock upon exercise of warrants	—	—	—	—	701,293	—	6,859	—	6,859
Conversion of Pre-PIPE Bridge and Pre-Funded PIPE Notes to Series A Preferred Stock	9,760,176	116,931	—	—	—	—	—	—	—
Issuance of Series A Preferred Stock in exchange for 2024 LSA Amendment Warrants	490,196	3,745	—	—	—	—	—	—	—
Issuance of Series A Preferred Stock in connection with the PIPE	11,470,590	58,270	—	—	—	—	—	—	—

Issuance of common stock in connection with the Merger	—	—	—	—	13,750,282	1	17,265	—	17,266
Conversion of Series A Preferred Stock to common stock	(3,571)	(30)	—	—	3,579	—	30	—	30
Series A Preferred Stock dividends and accretion	—	1,417	—	—	—	—	(1,417)	—	(1,417)
Net loss	—	—	—	—	—	—	—	(90,419)	(90,419)
Balances as of March 31, 2026	21,717,391	$ 180,333	—	$ —	84,544,557	$ 8	$ 502,349	$ (641,472)	$ (139,115)
Exercise of common stock options	—	—	—	—	702,643	—	1,234	—	1,234
Issuance of shares of common stock from RSU awards	—	—	—	—	43,994	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	4,608	—	4,608
Issuances of shares of common stock to non-employee service providers	—	—	—	—	100,000	—	—	—	—
Equity-based payments to non-employees	—	—	—	—	—	—	109	—	109
Issuance of common stock upon exercise of warrants	—	—	—	—	1,931,425	—	24,482	—	24,482
Conversion of Series A Preferred Stock to common stock	(3,062,313)	(26,052)	—	—	5,269,541	1	26,051	—	26,052
Series A Preferred Stock dividends and accretion	—	8,224	—	—	—	—	(8,224)	—	(8,224)
Issuance of common stock in connection with the May 2026 PIPE	—	—	—	—	8,000,000	1	49,342	—	49,343
Series A Preferred Stock deemed dividend on down round (Note 10)	—	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	(58,427)	(58,427)
Balances as of June 30, 2026	18,655,078	$ 162,505	—	$ —	100,592,160	$ 10	$ 599,951	$ (699,899)	$ (99,938)
Exercise of common stock options	—	—	—	—	893,562	—	1,433	—	1,433
Issuance of shares of common stock from RSU awards	—	—	—	—	211,576	—	—	—	—
Shares of common stock withheld related to net share settlement	—	—	—	—	(3,642)	—	(8)	—	(8)
Stock-based compensation	—	—	—	—	—	—	6,375	—	6,375
Equity-based payments to non-employees	—	—	—	—	—	—	81	—	81
Series A Preferred Stock dividends and accretion	—	8,072	—	—	—	—	(8,072)	—	(8,072)
Net income	—	—	—	—	—	—	—	73,837	73,837
Balances as of September 30, 2026	18,655,078	$ 170,577	—	$ —	101,693,656	$ 10	$ 599,760	$ (626,062)	$ (26,292)

* The shares of the Company's common stock and mezzanine equity have been retrospectively recast to reflect the change in the capital structure as a result of the Merger as described in Note 3, Reverse Recapitalization.

See accompanying notes to unaudited condensed consolidated financial statements.

MERLIN, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Nine Months Ended September 30,	
	2026	**2025**
Cash flows from operating activities		
Net loss	$ (75,009)	$ (55,725)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,703	1,145
Stock-based compensation	12,278	1,472
Equity-based payments to non-employees	833	—
Amortization of right-of-use assets	871	549
Non-cash interest expense	41	583
Loss (gain) on disposal of property and equipment	11	(2)
Change in fair value of warrant liabilities	(104,030)	4,562
Change in fair value of convertible promissory notes	87,824	3,118
Loss on foreign currency exchange rate	353	196
Contract loss expense accrual	883	1,451
Loss on exchange of warrant liabilities	—	3,320
Loss on issuance of financial instruments	—	585
Loss on extinguishment of long-term debt	—	2,157
Change in fair value of long-term debt	1,514	(21)
Write-off of capitalized transaction costs related to issuance of PIPE Warrants	1,226	—
Change in operating assets and liabilities:		
Accounts receivable	(829)	(2,884)
Prepaid expenses and other current assets	(935)	(967)
Capitalized transaction costs	—	(6,365)
Deposits	(259)	2
Accounts payable	2,512	727
Accrued expenses	5,900	5,327
Deferred revenue	—	(112)
Contract loss provision	(4,985)	(1,570)
Operating lease liabilities	(725)	(561)
Net cash used in operating activities	$ (70,823)	$ (43,013)
Cash flows from investing activities		
Additions of property and equipment	$ (7,580)	$ (286)
Proceeds from sales of property and equipment	—	15
Maturities of short-term investments	148	35
Net cash used in investing activities	$ (7,432)	$ (236)
Cash flows from financing activities		
Proceeds from issuance of warrants in connection with PIPE	$ 48,195	$ —
Proceeds from issuance of Series A Preferred Stock in connection with PIPE	71,805	—
Repayments of long-term debt	(33,639)	(5,712)
Issuance of common stock in connection with the Merger	26,290	—
Payment of transaction costs related to issuance of Series A Preferred Stock in connection with PIPE	(10,482)	—
Payment of transaction costs related to issuance of common stock in connection with the Merger	(8,528)	—
Payment of costs directly attributable to the Merger	(2,061)	—
Proceeds from issuance of common stock in connection with May 2026 PIPE	52,334	—
Proceeds from issuance of warrants in connection with May 2026 PIPE	27,680	—
Payment of transaction costs related to May 2026 PIPE	(4,553)	—
Proceeds from exercise of common stock options	2,893	78
Proceeds from issuance of common stock upon exercise of warrants	12,992	—
Proceeds from issuance of warrants	—	60,743
Proceeds from issuance of convertible promissory notes	—	17,702
Net cash provided by financing activities	$ 182,926	$ 72,811
Net increase in cash, cash equivalents, and restricted cash	$ 104,671	$ 29,562
Cash, cash equivalents, and restricted cash at beginning of period	59,343	37,195
Cash, cash equivalents, and restricted cash at end of period	$ 164,014	$ 66,757

See accompanying notes to unaudited condensed consolidated financial statements.

MERLIN, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Nine Months Ended September 30,	
	2026	**2025**
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	$ 957	$ 3,342
Taxes	7	69
Deemed dividend on exchange of redeemable convertible preferred stock	$ —	$ 345,717
Supplemental non-cash investing and financing activities		
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	$ 2,205	$ 345
Property and equipment obtained for deposits paid in 2025	1,457	—
Issuance of redeemable convertible preferred stock upon exercise of warrants	6,859	—
Conversion of Pre-PIPE Bridge and Pre-Funded PIPE Notes to Series A Preferred Stock	116,931	—
Issuance of Series A Preferred Stock in exchange for 2024 LSA Amendment Warrants	3,745	—
Costs directly attributable to the Merger paid in 2025	2,714	—
Conversion of Series A Preferred Stock to common stock	26,082	—
Series A Preferred Stock dividends and accretion	17,713	—
Series A Preferred Stock deemed dividend on down round	60,864	—

See accompanying notes to unaudited condensed consolidated financial statements.

1. Organization and Description of Business

Merlin, Inc. (formerly known as Inflection Point Acquisition Corp. IV or "Inflection Point"), collectively with its subsidiaries (the "Company" or "Merlin"), develops software that fulfills the functions of a human pilot in self-flying aircraft to enable both reduced crew and unmanned flight. This technology is designed to be scalable and adaptable across different aircraft types for a growing range of aircraft platforms. The Company's aircraft-agnostic, AI-powered software is purpose-built for military and civil programs, and is powering an expanding range of missions and aircraft, proven through hundreds of autonomous flights from test facilities across the globe.

The Company was a special purpose acquisition company incorporated as a Cayman Islands exempted corporation on June 24, 2024 as "Bleichroeder Acquisition Corp. I" and subsequently changed its name to Inflection Point Acquisition Corp. IV on October 21, 2025. The Company was incorporated for the purpose of effecting a merger, amalgamation, share exchange, asset acquisition, share purchase, reorganization, or similar business combination with one or more businesses.

Following the closing of the Merger (as defined below), shares of Merlin common stock began trading on The Nasdaq Stock Market LLC under the symbol "MRLN."

Business Combination

On August 13, 2025, the Company entered into a Business Combination Agreement (the “Business Combination Agreement”) with IPDX Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of the Company (“Merger Sub”), and Merlin Labs, Inc., a Delaware corporation ("Legacy Merlin"). Pursuant to the Business Combination Agreement, Merger Sub merged with and into Legacy Merlin, with Legacy Merlin surviving the transaction as a wholly-owned subsidiary of the Company (the "Merger").

Legacy Merlin was incorporated on October 10, 2018, as a Delaware corporation under the name Apollo Flight Research, Inc., and changed its name to Merlin Labs, Inc. on October 27, 2020. Legacy Merlin is the parent company of two wholly-owned subsidiaries: Merlin Labs NZ Limited ("MLNL"), a New Zealand Limited Company, and Merlin Labs Securities Corporation ("MLSC"), a Massachusetts Securities Corporation.

On March 13, 2026, as contemplated by the Business Combination Agreement, Inflection Point filed a notice of deregistration with the Cayman Islands Registrar of Companies and filed a certificate of incorporation and certificate of corporate domestication with the Secretary of State of the State of Delaware, pursuant to which Inflection Point was domesticated and continues as a Delaware corporation, changing its name to "Merlin, Inc." (the "Domestication"). Immediately prior to the Domestication, the holders of the Class B ordinary shares of Inflection Point, par value $0.0001 per share, elected to convert such shares on a one-for-one basis into Class A ordinary shares of Inflection Point, par value $0.0001 per share ("Inflection Point Class A Shares"). In connection with the Domestication, (i) each of the then issued and outstanding Inflection Point Class A Shares converted automatically, on a one-for-one basis, into a post-Domestication Inflection Point Class A Share, (ii) each of the then issued and outstanding rights to receive one-tenth (1/10) of one Inflection Point Class A Share upon consummation of an initial business combination of Inflection Point ("Inflection Point Rights") converted automatically into a right to receive one-tenth (1/10) of one post-Domestication Inflection Point Class A Share, and (iii) each of the then issued and outstanding units of Inflection Point containing one Inflection Point Class A Share and one Inflection Point Right ("Inflection Point Units") converted automatically into a unit of post-Domestication Inflection Point containing one post-Domestication Inflection Point Class A Share and one post-Domestication Inflection Point Right.

On March 16, 2026 (the "Closing" or the "Closing Date"), the Company consummated the previously announced Merger and related transactions contemplated by the Business Combination Agreement and Legacy Merlin became a wholly-owned subsidiary of the Company (after the Merger, "Merlin OpCo").

As a result of the Merger, the Company is a holding company in which all of its assets are held by Merlin OpCo and its subsidiaries, and the business continues to operate through Merlin OpCo and its subsidiaries. The Merger is accounted for as a reverse recapitalization in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). Under this method of accounting, Inflection Point is treated as the acquired company for financial reporting purposes. Accordingly, for accounting purposes, the Merger is treated as the equivalent of Legacy Merlin issuing stock for the net assets of Inflection Point, accompanied by recapitalization. Legacy Merlin has been determined to be the accounting predecessor to the combined Company.

Unless otherwise noted or the context otherwise requires, references to the "Company," "Merlin," "we," "us," or "our" refer to the business of Legacy Merlin and its subsidiaries prior to the Closing and to the business of the Company and its subsidiaries, including Merlin OpCo, MLNL, and MLSC, following the Closing.

Refer to Note 3, Reverse Recapitalization for further information.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The accompanying unaudited condensed consolidated financial statements include the accounts of Merlin, Inc., and its consolidated subsidiaries, Merlin OpCo, MLNL, and MLSC. All intercompany balances and transactions have been eliminated in consolidation.

The unaudited condensed consolidated balance sheet as of December 31, 2025 included herein was derived from the audited consolidated financial statements of Legacy Merlin as of that date, but does not include all disclosures, including certain notes required by U.S. GAAP on an annual reporting basis. In management's opinion, the unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the unaudited condensed consolidated balance sheets and statements of operations, mezzanine equity and stockholders' deficit, and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for the full fiscal year or any future period.

As a result of the Merger, prior period share and per share amounts presented in the unaudited condensed consolidated financial statements and these related notes have been retroactively recast in accordance with Accounting Standards Codification ("ASC") 805, Business Combinations.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of Legacy Merlin as of and for the years ended December 31, 2025 and 2024 contained in a Form 8-K dated and filed with the SEC on March 20, 2026.

Risk and Uncertainties

The unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP assuming that the Company will continue as a going concern over the next twelve months. The going concern assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business, including having sufficient liquidity in the future to meet the Company's obligations.

Since its inception, the Company has primarily operated in the pre-commercialization stage and funded historical losses through debt and equity financings. The Company expects to incur additional net losses while it continues to advance its commercialization efforts and pursue profit-generating revenue contracts with customers, namely, the U.S. government.

During the three months ended September 30, 2026 and 2025, the Company recognized net income of $73,837 and incurred a net loss of $26,696, respectively. During the nine months ended September 30, 2026 and 2025, the Company incurred net losses in the amounts of $75,009 and $55,725, respectively, and generated negative cash flows from operations in the amounts of $70,823 and $43,013, respectively. Additionally, as of September 30, 2026, the Company has an accumulated deficit in the amount of $626,062 and cash and cash equivalents of $161,444.

On March 16, 2026, the Company completed its planned Merger (refer to Note 3, Reverse Recapitalization). In connection with the Merger, the Company issued preferred stock and equity-linked instruments in an additional private investment in public equity ("PIPE") transaction for $120,000 in gross proceeds and the Company's outstanding convertible promissory notes and warrants converted into preferred stock and warrants to purchase common stock of the Company (refer to Note 8, Debt and Note 9, Warrants).

On May 1, 2026, the Company issued 8,000,000 shares of common stock and warrants to purchase 4,000,000 shares of common stock in a PIPE transaction (the "May 2026 PIPE") for $80,000 in gross proceeds (refer to Note 9, Warrants). The warrants issued in connection with the May 2026 PIPE are hereinafter referred to as the "May 2026 PIPE Warrants."

Based on the Company's liquidity position as of November 12, 2026, the Company's net cash proceeds and debt conversion from the Merger, the Company's proceeds from the May 2026 PIPE, the Company's current forecast of operating results and cash flows, and the Company's outstanding obligations, the Company determined that its financial condition is sufficient to fund its planned operations, commitments, and contractual obligations for a period of at least one year following the date that these condensed consolidated financial statements are issued.

Emerging Growth Company Status

The Company is an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that it (i) is no longer an emerging growth company or (ii) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, these condensed consolidated financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

Use of Estimates

The preparation of the unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenue and expenses during the reporting periods.

Estimates and judgments are based on historical experience, forecasted events, and various other assumptions that management believes to be reasonable under the circumstances. Actual results could differ from those estimates and such differences could be material to the Company's consolidated financial position and results of operations.

Segments

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the Chief Operating Decision Maker ("CODM") in deciding how to allocate resources and in assessing performance. The Company's CODM, who is the Chief Executive Officer, reviews financial information on a consolidated basis to make operating decisions, assess performance, and make resource allocation decisions, leading to decisions related to resource allocations in relation to profit and loss. Accordingly, the Company has determined that it has one reportable segment.

Significant Accounting Policies

The Company's significant accounting policies are described in the Company's consolidated financial statements for the years ended December 31, 2025 and 2024 filed with the Company's Current Report on Form 8-K filed March 20, 2026. There have been no significant changes to these policies that have had a material impact on the Company's condensed consolidated financial statements and related notes for the nine months ended September 30, 2026.

Restricted Cash

Restricted cash consists of deposits held at financial institutions that are used to collateralize irrevocable letters of credit required under the Company's lease agreements. Restricted cash that is expected to be used within one year of the balance sheet date is classified as a current asset, whereas restricted cash expected to be used more than one year from the balance sheet date is classified as a non-current asset. As of September 30, 2026, all restricted cash is non-current.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash at the end of each respective period as shown in the Company's condensed consolidated balance sheets:

	As of:	
	September 30, 2026	December 31, 2025
Cash and cash equivalents	$ 161,444	$ 59,343
Restricted cash	2,570	—
Total Cash, cash equivalents, and restricted cash	$ 164,014	$ 59,343

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash, cash equivalents and accounts receivable. The Company maintains its cash and cash equivalents with accredited financial institutions in amounts which at times exceed federally insured limits. The Company monitors the credit standing of such financial institutions in order to limit credit risk. The Company has not experienced any losses on its cash and cash equivalents and believes it is not exposed to any significant losses due to credit risk on cash and cash equivalents.

During the three months ended September 30, 2026 and 2025, the Company generated $3,461 and $1,924, respectively, in revenue and $6,657 and $5,899 during the nine months ended September 30, 2026 and 2025, respectively, with a significant amount (greater than 90%) of this revenue coming from the U.S. government (refer to Note 4, Revenue Recognition from Contracts with Customers for further information). As of September 30, 2026 and December 31, 2025, accounts receivable from the U.S. government totaled $1,172 and $368, respectively.

Property and Equipment, Net

Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, as follows:

Property and Equipment, net	Estimated Useful Life
Aircraft	11 - 15 years
Aircraft equipment	3 - 8 years
Computer equipment	2 - 3 years
Leasehold improvements	Lesser of the useful life or life of lease
Marketing and display equipment	3 years
Office furniture & equipment	3 - 13 years
Motor vehicles	3 - 4 years

Impairment of Long-Lived Assets

All long-lived assets are reviewed by the Company for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company measures recoverability of assets to be held and used by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. As of September 30, 2026 and December 31, 2025, the Company determined that there have been no significant events or changes in circumstances that would cause the impairment of any of the Company's long-lived assets.

Convertible Debt

The Company has elected to apply the fair value method of accounting in accordance with ASC 825, Financial Instruments ("ASC 825"), for certain of its convertible debt instruments. The Company records convertible debt accounted for under the fair value option at fair value upon the date of issuance and subsequently remeasures such instruments to fair value on each balance sheet date thereafter. The change in fair value of convertible debt accounted for at fair value, together with interest accrued thereon, is recorded in change in fair value of convertible promissory notes in the condensed consolidated statements of operations.

For convertible debt instruments not accounted for under the fair value method of accounting, the Company first assesses the balance sheet classification of its convertible debt instruments to determine whether the instrument should be classified as a liability under ASC 480, Distinguishing Liabilities from Equity ("ASC 480"). If convertible debt is not classified as a liability under ASC 480, the Company accounts for convertible debt in accordance with ASC 470-20, Debt with Conversion and Other Options, and ASC 815, Derivatives and Hedging ("ASC 815"). Upon issuance, the Company evaluates whether the embedded conversion feature, as well as other identified embedded derivatives, should be bifurcated and accounted for as a derivative at fair value under ASC 815, and if not, whether any substantial premium must be recognized in additional paid-in capital. Any embedded derivatives that meet the criteria for bifurcation and separate accounting are accounted for as a compound derivative recorded at fair value on the date of issuance and on each balance sheet date thereafter, with changes in fair value recorded in the condensed consolidated statements of operations.

Warrants

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance included in ASC 480 and ASC 815. The assessment considers whether the warrants are freestanding financial instruments (if they were issued with another instrument) pursuant to ASC 480, whether the warrants meet the definition of a liability pursuant to ASC 480, and if not, whether the warrants meet the requirements for equity classification under ASC 815. This assessment requires the use of professional judgment and is conducted at issuance and as of each subsequent quarterly period end date while the warrants are outstanding.

Warrants that meet all of the criteria for equity classification are recorded at fair value as a component of additional paid-in capital at the time of issuance and are not subsequently remeasured. Warrants that do not meet all the criteria for equity classification are recorded at fair value on the date of issuance and on each balance sheet date thereafter as a component of warrant liabilities in the Company's condensed consolidated balance sheets. Changes in the estimated fair value of the warrants are non-cash gains or losses recognized in change in fair value of warrant liabilities in the condensed consolidated statements of operations.

Preferred Stock

The Company evaluates its preferred stock under the classification guidance of ASC 480. The Company's preferred stock does not require liability classification under ASC 480 and is classified in mezzanine equity as it may be subject to redemption upon the occurrence of an event that is not solely within the control of the Company. Upon issuance, the Company evaluates whether identified embedded derivatives should be bifurcated and accounted for as derivatives at fair value under ASC 815. Preferred stock classified in mezzanine equity is initially recognized as the proceeds received, net of issuance costs and the fair value of any bifurcated derivatives. Any embedded derivatives that meet the criteria for bifurcation and separate accounting are accounted for as a compound derivative recorded at fair value on the date of issuance and on each balance sheet date thereafter, with changes in fair value recorded in the condensed consolidated statements of operations. For preferred stock recognized in mezzanine equity that is probable of becoming redeemable, the Company accretes changes in the redemption amount from the date of issuance to the earliest redemption date using the effective interest method.

Research and Development Costs

The Company enters into research and development agreements with third-parties where the Company is paid for research and development activities. The amounts received under these agreements are recorded as a reduction to research and development expenses in the condensed consolidated statements of operations. The Company recorded no such reduction during the three months ended September 30, 2026 and $150 as a reduction to research and development expense during the three months ended September 30, 2025, and $300 and $300 during the nine months ended September 30, 2026 and 2025, respectively.

Advertising Costs

The Company expenses advertising costs as incurred. During the three months ended September 30, 2026 and 2025, the Company incurred advertising expense in the amounts of $666 and $615, respectively. During the nine months ended September 30, 2026 and 2025, the Company incurred advertising expense in the amounts of $1,838 and $1,113, respectively.

Capitalized Transaction Costs

Capitalized transaction costs primarily consist of legal and accounting costs incurred that were direct and incremental to the Merger. During the nine months ended September 30, 2026, the Company capitalized $2,061 of transaction costs in capitalized transaction costs on the condensed consolidated balance sheets. Upon the completion of the Merger, capitalized transaction costs were netted against the proceeds from the Merger and recorded as an offset to stockholders' deficit.

Earnings (Loss) Per Share

The Company calculates basic and diluted earnings (loss) per share using the two-class method. Under the two-class method, earnings are allocated to common stock and participating securities according to their participation rights in dividends and undistributed earnings. The participating securities do not have a contractual obligation to share in the losses of the Company.

Under the two-class method, basic earnings (loss) per share attributable to common stockholders is computed by dividing the net income (loss) attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Net income (loss) attributable to common stockholders is determined by adjusting net loss for the Series A Preferred Stock dividends and accretion, any deemed dividends on preferred stock, and the allocation of undistributed earnings to participating securities (refer to Note 11, Earnings (Loss) Per Share for further information).

Diluted earnings (loss) per share attributable to common stockholders adjusts basic earnings (loss) per share for the potentially dilutive impact of preferred stock, stock options, restricted stock units, common stock warrants, preferred stock warrants, and debt conversion features.

Recently Adopted Accounting Pronouncements

In May 2025, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2025-03, to improve consistency in determining the accounting acquirer in certain business combinations involving variable interest entities. The amendments are effective for annual periods beginning after December 15, 2026, and interim periods within those annual periods, with early adoption permitted. The Company adopted this standard as of January 1, 2026, and used this new standard when analyzing the Merger.

Recently Issued Accounting Pronouncements Not Yet Adopted

In November 2024, the FASB issued ASU 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures, which requires disclosure of additional information about specific expense categories in the notes to the consolidated financial statements on an annual and interim basis. The standard is effective for fiscal years beginning after December 15, 2026, and for interim periods within fiscal years beginning after December 15, 2027 on either a prospective or retrospective basis, with early adoption permitted. The Company is currently evaluating the impact of the new standard on its consolidated financial statements.

In April 2026, the FASB issued ASU 2026-01, Equity (Topic 505): Initial Measurement of Paid-in Kind Dividends on Equity-Classified Preferred Stock, which clarifies the initial measurement of paid-in-kind dividends on equity-classified preferred stock. The standard is effective for fiscal years beginning after December 15, 2026, and for interim periods within those annual reporting periods, with early adoption permitted. The Company is currently evaluating the impact of the new standard on its consolidated financial statements.

3. Reverse Recapitalization

As discussed in Note 1, Organization and Description of Business, Inflection Point, Merger Sub, and Legacy Merlin entered into the Business Combination Agreement on August 13, 2025. In connection with the entrance into the Business Combination and the anticipated Merger, the following transactions occurred prior to the Closing Date:

- In July and August 2025, Legacy Merlin and certain investors entered into the Pre-PIPE Bridge and Pre-Funded PIPE Agreements, pursuant to which Legacy Merlin issued the investors Pre-PIPE Bridge and Pre-Funded PIPE Notes and Warrants. The Pre-PIPE Bridge and Pre-Funded PIPE Notes and Warrants were funded and issued between July and November 2025. Refer to Note 8, Debt and Note 9, Warrants for further information.

- In November 2025, Inflection Point, Legacy Merlin, and certain investors entered into securities purchase agreements ("Series A SPAs") pursuant to which, on the Closing Date, the Company would issue shares of its 12.0% Series A Cumulative Convertible Preferred Stock ("Series A Preferred Stock") and common stock purchase warrants ("PIPE Warrants") in a PIPE transaction for aggregate gross proceeds of $120,000 (the "Closing PIPE"). The Closing PIPE was funded, and the Series A Preferred Stock and PIPE Warrants were issued, at the Closing. Refer to Note 9, Warrants and Note 10, Mezzanine Equity and Stockholders' Deficit for further information.

In connection with and in contemplation of the Merger, the following events occurred immediately prior to the Closing:

(1) Each convertible security of Legacy Merlin (other than the Pre-PIPE Bridge Notes and Pre-Funded PIPE Notes) automatically converted into full shares of redeemable convertible preferred stock or common stock, as applicable, of Legacy Merlin;

(2) Each of Legacy Merlin's outstanding and unexercised preferred stock warrant liabilities was automatically exercised on a cashless basis or was exchanged for securities issued in the Closing PIPE, based on the applicable terms thereof (refer to Note 9, Warrants);

(3) After giving effect to the conversions and exercises described at (1) and (2) above, each issued and outstanding share of Legacy Merlin's redeemable convertible preferred stock automatically converted into shares of Legacy Merlin common stock; and

(4) Each of Legacy Merlin's outstanding and unexercised common stock warrants (other than the Pre-PIPE Bridge Warrants and Pre-Funded PIPE Warrants) was automatically exercised on a cashless basis.

At the effective time of the Merger, and pursuant to the terms of the Business Combination Agreement:

(1) Each share of Legacy Merlin common stock held by Legacy Merlin, Merger Sub, or the Company was canceled without consideration exchanged therefor;

(2) Each other issued and outstanding share of Legacy Merlin common stock was canceled and converted into the right to receive shares of the common stock at an exchange ratio of approximately 3.102;

(3) Each option to purchase equity securities of Legacy Merlin was converted into an option to acquire common stock at an exchange ratio of approximately 3.102;

(4) Each Pre-PIPE Bridge Note and Pre-Funded PIPE Note was converted into shares of Series A Preferred Stock, par value $0.0001 per share; and

(5) Each Pre-PIPE Bridge Warrant and Pre-Funded PIPE Warrant was converted into a PIPE Warrant.

The following table summarizes the net proceeds from the Merger:

Sources		**Amount**
Cash - Closing PIPE	$	120,000
Cash - Inflection Point trust account, net		25,864
Cash - Inflection Point operating account		426
Total cash from the Merger	$	146,290

Uses		**Amount**
Transaction expenses	$	(23,220)
Prepayment of 2024 LSA Loans		(28,334)
Total cash used immediately after the Merger	$	(51,554)
Net cash to Merlin	$	94,736

The following table summarizes the impact of the Merger on the Company's common stock:

	Common Stock		Additional Paid-In Capital
	Number of Shares	Amount	
Balances as of December 31, 2025	5,306,250	$ 1	$ 15,491
Exercise of stock options prior to the Merger	131,028	—	226
Issuance of common stock upon exercise of warrants	6,327	—	—
Issuance of redeemable convertible preferred stock upon exercise of warrants	226,113	—	6,859
Conversion of redeemable convertible preferred stock to common stock	17,154,902	2	461,962
Balances immediately prior to the Merger	22,824,620	$ 3	$ 484,538
Application of the exchange ratio to Legacy Merlin stockholders	47,966,076	5	(5)
Issuance of common stock in connection with the Merger to Inflection Point stockholders and rightsholders	13,750,282	1	17,265
Balances immediately after the Merger	84,540,978	$ 9	$ 501,798

4. Revenue Recognition from Contracts with Customers

Disaggregation of Revenue

The Company disaggregates revenues by customer-type. These categories represent how the nature, timing and uncertainty of revenues and cash flows are affected.

Disaggregated revenues by customer-type were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
U.S. government agencies	$ 3,437	$ 1,865	$ 6,521	$ 5,776
Commercial and non-U.S. government customers	24	59	136	123
Total	$ 3,461	$ 1,924	$ 6,657	$ 5,899

Revenues from New Zealand during the three months ended September 30, 2026 and 2025 amounted to $24 and $59, respectively, and $136 and $123 during the nine months ended September 30, 2026 and 2025, respectively.

No revenue recognized during the nine months ended September 30, 2026 and 2025 was related to performance obligations satisfied in prior periods.

Remaining performance obligations

As of September 30, 2026, the aggregate amount of the transaction price allocated to the remaining performance obligations was $421, all of which will be recognized over the next 12 months. Although remaining performance obligations reflect business that is considered to be legally binding, cancellations, deferrals, or scope adjustments may occur. Any known project cancellations, revisions to project scope and cost, foreign currency exchange fluctuations, and project deferrals are reflected or excluded in the remaining performance obligation balance, as appropriate.

Contract balances

The following table presents contract balances:

	As of:		
	September 30, 2026	December 31, 2025	December 31, 2024
Accounts receivable, net	$ 1,197	$ 368	$ 536
Unbilled receivables	$ 203	$ 1,570	$ —
Deferred revenue	$ —	$ —	$ 112
Contract loss provision	$ 72	$ 4,173	$ 5,166

There was no revenue recognized during the nine months ended September 30, 2026 from amounts included in deferred revenue at the beginning of the period. Revenue recognized during the nine months ended September 30, 2025 from amounts included in deferred revenue at the beginning of the period was $112. The decrease in unbilled receivables from December 31, 2025 to September 30, 2026 represents revenue that was previously earned and recognized but was not invoiced until the nine months ended September 30, 2026.

During the nine months ended September 30, 2026 the Company recognized a favorable adjustment to the contract loss provision of $2,229 on the condensed consolidated statement of operations as the result of a revised estimate of total costs to be incurred to deliver on a component of the United States Air Force Special Operations Command ("USSOCOM") contract. The Company recognized a contract loss provision related to revised estimates of total costs to be incurred to deliver on components of the USSOCOM contract of $381 and $1,451 during the three months ended September 30, 2026 and 2025, respectively, and $883 and $1,451 during the nine months ended September 30, 2026 and 2025, respectively.

The Company amortized $464 and $742 during the three months ended September 30, 2026 and 2025, respectively, and $2,254 and $1,570 during the nine months ended September 30, 2026 and 2025, respectively, of the previously recognized contract loss provision as a reduction to cost of revenue.

As of September 30, 2026 and December 31, 2025, the allowance for credit losses is immaterial to the unaudited condensed consolidated financial statements.

5. Fair Value Measurements

The following table presents assets and liabilities measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation as follows:

	As of September 30, 2026			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market mutual funds	$ 150,347	$ —	$ —	$ 150,347
Total Assets	$ 150,347	$ —	$ —	$ 150,347
Liabilities:				
Warrant liabilities	$ —	$ —	$ 26,517	$ 26,517
Total Liabilities	$ —	$ —	$ 26,517	$ 26,517

	As of December 31, 2025			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market mutual funds	$ 56,695	$ —	$ —	$ 56,695
Total Assets	$ 56,695	$ —	$ —	$ 56,695
Liabilities:				
Current liabilities:				
2024 LSA Loans, current portion	$ —	$ —	$ 19,175	$ 19,175
Convertible promissory notes	—	—	29,107	29,107
Non-current liabilities:				
2024 LSA Loans, non-current portion	—	—	12,207	12,207
Warrant liabilities	—	—	76,766	76,766
Total Liabilities	$ —	$ —	$ 137,255	$ 137,255

Fair value measurements for cash equivalents are based on quoted market prices in active markets.

Prior to and in contemplation of the anticipated Merger, fair value measurements for warrant liabilities and convertible promissory notes were estimated using a probability-weighted expected return method, considering scenarios in which the Merger does or does not occur. As of the Closing Date, the probability assigned to the scenario in which the Merger occurred was 100%, compared to 85% as of December 31, 2025. In all scenarios, the fair value of Pre-PIPE Bridge and Pre-Funded PIPE Notes and Warrants was determined by calibrating the aggregate fair value of instruments issued, as implied by the probability-weighted expected return method, to the proceeds received in each issuance therefrom in accordance with ASC 825, resulting in a calibrated discount rate of 500.0%.

In the scenario in which the Merger does not occur, the fair value of the 2019 LSA Warrants, 2021 LSA Warrants, and 2024 LSA Warrants was estimated using an option pricing approach embedded within a Monte Carlo simulation. The Monte Carlo simulation simulates the Company's equity value from each respective valuation date to the expected financing event date, incorporating breakpoints at which various equity classes participate in distributions. In the scenario in which the Merger occurs, the fair value of the 2019 LSA Warrants, 2021 LSA Warrants, and 2024 LSA Warrants was estimated using a common stock equivalent method which incorporates the expected capital structure and distribution of proceeds in a public company context and allocated value among the Company's equity classes assuming the Company successfully completes the Merger.

In both scenarios, the fair value of the 2024 LSA Amendment Warrants was estimated using a discounted cash flow method, calculating the present value of future cash flows based on the contractual terms thereof at the calibrated discount rate.

In both scenarios, the fair value of the Pre-PIPE Bridge Notes and Pre-Funded PIPE Notes were estimated using a discounted cash flow method, calculating the present value of future cash flows based on the contractual terms of such instruments at the calibrated discount rate.

As of and prior to December 31, 2025, in the scenario in which the Merger does not occur, the fair value of the Pre-PIPE Bridge Warrants and Pre-Funded PIPE Warrants were estimated using an option pricing approach embedded within a lattice model. The lattice model simulates the Company's equity value from each respective valuation date to the expected financing event date, incorporating breakpoints at which various equity classes participate in distributions. In the scenario in which the Merger occurs, the fair value of the Pre-PIPE Bridge Warrants and Pre-Funded PIPE Warrants was estimated using the Black-Scholes option pricing formula. As of the Closing Date, fair value measurements for the Pre-PIPE Bridge Warrants and Pre-Funded PIPE Warrants were estimated using a Monte Carlo simulation, modeling the future stock price of the Company's common stock to simulate payoff scenarios for the PIPE Warrants that the Pre-PIPE Bridge Warrants and Pre-Funded PIPE Warrants were contractually required to be exchanged for, discounted at the term-matched risk-free rate. The fair value measurements of the Pre-PIPE Bridge Warrants and Pre-Funded PIPE Warrants were calculated as the average present value of all future modeled payoff scenarios.

The following relevant assumptions were used in determining the fair value of the warrant liabilities and convertible promissory notes as of December 31, 2025:

		December 31, 2025
Non-Merger scenario - Equity value	$	647,000
Non-Merger scenario - Expected financing amount	$	150,000
Non-Merger scenario - Expected financing date		6/30/2026
Non-Merger scenario - Expected liquidity event		9/30/2028
Non-Merger scenario - Equity volatility		60.0%-75.0%
Merger scenario - Expected Merger date		3/31/2026
Merger scenario - Stock price	$	10.72
Merger scenario - Equity volatility		70.0 %
Calibrated discount rate		500.0 %
Risk-free rate		3.44%-4.78%

As of and prior to December 31, 2025, fair value measurements for the 2024 LSA Loans (refer to Note 8, Debt) were estimated using a discounted cash flow method and a lattice model. The lattice model was used to estimate the fair value measurement impact of various share- and cash-settled redemption features which only apply to a portion of the outstanding principal amount of 2024 LSA Loans and the discounted cash flow method was used to estimate the fair value measurement impact of the principal amount of 2024 LSA Loans not subject to such redemption features. As of the Closing Date, fair value measurements for the 2024 LSA Loans were estimated based on the contractual redemption amount as of the Closing Date.

The following relevant assumptions were used in determining the fair value of the 2024 LSA Loans as of December 31, 2025:

		December 31, 2025
Fair value of Series B Prime redeemable convertible preferred stock	$	29.39
Equity volatility		75.0 %
Credit rating		CCC-
Discount rate		19.7 %

Fair value measurements for the PIPE Warrants and May 2026 PIPE Warrants are estimated using a Monte Carlo simulation, modeling the future stock price of the Company's common stock to simulate payoff scenarios for the PIPE Warrants and May 2026 PIPE Warrants, discounted at the term-matched risk-free rate. The fair value measurements of the PIPE Warrants and May 2026 PIPE Warrants are calculated as the average present value of all future modeled payoff scenarios.

The following relevant assumptions were used in determining the fair value of the PIPE Warrants and May 2026 PIPE Warrants as of September 30, 2026:

		September 30, 2026
Remaining term (years) - PIPE Warrants		4.46
Remaining term (years) - May 2026 PIPE Warrants		4.58
Fair value of common stock	$	1.88
11-day VWAP	$	2.00
Volatility		67.5 %
Risk-free rate		5.00%-5.01%
Dividend yield		— %

The Company's fair value measurement activity, using unobservable inputs and associated unrealized gains and losses with respect to warrant liabilities outstanding during the nine months ended September 30, 2026 and 2025 was as follows:

	Amount
Fair value as of December 31, 2024	$ 3,586
Change in fair value of warrants	(46)
Fair value as of March 31, 2025	$ 3,540
Change in fair value of warrants	3,925
Fair value as of June 30, 2025	$ 7,465
Issuance of warrants	66,044
Exchange of warrants	(1,769)
Change in fair value of warrants	683
Fair value as of September 30, 2025	$ 72,423

	Amount
Fair value as of December 31, 2025	$ 76,766
Change in fair value of warrants prior to the Merger	(22,111)
Exercise of warrants prior to the Merger	(6,859)
Exchange of warrants in the Merger	(3,745)
Issuance of warrants in the Merger	48,195
Change in fair value of warrants after the Merger	(4,443)
Fair value as of March 31, 2026	$ 87,803
Change in fair value of warrants	26,144
Exercise of warrants	(11,490)
Issuance of May 2026 PIPE Warrants	27,680
Fair value as of June 30, 2026	$ 130,137
Change in fair value of warrants	(103,620)
Fair value as of September 30, 2026	$ 26,517

The convertible promissory notes were converted in connection with the Merger during the three months ended March 31, 2026. The Company's fair value measurement activity, using unobservable inputs and associated unrealized losses with respect to convertible promissory notes outstanding during the three months ended March 31, 2026 was as follows:

	Amount
Fair value as of December 31, 2025	$ 29,107
Change in fair value of convertible promissory notes	87,824
Conversion of convertible promissory notes in the Merger	(116,931)
Fair value as of March 31, 2026	$ —

The 2024 LSA Loans were extinguished in connection with the Merger during the three months ended March 31, 2026. The Company's fair value measurement activity, using unobservable inputs and associated unrealized losses with respect to 2024 LSA Loans outstanding during the three months ended March 31, 2026 was as follows:

	Amount
Fair value as of December 31, 2025	$ 31,382
Contractual repayments of principal	(4,562)
Non-cash change in fair value of 2024 LSA Loans	1,514
Extinguishment of 2024 LSA Loans	(28,334)
Fair value as of March 31, 2026	$ —

6. Property and Equipment, net

Property and equipment, net consisted of the following:

	As of:	
	September 30, 2026	December 31, 2025
Aircraft equipment	$ 8,388	$ 6,166
Aircraft	8,177	4,728
Computer equipment	577	528
Leasehold improvements	2,117	425
Marketing and display equipment	1,578	—
Office furniture & equipment	382	349
Motor vehicles	92	85
Total property and equipment	21,311	12,281
Less: Accumulated depreciation	6,913	5,173
Total property and equipment, net	$ 14,398	$ 7,108

Depreciation expense for the three months ended September 30, 2026 and 2025 amounted to $574 and $375, respectively. Depreciation expense for the nine months ended September 30, 2026 and 2025 amounted to $1,703 and $1,145, respectively.

7. Leases

The Company leases office space, aircraft, and airport hangar space under noncancelable operating lease agreements, which require escalating monthly rental payments plus related operating costs and expire on various dates through 2033. These leases contain no renewal provisions other than a certain New Zealand lease, which contains one renewal option for five years. The Company is not reasonably certain to elect the renewal option and has excluded it in the related right-of-use asset.

On September 4, 2025, the Company entered into a lease agreement for airport hangar and corporate office space in Bedford, MA that has not commenced, therefore no right-of-use asset or lease liability has been recorded. When the lease commences the lease arrangement will have estimated total future payments of $34,247 through September 2035. The lease is expected to commence in 2027. As of September 30, 2026, the premises had not yet been made available to the Company.

In February 2026, the Company entered into a lease agreement to lease office space in Boston, MA. The lease commencement date was March 23, 2026 and the lease term expires on January 31, 2029. The lease is accounted for as an operating lease, and the Company recognized an operating lease right-of-use asset and lease liability of $1,632 at the lease commencement date.

The components of lease expense for the three and nine months ended September 30, 2026 and 2025 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Component	2026	2025	2026	2025
Operating lease expense	$ 391	$ 225	$ 1,059	$ 671
Short-term lease expense	22	28	227	84
Variable lease expense	3	2	15	2
Total lease expense	$ 416	$ 255	$ 1,301	$ 757

The weighted average remaining lease term and discount rate for operating leases were as follows:

	As of:	
	September 30, 2026	December 31, 2025
Weighted average remaining lease term (in years)	2.35	3.17
Weighted average discount rate	12.58%	13.21%

Future minimum operating lease payments as of September 30, 2026 are as follows:

Years ending December 31:	Amount
2026 (remaining)	$ 377
2027	1,418
2028	707
2029	78
2030	78
Thereafter	169
Total future minimum lease payments	2,827
Less present value discount	395
Present value of lease liabilities	2,432
Less current portion	1,235
Long-term portion	$ 1,197

8. Debt

The following table summarizes the Company's outstanding long-term debt as of December 31, 2025:

	As of December 31, 2025
2021 LSA Loan	$ —
2022 PGF Loan	672
2024 LSA Loans	31,383
Total long-term debt	32,055
Less current maturities of long-term debt	19,271
Total long-term debt, net	$ 12,784

Following the redemption of the 2022 PGF Loan, the redemption of the 2024 LSA Loans, and the conversions of the Pre-PIPE Bridge and Pre-Funded PIPE Notes in connection with the Merger, the Company did not have any outstanding debt as of September 30, 2026.

2021 LSA

In September 2021, the Company entered into a loan and security agreement with the lender thereto ("2021 LSA") which provided for term loan commitments with a maximum potential borrowing amount of $10,000. The aggregate commitments under the 2021 LSA included (a) a term loan facility in an aggregate principal amount of $3,000 (the "2021 LSA First Tranche"), (b) a delayed draw term loan facility in an aggregate principal amount of $1,000 (the "2021 LSA Second Tranche"), and (c) the lender's commitment to reserve $6,000 for future funding of loans (the "2021 LSA Reserve"). Pursuant to the terms of the 2021 LSA, term loans under 2021 LSA First Tranche were required to be drawn down within five business days following the execution of the 2021 LSA. As a condition precedent to issuing term loans under the 2021 LSA Second Tranche, the Company was required to achieve certain operational milestones and the 2021 LSA Second Tranche expired unused in March 2022. Further, the Company had no enforceable right to obtain term loans under the 2021 LSA Reserve as any binding commitment thereto was subject to the Company and the lender agreeing to enter into a binding commitment to provide funding following the Company's next equity financing round. No amounts

were drawn under the 2021 LSA Reserve. In connection with the execution of the 2021 LSA, the Company issued warrants to purchase the Company's redeemable convertible preferred stock to the lender thereunder ("2021 LSA Warrants").

In September 2021, the Company entered into a term loan in an aggregate principal amount of $3,000 under the 2021 LSA First Tranche (the "2021 LSA Loan"). The 2021 LSA Loan bore interest at 11% per annum. Pursuant to the terms of the 2021 LSA, the Company was required to make interest-only payments through June 2022, after which the aggregate principal amount of the 2021 LSA Loan was amortized and paid down in equal monthly installments, together with interest thereon, over the following 36 months until the final maturity of the 2021 LSA Loan on July 1, 2025. In July 2025, all outstanding principal, plus accrued interest thereon, was repaid in accordance with the contractual terms of the 2021 LSA.

New Zealand Provincial Growth Fund ("PGF") Loan

In July 2022, MLNL entered into a loan agreement ("2022 PGF Agreement") with the New Zealand Ministry of Business, Innovation and Employment (the "Ministry"), securing a convertible loan commitment in an aggregate principal amount of NZD 1,000 ($660 USD at issuance). Under the 2022 PGF Agreement, MLNL received NZD 1,000 ($660 USD at issuance) in aggregate principal amount of convertible debt, referred to as the "2022 PGF Loan". The 2022 PGF Loan bore interest at a fixed rate of 7.47%. Pursuant to the terms of the 2022 PGF Agreement, interest accrued on the 2022 PGF Loan prior to the third anniversary of its issuance was required to be paid in kind on each anniversary of the issuance date. On each subsequent anniversary date until the maturity date of July 21, 2032, the Company was required to make annual payments comprised of (a) equal amortizing payments of 2022 PGF Loan principal and (b) interest accrued during the anniversary year. All amounts due but not yet paid, including all interest paid in kind, were set to become due and payable on the maturity date.

The Company did not incur any debt issuance costs in connection with the 2022 PGF Agreement. The Company accounted for the 2022 PGF Loan using the effective interest method. The effective interest rate of the 2022 PGF Loan was 7.5%.

On February 24, 2026, and in anticipation of the Merger, the Company exercised its unilateral right to prepay the aggregate outstanding principal amount of the 2022 PGF Loan and all accrued unpaid interest thereon. The redemption price of $782 equaled the current carrying amount associated with the 2022 PGF Loan.

2024 LSA

On February 22, 2024, the Company entered into a loan and security agreement (the "2024 LSA") with the lender party thereto, which provided for delayed-draw term loan commitments in an aggregate principal amount of $35,000. The aggregate commitments under the 2024 LSA included (a) a delayed-draw term loan facility in an aggregate principal amount of $12,500 (the "2024 LSA First Tranche"), (b) a delayed-draw term loan facility in an aggregate principal amount of $12,500 (the "2024 LSA Second Tranche"), and (c) a delayed-draw term loan facility in an aggregate principal amount of $10,000 (the "2024 LSA Third Tranche"). As a condition precedent to issuing term loans under the 2024 LSA Third Tranche, the Company achieved certain operational milestones as defined in the 2024 LSA. In connection with the entry into the 2024 LSA, the Company issued warrants to the lender thereunder to purchase the Company's redeemable convertible preferred stock (the "2024 LSA Warrants").

On May 28, 2024, August 30, 2024, and October 23, 2024, the Company entered into term loans under the 2024 LSA First, Second, and Third Tranches, in aggregate principal amounts of $12,500, $12,500, and $10,000, respectively (collectively, the "2024 LSA Loans"). The 2024 LSA Loans accrued interest at a fixed rate per annum, compounded monthly, equal to the Prime Rate as of the issuance date of each loan plus 5.0%. In addition to the fixed cash interest, the outstanding principal balance of the 2024 LSA Loans accrued interest paid in kind at 1.5% per annum, compounded monthly. Inclusive of both cash interest and interest paid in kind, the total nominal interest rate of the 2024 LSA Loans issued under the 2024 LSA First, Second, and Third Tranches was 15%.

Prior to the 2024 LSA Amendment (as defined below), the Company was required to make interest-only payments at the cash interest rate through February 2025, after which the aggregate principal amount of the 2024 LSA Loans was to be amortized and paid down in equal monthly installments, together with cash interest thereon, over the following 24 months until final maturity on January 31, 2027. On the maturity date, all unpaid principal of the 2024 LSA Loans, together with cash interest and all interest paid-in kind, was set to become due and payable.

In connection with the 2024 LSA, the Company recorded a debt discount of $622, related to the payment of lender fees and the issuance of preferred stock warrant liabilities, which was amortized to interest expense over the life of the 2024 LSA

Loans using the effective interest method. The effective interest rates of the 2024 LSA Loans for the First, Second, and Third Tranches were 14.5%, 14.7%, and 14.9%, respectively.

On July 1, 2025, the Company and the lender thereunder entered into an amendment to the 2024 LSA (the "2024 LSA Amendment"). Pursuant to the 2024 LSA Amendment, the maturity date of the 2024 LSA Loans was extended to June 1, 2027, with amortizing principal payments beginning on January 1, 2026 and continuing until the final maturity date. No other terms of the 2024 LSA Loans were modified pursuant to the 2024 LSA Amendment. In connection with the 2024 LSA Amendment and to induce the lender to enter into such amendment, the Company issued warrants to purchase the Company's redeemable convertible preferred stock with a fair value of $759 (the "2024 LSA Amendment Warrants").

The 2024 LSA Amendment was accounted for as an extinguishment under ASC 470-50, Modifications and Extinguishments. In accordance with ASC 825 and following the 2024 LSA Amendment, the Company elected to account for the 2024 LSA Loans under the fair value option. The Company elected to record the 2024 LSA Loans under the fair value option to simplify the ongoing recordkeeping. Prior to the repayment of the 2024 LSA Loans as described below, the lender retained the right to convert up to $5,000 of the outstanding loan balance into shares of the Company's Series B Prime redeemable convertible preferred stock at any time through June 30, 2027 (the "2024 LSA Conversion Feature").

On the Closing Date and using proceeds generated by the Merger, the Company exercised its unilateral right to prepay the 2024 LSA Loans in full at a contractual redemption price of $28,334 which included the aggregate outstanding principal amount, accrued unpaid interest, and make-whole premiums. The fair value of the 2024 LSA Loans as of the redemption date was $28,334.

Pre-PIPE Bridge

On July 2, 2025, the Company entered into a convertible note purchase agreement (the “Pre-PIPE Bridge Agreement”) with the purchasers party thereto, pursuant to which the Company could issue up to $23,445 in aggregate principal amount of unsecured convertible promissory notes (the “Pre-PIPE Bridge Notes”). Additionally, pursuant to the Pre-PIPE Bridge Agreement, the Company issued common stock warrants (the "Pre-PIPE Bridge Warrants") to the purchasers thereto and, accordingly, the proceeds received in connection with each issuance were allocated between the Pre-PIPE Bridge Notes and Pre-PIPE Bridge Warrants (refer to Note 9, Warrants).

The Company entered into a series of Pre-PIPE Bridge Notes in an aggregate principal amount of $23,445 between July and August 2025. The Company accounted for the Pre-PIPE Bridge Notes under the fair value option and, accordingly, all issuance costs incurred in connection with the entry into the Pre-PIPE Bridge Agreement and the issuance of the Pre-PIPE Bridge Notes thereunder were expensed as incurred. The Company elected to record the Pre-PIPE Bridge Notes under the fair value option based on the short-term maturity of the Pre-PIPE Bridge Notes.

Prior to the Pre-PIPE Bridge Amendment (as defined below), the Pre-PIPE Bridge Notes accrued interest at a fixed rate of 12.0% per annum, compounded annually. All principal and accrued interest thereon was set to become due and payable upon demand by the purchasers thereof on or after July 2, 2026, unless earlier converted or repaid.

On August 13, 2025, and in connection with the Pre-Funded PIPE transaction (as defined below), the Company and the holders of the Pre-PIPE Bridge Notes amended the terms of the Pre-PIPE Bridge Notes to more closely align with those of the Pre-Funded PIPE Notes ("Pre-PIPE Bridge Amendment"). Because the Pre-PIPE Bridge Notes were accounted for under the fair value option, all amendment costs were expensed as incurred.

Following the Pre-PIPE Bridge Amendment, the Pre-PIPE Bridge Notes accrued interest at 12.0% per annum, compounded semi-annually, until the principal amount of the Pre-PIPE Bridge Notes and all interest accrued thereon were repaid or converted. The Pre-PIPE Bridge Amendment did not change the maturity date of the Pre-PIPE Bridge Notes.

Pursuant to the Pre-PIPE Bridge Amendment and the terms of the Business Combination Agreement, in connection with the Closing of the Merger, the unpaid principal amount of Pre-PIPE Bridge Notes, together with accrued unpaid interest thereon, automatically converted into shares of Series A Preferred Stock. Refer to Note 3, Reverse Recapitalization for further information.

Pre-Funded PIPE

On August 13, 2025, the Company entered into a securities purchase agreement ("Pre-Funded PIPE Agreement") with the purchasers party thereto, pursuant to which the Company agreed to sell, and the purchasers agreed to purchase, unsecured convertible promissory notes and common stock warrants.

Pursuant to the Pre-Funded PIPE Agreement, the Company issued $64,706 in aggregate principal amount of unsecured convertible promissory notes (the "Pre-Funded PIPE Notes") and common stock warrants (the "Pre-Funded PIPE Warrants") for total proceeds of $55,000, which were allocated between the Pre-Funded PIPE Notes and the Pre-Funded PIPE Warrants. The Company accounted for the Pre-Funded PIPE Notes under the fair value option and, accordingly, all issuance costs incurred in connection with the entry into the Pre-Funded PIPE Agreement and the issuance of the Pre-Funded PIPE Notes thereunder were expensed as incurred. The Company elected to record the Pre-Funded PIPE Notes under the fair value option based on the short-term maturity of the Pre-Funded PIPE Notes.

Additionally, the Pre-Funded PIPE Agreement contained a provision that gave a purchaser thereunder, who was an affiliate of Inflection Point, the right ("Purchaser Right") to require the Company to issue and sell up to $29,412 in aggregate principal amount of additional Pre-Funded PIPE Notes and accompanying Pre-Funded PIPE Warrants ("Purchaser Right Notes"). The Purchaser Right was exercisable at any time prior to December 31, 2025, so long as the Business Combination Agreement was not terminated, and expired unexercised on December 31, 2025. The Purchaser Right was a written call option accounted for initially and subsequently at fair value, with changes in fair value recognized in the condensed consolidated statements of operations. The Purchaser Right had a de minimis fair value as of the execution of the Pre-Funded PIPE Agreement and at its expiration on December 31, 2025.

On November 17, 2025, the Pre-Funded PIPE Agreement was amended to permit the issuance of incremental Pre-Funded PIPE Notes and Pre-Funded PIPE Warrants under the original terms of the Pre-Funded PIPE Agreement (the "Pre-Funded PIPE Amendment"). No terms of the issued and outstanding Pre-Funded PIPE Notes and Pre-Funded PIPE Warrants were modified in connection with the Pre-Funded PIPE Amendment. On November 18, 2025, pursuant to the Pre-Funded PIPE Amendment, the Company issued incremental Pre-Funded PIPE Notes to an existing holder of Pre-Funded PIPE securities in an aggregate principal amount of $10,893, together with accompanying Pre-Funded PIPE Warrants, for total proceeds of $9,259 which were allocated between the Pre-Funded PIPE Notes and the Pre-Funded PIPE Warrants. The Company accounted for the incremental Pre-Funded PIPE Notes under the fair value option and, accordingly, all amendment costs were expensed as incurred. The Company elected to record the incremental Pre-Funded PIPE Notes under the fair value option based on the short-term maturity of the Pre-Funded PIPE Notes.

The Pre-Funded PIPE Notes accrued interest at a fixed rate of 12.0% per annum, compounded semi-annually, until the principal amount of Pre-Funded PIPE Notes and all interest accrued thereon were repaid or converted. All principal and accrued interest thereon were set to become due and payable upon demand by the purchasers thereof on or after August 13, 2026, unless earlier converted or repaid.

Pursuant to the Pre-Funded PIPE Agreement and the terms of the Business Combination Agreement, in connection with the Closing of the Merger, the unpaid principal amount of Pre-Funded PIPE Notes, together with accrued unpaid interest thereon, automatically converted into shares of Series A Preferred Stock.

9. Warrants

The warrants issued in connection with the 2019 loan and security agreement (the "2019 LSA Warrants"), the 2021 LSA Warrants, and the 2024 LSA Warrants were determined to meet the criteria for liability classification pursuant to ASC 480 because the underlying warrant shares, the Company's redeemable convertible preferred stock, were redeemable outside the control of the Company and were accordingly classified as mezzanine equity. The 2019 LSA Warrants, 2021 LSA Warrants, and 2024 LSA Warrants were therefore required to be initially and subsequently measured at fair value with changes in fair value presented in the condensed consolidated statements of operations. In August 2025, in accordance with their terms, the holder of the 2024 LSA Warrants elected to exchange all of the 2024 LSA Warrants for Pre-PIPE Bridge Notes and accompanying Pre-PIPE Bridge Warrants. Therefore, none of the 2024 LSA Warrants were issued and outstanding immediately prior to the consummation of the Merger.

The 2024 LSA Amendment Warrants were determined to meet the criteria for liability classification pursuant to ASC 480 as the terms permitted the holder to exchange the 2024 LSA Amendment Warrants for instruments issued in any bridge

financing occurring after their issuance date, which included the issuance of convertible debt instruments. The 2024 LSA Amendment Warrants were therefore required to be initially and subsequently measured at fair value with changes in fair value presented in the condensed consolidated statements of operations.

The Pre-PIPE Bridge Warrants and Pre-Funded PIPE Warrants were determined to meet the criteria for liability classification pursuant to ASC 815 because certain settlement adjustments prevented them from meeting the fixed-for-fixed equity classification criteria. The Pre-PIPE Bridge Warrants and Pre-Funded PIPE Warrants were therefore required to be initially and subsequently measured at fair value with changes in fair value presented in the condensed consolidated statements of operations.

Pursuant to the terms of the Business Combination Agreement and immediately prior to the Merger, the 2019 LSA Warrants and 2021 LSA Warrants were automatically exercised on a cashless basis pursuant to their applicable terms for shares of the Company's Series Seed Prime redeemable convertible preferred stock and Series B Prime redeemable convertible preferred stock, respectively. In accordance with the terms thereof, the 2024 LSA Amendment Warrants were not exercised prior to the Merger and were exchanged for shares of Series A Preferred Stock and PIPE Warrants in connection with the Merger.

Pursuant to the terms of the Business Combination Agreement and the applicable terms thereof, the Pre-PIPE Bridge Warrants and the Pre-Funded PIPE Warrants were converted into PIPE Warrants to purchase shares of the Company's common stock in connection with the Merger. Additionally, PIPE Warrants were issued for cash in connection with the Closing PIPE.

The PIPE Warrants and the May 2026 PIPE Warrants were determined to meet the criteria for liability classification pursuant to ASC 815 because certain settlement adjustments prevent them from meeting the fixed-for-fixed equity classification criteria. The PIPE Warrants and the May 2026 PIPE Warrants are therefore required to be initially and subsequently measured at fair value with changes in fair value presented in the condensed consolidated statements of operations.

The following table summarizes the warrants to purchase common stock as of September 30, 2026:

	Shares Underlying Warrants	Class of Underlying Warrant Shares	Exercise Price Per Share		Expiration Date
PIPE Warrants[1][2]	36,116,246	Common Stock	$	6.67	March 31, 2031
May 2026 PIPE Warrants[1]	4,000,000	Common Stock	$	6.67	May 1, 2031

(1) If on the twenty-first (21st) trading day following the date that is six months after the Closing Date, the 20-day volume-weighted average price of common stock is less than the exercise price then in effect, the exercise price shall be reduced to the greater of (i) such volume-weighted average price and (ii) $5.00. The exercise price of PIPE Warrants and May 2026 PIPE Warrants is also subject to certain customary adjustments for stock dividends and splits, dilutive issuances of common stock, subsequent rights offerings, pro rata distributions, and fundamental transactions.

(2) In connection with the May 2026 PIPE, a down round feature of the PIPE Warrants was triggered, reducing the per share strike price from $12.00 to $6.67.

During the three months ended September 30, 2026 and 2025, the Company recorded a gain of $103,620 and a loss of $683 on the change in fair value of warrant liabilities, respectively. During the nine months ended September 30, 2026 and 2025, the Company recorded a gain of $104,030 and a loss of $4,562 on the change in fair value of warrant liabilities, respectively. Refer to Note 5, Fair Value Measurements for further information.

10. Mezzanine Equity and Stockholders' Deficit

Reverse Recapitalization

All issued and outstanding shares of Legacy Merlin's redeemable convertible preferred stock automatically converted, on a one-to-one basis, into shares of Legacy Merlin common stock immediately prior to the consummation of the Merger. Upon the Closing of the Merger, all issued and outstanding shares of Legacy Merlin's common stock were exchanged for common stock at an exchange ratio of approximately 3.102.

The following table presents the impact of the exchange ratio on Legacy Merlin's redeemable convertible preferred stock, after the exercise of Legacy Merlin warrants to acquire its redeemable convertible preferred stock (refer to Note 9, Warrants), and the issuance of common stock following conversion of the redeemable convertible preferred stock:

Class of Legacy Merlin Redeemable Convertible Preferred Stock	Number of Shares Issued and Outstanding Before Closing	Exchange Ratio	Common Stock Issued After Conversion
Series Seed redeemable convertible preferred stock	3,293,745	3.102	10,215,578
Series A redeemable convertible preferred stock	7,493,114	3.102	23,239,955
Series A-1 redeemable convertible preferred stock	928,217	3.102	2,878,873
Series B redeemable convertible preferred stock	4,718,309	3.102	14,633,876
Series B-1 redeemable convertible preferred stock	947,631	3.102	2,939,086
Total	17,381,016		53,907,368

Common Stock

As of September 30, 2026, the Company had 800,000,000 shares of $0.0001 par value common stock authorized. The voting, dividend and liquidation rights of the common stockholders are subject to, and qualified by, the rights, powers and preferences of the preferred stockholders and as designated by resolution of the Board of Directors. The holders of the common stock are entitled to one vote for each share of common stock held.

As of September 30, 2026, 698,306,344 shares of common stock are reserved for the conversion of Series A Preferred Stock, vesting of restricted stock units, and exercise of stock options, PIPE Warrants, and May 2026 PIPE Warrants.

Series A Preferred Stock

As of September 30, 2026, the Company had authorized 50,000,000 shares of Series A Preferred Stock, $0.0001 par value, each with a stated value of $12.00 ("Stated Value"). As described below, the sum of (i) the Stated Value, (ii) any dividends paid in-kind, and (iii) any cash dividends not yet paid shall be referred to herein as the "Accrued Value."

Shares of the Company's Series A Preferred Stock were issued in connection with the Closing PIPE (refer to Note 3, Reverse Recapitalization), the exchange of 2024 LSA Amendment Warrants (refer to Note 9, Warrants), and the conversion of Pre-PIPE Bridge and Pre-Funded PIPE Notes issued and outstanding as of the Closing Date (refer to Note 8, Debt).

For the nine months ended September 30, 2026, certain holders of Series A Preferred Stock converted 3,065,884 shares of Series A Preferred Stock into 5,273,120 shares of common stock. As of September 30, 2026, 18,655,078 shares of Series A Preferred Stock remained outstanding.

In connection with the May 2026 PIPE, a down round feature of the Series A Preferred Stock was triggered, reducing the per share conversion price from $12.00 to $6.67 and the Company accordingly recognized a deemed dividend of $60,864. Because the Company has an accumulated deficit, the deemed dividend recognized in connection with the triggering of the down round feature does not affect the carrying amounts of the Company's mezzanine equity and stockholders' deficit as the increase in additional paid-in capital is offset with a corresponding decrease in additional paid-in capital, rather than a decrease in accumulated deficit.

As described below, the Series A Preferred Stock is redeemable outside the control of the Company and is accordingly classified in mezzanine equity. The Company accretes changes in the redemption amount from the Closing Date to the earliest redemption date, which is five years from the Closing Date, using the effective interest method.

The Series A Preferred Stock has the following rights and preferences:

Voting Rights

On all matters subject to the authorization of the holders of common stock, the holders of Series A Preferred Stock are entitled to vote together with holders of common stock on an as-converted basis. Further, so long as at least 20% of the

Series A Preferred Stock issued as of the Closing Date remain outstanding, the holders of Series A Preferred Stock are granted certain customary protective rights.

Dividends

The Series A Preferred Stock accrue cumulative, semi-annually compounding dividends, and are accrued whether or not earned or declared and whether or not there are any earnings, profits, surplus, or other funds or assets available for payment thereof ("Series A Accrued Dividends"). Series A Accrued Dividends accrue on the Accrued Value of each share of Series A Preferred Stock, at the Company's election, (i) at 10.0% if paid in cash or (ii) at 12.0% if paid in-kind. The Company shall not make any dividends on any common stock unless the holders of Series A Preferred Stock also receive (i) all Series A Accrued Dividends and (ii) participating dividends on an as-converted basis.

Liquidation

In the event of liquidation, dissolution or winding up of the Company or upon the occurrence of a Deemed Liquidation Event (as defined in the Company's Certificate of Designation), the holders of Series A Preferred Stock shall be entitled to receive, prior to any payments to holders of common stock, the greater of (i) the Accrued Value and (ii) the amount that would have been payable to holders of Series A Preferred Stock as if such shares converted to common stock immediately prior to such event. After such preferential payments are made, the remaining assets of the Company are to be distributed amongst the holders of Series A Preferred Stock and common stock pro rata, on an as-converted basis. The total amount payable to holders of Series A Preferred Stock is hereinafter referred to as the "Liquidation Amount."

Conversion

Each share of Series A Preferred Stock is convertible at any time, at the option of the holder, into a whole number of shares of common stock determined by dividing (i) the Accrued Value by (ii) the then-applicable conversion price. The conversion price was initially $12.00, subject to customary adjustments for stock dividends and splits, dilutive issuances of common stock, subsequent rights offerings, pro rata distributions, and fundamental transactions. Additionally, if on the twenty-first (21st) trading day following the date that is six months after the Closing Date, the 20-day volume-weighted average price of common stock is less than the conversion price then in effect, the conversion price shall be reduced to the greater of (i) such volume-weighted average price and (ii) $5.00.

As noted above, the conversion price was reduced to $6.67 in connection with the May 2026 PIPE.

Put Rights

Unless prohibited by applicable laws, the Series A Preferred Stock is redeemable at the option of the holder commencing after the fifth anniversary of the Closing Date at a redemption price equal to the Accrued Value.

Call Rights

Unless prohibited by applicable laws, the Company shall retain the option to redeem the Series A Preferred Stock at any time, as follows:

- Prior to the first anniversary of the Closing Date, at a redemption price equal to 150% of the Accrued Value;
- On or after the first anniversary of the Closing Date, but before the second anniversary, at a redemption price equal to 140% of the Accrued Value;
- On or after the second anniversary of the Closing Date, but before the third anniversary, at a redemption price equal to 130% of the Accrued Value;
- On or after the third anniversary of the Closing Date, but before the fourth anniversary, at a redemption price equal to 120% of the Accrued Value;
- On or after the fourth anniversary of the Closing Date, but before the fifth anniversary, at a redemption price equal to 110% of the Accrued Value;
- On or after the fifth anniversary of the Closing Date, at a redemption price equal to 100% of the Accrued Value.

11. Earnings (Loss) Per Share

The Company uses the two-class method to calculate basic and diluted earnings (loss) per share. The Company's Series A Preferred Stock, PIPE Warrants, and May 2026 PIPE Warrants are considered participating securities because they entitle holders to participate in dividends to common stockholders, on an as-converted and as-exercised basis, respectively. The participating securities do not have a contractual obligation to share in the losses of the Company. Therefore, net loss is fully attributable to the Company's common stockholders for the nine months ended September 30, 2026 and 2025, and for the three months ended September 30, 2025.

Basic earnings (loss) per share is computed by dividing net income (loss) attributable to the Company's common stockholders by the weighted-average number of shares outstanding during the period. Diluted earnings (loss) per share is computed by dividing net income (loss) attributable to the Company's common stockholders by the weighted-average number of shares after adjusting for potential dilution related to the conversion of all dilutive securities into common stock.

The numerators and denominators of the basic and diluted earnings (loss) per share computations for the Company's common stock were calculated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Numerator:				
Net income (loss)	$ 73,837	$ (26,696)	$ (75,009)	$ (55,725)
Series A Preferred Stock dividends and accretion	(8,072)	—	(17,713)	—
Income attributable to participating securities	(28,087)	—	—	—
Series A Preferred Stock deemed dividend on down round	—	—	(60,864)	—
Deemed dividend on exchange of redeemable convertible preferred stock	—	(345,717)	—	(345,717)
Net income (loss) attributable to common stockholders	$ 37,678	$ (372,413)	$ (153,586)	$ (401,442)
Denominator:				
Weighted average shares outstanding, basic	101,217,672	71,045,916	89,253,660	70,986,625
Effect of dilutive stock options	1,944,532	—	—	—
Effect of dilutive unvested RSUs	12,630	—	—	—
Weighted average shares outstanding, diluted	103,174,834	71,045,916	89,253,660	70,986,625
Earnings (loss) per share, basic	$ 0.37	$ (5.24)	$ (1.72)	$ (5.66)
Earnings (loss) per share, diluted	$ 0.37	$ (5.24)	$ (1.72)	$ (5.66)

The following outstanding potentially dilutive common stock equivalents have been excluded from the computation of diluted net loss per share for the periods presented due to their anti-dilutive effect:

	As of September 30,	
	2026	2025
Series A Preferred Stock	35,849,579	—
Stock options[1]	7,198,521	7,809,915
Unvested RSUs[1]	4,418,280	—
Warrants exercisable for common stock	40,116,246	25,181
2019 LSA Warrants	—	449,489
2021 LSA Warrants	—	251,805
2024 LSA Conversion Feature	—	663,754
Pre-PIPE Bridge Convertible Notes	—	3,497,049
Pre-Funded PIPE Convertible Notes	—	8,203,748
Purchaser Right Notes	—	3,728,976
Total	87,582,626	24,629,917

(1) For the three months ended September 30, 2026, 5,253,989 options and 4,405,650 unvested RSUs were excluded from the computation of diluted earnings per share due to their anti-dilutive effect. In total, 85,625,464 potential common stock equivalents were excluded from the computation of diluted earnings per share due to their anti-dilutive effect for the three months ended September 30, 2026.

12. Stock-Based Compensation

On October 24, 2018, the Board of Directors adopted the Merlin Labs 2018 Equity Incentive Plan (the "2018 Plan"). Under the terms of the 2018 Plan, incentive stock options ("ISOs") may be granted to employees of the Company and nonqualified stock options or restricted stock awards may be granted to directors, consultants, employees and officers of the Company. As of March 16, 2026, the Company stopped issuing awards under the 2018 Plan.

On March 16, 2026, the Board of Directors adopted the 2026 Incentive Award Plan (the "2026 Plan" and together with the 2018 Plan, the "Plans"). Under the terms of the 2026 Plan, stock options, stock appreciation rights, restricted stock, restricted stock units, and other stock or cash based awards may be granted to directors, consultants, employees, and officers of the Company. ISOs may only be granted to employees and officers employed by the Company. Additionally on March 16, 2026, the Board of Directors adopted the 2026 Employee Stock Purchase Plan (the "ESPP") pursuant to which eligible employees are granted the right to purchase common stock of the Company.

As of September 30, 2026, the Company's authorized common stock includes 42,546,878 shares of common stock reserved for the issuance of awards under the Plans and the ESPP, of which 30,930,077 shares are available for future grants.

Stock Options

The exercise price of ISOs cannot be less than the fair value of the Company's common stock on the date of grant or less than 110% of the fair value in the case of employees holding 10% or more of the voting stock of the Company. The options vest over a period determined by the Board of Directors, generally four years, and expire not more than ten years from the date of grant.

Stock option activity under the 2026 Plan during the nine months ended September 30, 2026 was as follows:

	Number of Options	Weighted Average Exercise Price (Per Share)	Weighted- Average Remaining Life (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2025	2,094,080	$ 5.73		$ 34,460
Retroactive application of recapitalization	4,400,730	(3.88)		
Outstanding at December 31, 2025, as adjusted	6,494,810	1.85		34,460
Granted	3,263,050	7.59		
Exercised	(2,002,590)	1.45		9,250
Expired	(397,636)	2.47		
Forfeited	(159,113)	4.01		
Outstanding at September 30, 2026	7,198,521	4.49	7.56	2,036
Exercisable at September 30, 2026	3,336,522	$ 1.74	5.64	$ 2,036

The weighted-average grant-date fair value of options granted during the nine months ended September 30, 2026 and 2025 amounted to $3.80 and $6.17, respectively.

During the nine months ended September 30, 2026 and 2025, option holders of the Company exercised 2,002,590 and 188,296 common stock options, respectively, in exchange for cash proceeds of $2,893 and $78, respectively.

The total intrinsic value of options exercised during the nine months ended September 30, 2026 and 2025 amounted to $9,250 and $827, respectively.

As of September 30, 2026, there is $7,880 of unrecognized compensation expense related to unvested stock option arrangements granted under the 2026 Plan. That cost is expected to be recognized over a weighted average period of 1.11 years.

The Company uses the Black-Scholes option-pricing model to value option grants on the date of grant and to determine the related compensation expense. The assumptions used in calculating the fair value of stock-based payment awards represent management's best estimations. Prior to the Merger, the Company based its expected volatility on the volatilities of certain publicly-traded peer companies as it was a privately-held company and therefore lacked company-specific historical and implied volatility information. After the Merger, the Company intends to continue to consistently use the same group of publicly traded peer companies to determine volatility in the future until such time that sufficient information regarding the volatility of the Company's share price becomes available or that the selected companies are no longer suitable for this purpose. The risk-free interest rate used for each grant is equal to the U.S. Treasury yield curve in effect at the time of grant for instruments with a similar expected life.

The expected term of options granted is determined based on the average of the vesting term and the contractual lives of all options awarded. The expected dividend yield assumption is based on the Company's history and expectation of dividend payouts.

In determining the exercise prices for options granted, the Company has considered the fair value of the common stock as of the measurement date. Prior to the Merger, the fair value of the common stock had been determined by management with consideration to a third-party valuation, which contemplates a broad range of factors, including the illiquid nature of the investment in the Company's common stock, the Company's historical financial performance and financial position, the Company's future prospects and opportunity for liquidity events and recent sale and offer prices of common and redeemable convertible preferred stock, if any, in private transactions negotiated at arm's length.

The following table provides the assumptions used in determining the fair value of the stock option awards:

	Nine Months Ended September 30,	
	2026	2025
Risk-free interest rate	3.89%-4.31%	3.69%-4.06%
Expected dividend yield	— %	— %
Expected volatility	42.25%-56.50%	41.76%-47.48%
Expected life in years	5.00-6.08	5.12-6.06
Fair value of Common Stock	$5.69-$11.73	$3.60-$11.05

Restricted Stock Units

Each restricted stock unit ("RSU") represents the right to receive one share of the Company's common stock upon vesting. RSUs awarded under the 2026 Plan vest in accordance with the vesting schedule set forth in the applicable Grant Notice and are generally subject to forfeiture in the event of termination of employment prior to vesting dates. The Company recognizes stock-based compensation expense for the RSUs equal to the grant date fair value of the awards on a straight-line basis over the requisite service period and recognizes forfeitures as they occur. The fair value of RSUs granted by the Company is equal to the Company's closing stock price on the date of the grant.

RSU activity under the 2026 Plan during the nine months ended September 30, 2026 was as follows:

	Number of RSUs	Weighted Average Grant Date Fair Value per Share	Weighted- Average Remaining Life (Years)	Aggregate Intrinsic Value
Unvested as of December 31, 2025	—	$ —	$ —	$ —
Granted	4,757,477	6.22		
Vested	(255,570)	6.64		
Forfeited	(83,627)	6.71		
Unvested as of September 30, 2026	4,418,280	$ 6.18	1.40	$8,306

As of September 30, 2026, there was $22,912 of unrecognized compensation expense related to unvested RSU arrangements granted under the 2026 Plan. That cost is expected to be recognized over a weighted average period of 1.17 years.

During the nine months ended September 30, 2026 and 2025, stock-based compensation expense amounted to $12,278 and $1,472, respectively, which is included in the condensed consolidated statements of operations.

Total stock-based compensation expense as presented within the condensed consolidated statements of operations was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Cost of revenue	$ 377	$ 74	$ 908	$ 335
Research and development	1,676	373	3,550	913
General and administrative	3,767	79	7,019	212
Selling and marketing	555	—	801	12
Total	$ 6,375	$ 526	$ 12,278	$ 1,472

During the nine months ended September 30, 2026, the Company granted and issued 100,000 shares of common stock to non-employees, which were valued on the grant date based on the opening price of MRLN.

13. Income Taxes

The Company recorded a benefit from income taxes of $173 and a provision for income taxes of $2 for the three months ended September 30, 2026 and 2025, respectively, yielding effective tax rates of (0.23)% and (0.01)%, respectively.

The Company recorded no provision for income taxes and a provision for income taxes of $3 for the nine months ended September 30, 2026 and 2025, respectively, yielding effective tax rates of 0.00% and (0.01)%, respectively.

The Company is subject to income tax in the U.S. as well as other tax jurisdictions in which it conducts business. The Company's effective tax rates for the nine months ended September 30, 2026 and 2025 differ from the U.S. statutory rate primarily due to the effect of the valuation allowance recorded against the Company's net operating losses.

As of September 30, 2026 and December 31, 2025, the Company had not recognized any liabilities for uncertain tax positions in its unaudited condensed consolidated financial statements. The Company files tax returns as prescribed by the tax laws of the jurisdictions in which it operates.

14. Commitments, Contingencies, and Indemnification

Liabilities for loss contingencies arising from claims, disputes, legal proceedings, fines and penalties, and other sources are recorded when it is probable that a liability has been or will be incurred and the amount of the liability can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Recoveries of such legal costs from insurance policies are recorded as an offset to legal expenses in the period they are received.

In the ordinary course of business, the Company enters into various agreements containing standard indemnification provisions. The Company's indemnification obligations under such provisions are typically in effect from the date of execution of the applicable agreement through the end of the applicable statute of limitations. The aggregate maximum potential future liability of the Company under such indemnification provisions is uncertain. As of September 30, 2026 and December 31, 2025, no amounts have been accrued related to such indemnification provisions.

15. Segment and Geographic Information

The Company operates as a single operating and reportable segment. The CODM uses consolidated net income (loss) to evaluate performance, allocate resources, set incentive compensation targets, and plan for future periods. The measure of segment assets is reported on the condensed consolidated balance sheets as total consolidated assets.

The following table presents the significant segment expenses, which were regularly provided to the CODM:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Revenue	$ 3,461	$ 1,924	$ 6,657	$ 5,899
Significant segment expenses:				
Personnel	(20,082)	(7,158)	(47,709)	(21,484)
Travel and entertainment	(1,125)	(665)	(3,165)	(1,795)
Consulting and professional services	(8,478)	(7,048)	(35,412)	(14,166)
Aircraft expense	(679)	(409)	(3,011)	(1,456)
Software	(1,579)	(874)	(4,357)	(2,044)
Facilities	(684)	(582)	(2,279)	(1,377)
Other expenses	(1,817)	(861)	(5,444)	(1,872)
Depreciation	(574)	(375)	(1,703)	(1,145)
Contract loss provision	(381)	(1,451)	(883)	(1,451)
Benefit from contract loss provision	465	742	4,985	1,570
Benefit from research and development agreement	—	150	300	300
Total significant segment expenses	(34,934)	(18,531)	(98,678)	(44,920)
Other segment expenses:				
Interest income	1,504	430	3,468	862
Interest expense	—	—	(9)	(2,956)
Other income (expense)	13	18	(183)	(193)
Change in fair value of warrant liabilities	103,620	(683)	104,030	(4,562)
Change in fair value of convertible promissory notes	—	(3,118)	(87,824)	(3,118)
Loss on exchange of warrant liabilities	—	(3,320)	—	(3,320)
Loss on issuance of financial instruments	—	(585)	—	(585)
Loss on extinguishment of long-term debt	—	(2,157)	—	(2,157)
Change in fair value of long-term debt	—	(672)	(2,470)	(672)
Total other segment income (expenses)	105,137	(10,087)	17,012	(16,701)
Income (loss) before provision for income taxes	73,664	(26,694)	(75,009)	(55,722)
Provision for (benefit from) income taxes	(173)	2	—	3
Net income (loss)	$ 73,837	$ (26,696)	$ (75,009)	$ (55,725)

Property and equipment, net and operating lease right-of-use assets, net by geographic area were as follows:

	As of:	
	September 30, 2026	December 31, 2025
United States	$ 11,932	$ 4,541
New Zealand	4,734	3,546
Total	$ 16,666	$ 8,087

16. Defined Contribution Plan

The Company sponsors a defined contribution plan covering substantially all of its employees who meet certain eligibility requirements. The Company, at the discretion of the Board of Directors, may make contributions to the plan. During the three months ended September 30, 2026 and 2025, the Company made contributions to the plan in the amounts of $51 and

$52, respectively. During the nine months ended September 30, 2026 and 2025, the Company made contributions to the plan in the amounts of $122 and $159, respectively.

17. Subsequent Events

As described in Note 9, Warrants, the strike price of the PIPE Warrants and May 2026 PIPE Warrants is subject to adjustment if, on the twenty-first (21st) trading day following the date that is six months after the Closing Date, the 20-day volume-weighted average price of common stock is less than the exercise price then in effect. Similarly, as described in Note 10, Mezzanine Equity and Stockholders' Deficit, the conversion price of Series A Preferred Stock is subject to adjustment if, on the twenty-first (21st) trading day following the date that is six months after the Closing Date, the 20-day volume-weighted average price of common stock is less than the conversion price then in effect. These adjustment provisions were triggered on October 15, 2026, and accordingly, the strike price of the PIPE Warrants and May 2026 PIPE Warrants and the conversion price of Series A Preferred Stock were each reset to $5.00.

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

The following discussion and analysis of Merlin's financial condition and results of operations includes information that Merlin's management believes is relevant to an assessment and understanding of Merlin's consolidated results of operations and financial condition. You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited condensed consolidated financial statements included in this Quarterly Report and our audited financial statements, unaudited pro forma financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" filed as Exhibit 99.1, Exhibit 99.2 and Exhibit 99.3, respectively, to our Current Report on Form 8-K filed with the Securities and Exchange Commission on March 20, 2026 (the "Super 8-K"). This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Merlin's actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in the section titled "Cautionary Note Regarding Forward-Looking Statements" in this Quarterly Report and the section titled "Risk Factors" in our other SEC filings.

On August 13, 2025, Inflection Point Acquisition Corp. IV (f/k/a Bleichroeder Acquisition Corp. I), a Cayman Islands exempted company ("Inflection Point"), entered into a Business Combination Agreement, dated as of August 13, 2025 (as amended on March 14, 2026, the "Business Combination Agreement"), by and among Inflection Point, IPDX Merger Sub, Inc., a Delaware corporation and a direct, wholly-owned subsidiary of Inflection Point ("Merger Sub"), and Merlin Labs, Inc. (referred to herein prior to the Business Combination as "Legacy Merlin" and subsequent to the Business Combination as "Merlin Labs"). On March 16, 2026 (the "Closing Date"), as contemplated by the Business Combination Agreement, Inflection Point, Merger Sub, and Legacy Merlin consummated the transactions contemplated by the Business Combination Agreement and its related agreements (collectively, the "Business Combination"), pursuant to which, among other things, Merger Sub merged with and into Legacy Merlin (the "Merger"), with Merlin Labs continuing as the surviving corporation and a wholly-owned subsidiary of the Company, as further described below.

Unless the context otherwise requires, all references in this section to "we," "us," "our," "Merlin," or the "Company" refer to Merlin Labs, Inc. and its subsidiaries prior to the consummation of the Business Combination, and after the consummation of the Business Combination, Merlin, Inc. and its subsidiaries.

Overview

Our vision is to be at the forefront of advancing autonomous flight technology and position ourselves as the leading U.S.-based developer of autonomy solutions for fixed-wing aircraft. Our non-human pilot system, Merlin Pilot, integrates advanced hardware and software to deliver a comprehensive autonomous flight solution that spans the entire flight process, from takeoff to touchdown. By enabling an aircraft to operate with reduced crew or autonomously, we believe Merlin Pilot can significantly enhance flight efficiency, enabling more flights per day or optimized routes, thereby reducing operational costs. This could translate to potential savings of millions of dollars per aircraft annually, offering substantial financial benefits to large fleet operators.

We believe that Merlin Pilot not only addresses the global pilot shortage but has the potential to enhance flight safety, offering a compelling economic model with diverse revenue streams, including hardware integration and recurring, high-margin software support. Our extensive portfolio of proprietary intellectual property combines artificial intelligence with traditional high-assurance flight controls, positioning us to capitalize on the growing trends of autonomous systems and next-generation aviation.

We have grown a team of engineers with deep expertise in autonomy and certified software for both military and civilian applications. We are a prime contractor on an Indefinite Delivery, Indefinite Quantity ("IDIQ") contract with a ceiling value of up to $105 million. Our certification program includes an issued certification basis and a certification-conformed system with approved military airworthiness plans, underscoring our commitment to delivering reliable and safe autonomous flight solutions.

The Merlin Pilot is an advanced automation system in development to enable full autonomous flight from takeoff to touchdown. It utilizes a comprehensive array of sensor technologies to assess the aircraft's state and its surrounding environment, allowing it to navigate effectively and recommend trajectory adjustments as necessary.

Our go-to-market strategy is designed around mastering traditional aircraft markets and building a solid foundation of revenue and expertise. Our goal is to sell to both the military and civilian sectors.

We have been chosen as the sole prime contractor for a $105 million IDIQ contract to integrate autonomous capabilities into the C-130J for the U.S. Air Force, which is the most widely used military transport aircraft globally. This contract

covers the initial adaptation of the platform and can be extended to both low-rate and full-rate production for all USSOCOM fixed-wing aircraft.

We plan to deploy the first Merlin Pilot on either commercial or military aircraft within the next three years. We recognized net income of $73,837 thousand and incurred a net loss of $26,696 thousand for the three months ended September 30, 2026 and 2025, respectively. We incurred net losses of $75,009 thousand and $55,725 thousand for the nine months ended September 30, 2026 and 2025, respectively. We expect to continue to generate losses over the next few years as we continue to invest in research and development, expand our facilities and expand the technical capabilities of our engineering function. We expect that our existing cash and cash equivalents will be sufficient to meet our capital expenditure and working capital requirements for a period of at least twelve months from the issuance of this Quarterly Report.

Our Business Model

We intend to deploy a hybrid hardware installation and software integration business model whereby we expect to generate revenue from the sale and installation of Merlin Pilot to flight operators necessary for autonomous flight and from the fees associated with providing software support to such operators. We also expect to generate additional revenue from the sale of ancillary services related to operating a fleet of autonomous aircraft. Below is a summary of each of these revenue streams:

- *Merlin Pilot Sale and Installation Fees*: The anticipated revenue stream from the sale and installation of Merlin Pilot includes licensing or technology fees for the installation and implementation of our technology on an aircraft. This type of revenue would be earned one time, would be non-recurring and would vary based on the aircraft type. Over time, we expect to be able to scale our engineering and technical installation and implementation capabilities to reduce costs and increase our margins on this type of revenue.

- *Software Support Fees*: The anticipated revenue stream from software support includes fees generated from providing ongoing technical and operational support to the Merlin Pilot. Under our business model, anticipated software license agreements would typically include a lifetime right of use and would not provide for any support or maintenance to be provided by the Company for the term of the agreement. However, we will offer these services to our customers for additional fees, which we intend to invoice either monthly or annually, depending on the agreement reached with each customer. As such, revenue earned from support and maintenance will be categorized separately from the revenue originally earned in selling and implementing the Merlin Pilot on each aircraft.

- *Ancillary Fees*: We also intend to offer ancillary services designed to meet the needs of our customers. In doing so, we intend to take advantage of the insights we are able to generate from the deployment of our technology to generate additional income with minimal incremental cost. The ancillary services we currently intend to offer include software upgrades and support, which are designed to enhance the autopilot experience, enhanced customer assistance and trainings and data insights that can further optimize routes and individual aircraft performance. We will continue to analyze the possibility of offering additional services as we scale, and the pricing of such services will depend on their widespread acceptance, regulatory approvals and the costs associated with offering such services.

While we expect to generate revenues from each of the three revenue streams discussed above, we do not expect to generate revenues from all three simultaneously until we have achieved scale in our business. Rather, our growth strategy is structured around a phased implementation approach to ensure efficient deployment and scalability of our business model:

Phase 1 — Adapt: During this phase, our engineers are tailoring the core Merlin Pilot system to specific platforms and mission profiles. This phase involves non-recurring engineering funding for each aircraft type with a scalable engineering process over time.

Phase 2 — Integrate: During this phase, the Merlin Pilot system will be integrated onto customer platforms. We may use integration partners, which would allow us to scale our programs effectively.

Phase 3 — License: During this phase, we will offer "Autonomy as a Service" to our installed base of aircraft at a pre-negotiated annual rate, which includes software updates and ongoing support for the Merlin software.

Once we have achieved scale, we expect to generate concurrent revenue from all three of the revenue streams listed above as we deploy our technology across both military and civilian sectors, including both in the United States and globally.

Key Factors Affecting Our Performance

We believe that our future success and financial performance depend on a number of factors that present significant opportunities for our business, but also pose risks and challenges, including those described below in the section entitled *"Risk Factors" in this quarterly report* and in our other SEC filings, including the final prospectus filed with the SEC on May 13, 2026.

Our ability to commence and expand commercial operations

We are a development stage company with limited commercial operations to date. As such, our business model is dependent on expanding commercial operations. We currently anticipate commencing ground and flight testing of our Merlin Pilot on the C-130J for the U.S. Air Force within the next year under the IDIQ contract, This, in turn, is dependent upon successful integration testing and aircraft availability. Our team of engineers, developers and other staff is highly motivated and committed to accomplishing these challenges ahead. Failure to successfully integrate the Merlin Pilot in a timely manner could result in us being unable to commercialize our technology on our anticipated timeframe.

We are developing a pipeline of potential customers and partners that we expect will play an integral role in bringing our technology to market. We currently depend on the U.S. government for funding given that it is our single largest customer. If the U.S. government were to stop supporting the initial development of our technology for military aircraft, our ability to commence and expand commercial operations, including across the civilian sector, would be significantly impaired. Additionally, global conflicts, such as the Russia-Ukraine conflict and ongoing conflicts in the Middle East, have created and may continue to create significant global economic uncertainty. While this uncertainty has resulted in a greater need for our technology in the military sector, it may ultimately impact the deployment of our technology across the civilian sector, particularly if it results in a decrease in global travel and airfare.

Widespread acceptance of autonomous flight

Our growth and future success are dependent on public support for autonomous, non-human flight in the United States and other countries where we intend to market and sell our technology. Over time, we expect autonomous flight solutions to gain widespread acceptance and become an integral part of the aviation and travel industries worldwide. However, today it is an unproven and nascent technology. As a result, consumers' demand for, and willingness to accept, autonomous flight will significantly impact our financial performance. We believe that our leadership status in autonomous flight positions us to continue to set the standard for advanced autonomous solutions and will help us benefit from increasing consumer confidence in, and demand for, autonomous technology over time.

Our ability to capitalize on government expenditures in military defense

Our future growth is largely dependent on our ability to continue to capitalize on increased government support and corporate investment in military technology, including autonomous aircraft. Military technological advancements are garnering significant bipartisan support from U.S. government initiatives, including as evidenced by our IDIQ award. Government expenditures and private sector investments have fueled our growth in recent years, which has resulted in our continued ability to secure increasingly valuable contracts for products and services.

Over time, we expect political support for military innovation and technology to increase, particularly as the military adopts cutting edge technologies such as autonomous flight. If political support for prioritizing the development of military technology decreases, including due to policy changes by current or future administrations and changing congressional funding priorities, we may be unable to secure continued government funding, which would adversely affect our business, development timeline, and financial condition.

Our ability to obtain and maintain regulatory approvals at the federal, state and local levels

Our capacity for continued growth and ability to achieve and maintain profitability depends in large part on our ability to operate effectively in multiple jurisdictions, including at the international, federal and local level. The federal government, along with each local jurisdiction (such as states, counties and townships) in which we operate, has unique regulatory dynamics. These include laws and regulations that can directly or indirectly affect our ability to operate across various jurisdictions, particularly as they relate to autonomous commercial aircraft, as well as matters related to insurance requirements and community support. We believe that we have an industry-leading licensing team of professionals who are in regular communication with the U.S. Federal Aviation Administration and other regulators, and our success will depend on our licensing team's ability to continue to obtain and maintain regulatory approvals in the ordinary course of business.

Our ability to expand our product and service offerings

We intend to offer customers a diversified suite of services throughout the life of the autonomous aircraft, beginning when we have successfully installed the Merlin Pilot and it begins to be deployed by our customers. Our suite of services is envisioned to include multifaceted offerings, whereby we intend to provide customers with critical services related to the deployment of our technology across the life of the aircraft. We expect that, as we refine our services offering as it is deployed by the U.S. Air Force, the number of services we offer and the percentage of revenue we generate from our service offerings will continue to grow. We anticipate that our service offering will have high penetration rates across our future clients and will provide consistent, recurring revenues throughout the expected life of an aircraft. If we are unable to expand our product and service offerings, it would adversely affect our business, development timeline, and financial condition.

Our ability to obtain additional capital

We expect to continue to incur operating losses for the foreseeable future as we continue to expand and develop our technology, and we may need to raise additional capital in future periods. If we are unable to raise additional capital, we may have to significantly delay, scale back or discontinue one or more of our research and development programs. We may be required to cease operations or seek partners for Merlin Pilot at an earlier stage than otherwise would be desirable and on terms that are less favorable than might otherwise be available. In the absence of additional capital, we may also be required to relinquish, license or otherwise dispose of rights to technologies or products that we would otherwise seek to develop or commercialize on terms that are less favorable than might otherwise be available. If we are unable to secure additional capital, we may be required to take additional measures to reduce costs to conserve our cash in amounts sufficient to sustain operations and meet our obligations. These measures may significantly alter our future business plans and could cause significant delays in the development of our products and ultimately our financial condition and ability to operate as a going concern in future periods.

Macroeconomic considerations

Macroeconomic conditions, such as high inflation and elevated interest rates, continue to be sources of volatility and uncertainty for global economic activity, and may affect our project costs and operations, as well as demand for the Merlin Pilot. Ongoing geopolitical conflicts in Ukraine, and the Middle East, and tensions in United States-China relations may drive further economic instability and inflationary pressures, as well as increase risks for commercial and military aircraft. In the case of the military sector, these geopolitical conflicts have and may continue to impact the need for technological advances to keep the U.S. military at the forefront of the industrial world, which are generally beneficial for our business. However, such conflicts could also significantly impact commercial airline operations, which could negatively impact us in the future.

Components of Our Results of Operations

Revenue

We generate revenue from long-term contracts for the integration, testing, and delivery of our Merlin Pilot software and supporting hardware. In order to satisfy these contracts, we undertake engineering for research, design, development, manufacturing, integration and sustainment of advanced auto-piloting technology.

Cost of Revenue

Our cost of revenue consists primarily of labor, materials, travel, subcontractor costs and other expenses incurred directly in the execution of specific contracts.

We expect the cost of revenue to increase as revenue grows. As a percentage of revenue, cost of revenue may fluctuate from period to period based on the mix, timing, and execution of our contracts. Over the longer term, we expect cost of revenue to increase at a slower rate than revenue as we continue to scale our operations.

Contract Loss Adjustments

We record a contract loss provision liability when the estimated total costs of any contracts are greater than the net contract revenues and recognize the entire estimated loss in the period the loss becomes known. As part of our periodic reassessment of the estimated cost to deliver on these contracts, if we determine the estimated costs will be lower, we may adjust this contract loss provision to reflect the revised estimate.

Research and Development

Research and development expenses consist primarily of personnel-related costs for our development team, including salaries, benefits, bonuses, allocated overhead costs, and stock-based compensation expenses. Research and development expenses also include contractor or professional services fees and third-party cloud infrastructure expenses incurred in developing our product offerings. In the near term, we will continue to invest in our product offerings and development capabilities, although these expenses may fluctuate as a percentage of our revenue from period to period. Research and development expense is reduced by amounts received by the Company in connection with research and development agreements with third parties, where the Company is paid for research and development activities.

General and Administrative

General and administrative expenses consist primarily of personnel-related costs associated with our finance, legal, human resources and administrative personnel, including salaries, benefits, bonuses, allocated overhead costs, and stock-based compensation. General and administrative expenses also include external legal, accounting and other professional services fees, software services dedicated for use by our general and administrative functions, insurance and other corporate expenses.

Selling and Marketing

Selling and marketing expenses consist of personnel-related costs directly associated with our sales and marketing staff, including salaries, benefits, bonuses, commissions, allocated overhead costs, and stock-based compensation. Selling and marketing expenses also include advertising costs and other expenses associated with our marketing and business development programs. In addition, selling and marketing expenses consist of travel-related expenses, software services dedicated for use by our sales and marketing organizations and outside services contracted for sales and marketing purposes.

Interest Income

Interest income consists of interest income earned on cash and cash equivalents balances held in interest-bearing time and money market mutual accounts.

Interest Expense

Interest expense consists of interest on our term borrowings and amortization of debt issuance costs.

Other Income (Expense)

Other expense consists of gains and losses on the disposal of assets and gains and losses from foreign currency transactions and remeasurements of foreign currency-denominated monetary assets and liabilities to the U.S. dollar.

Change In Fair Value of Warrant Liabilities

Change in fair value of warrant liabilities consists of gains and losses resulting from a change in fair value of our warrant liabilities.

Change in Fair Value of Convertible Promissory Notes

Change in fair value of convertible promissory notes consists of gains and losses resulting from a change in fair value of our convertible promissory notes, together with interest accrued on those instruments.

Change in Fair Value of Long-Term Debt

Change in fair value of long-term debt consists of gains and losses resulting from a change in fair value of our long-term debt, together with interest accrued on those instruments.

Provision For (Benefit From) Income Taxes

Provision for (benefit from) income taxes consists primarily of income taxes related to foreign and state jurisdictions in which we conduct business. We maintain a valuation allowance on our federal and state deferred tax assets as we have concluded that it is not more likely than not that the deferred tax assets will be utilized.

Results of Operations

The following tables set forth our results of operations for the fiscal periods presented. The period-to-period comparison of financial results is not necessarily indicative of future results.

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2026**	**2025**	**2026**	**2025**
Revenue	$ 3,461	$ 1,924	$ 6,657	$ 5,899
Cost of revenue	5,238	3,945	8,967	7,725
Contract loss adjustments	—	—	(2,229)	—
Gross loss	(1,777)	(2,021)	(81)	(1,826)
Operating expenses:				
Research and development	14,712	8,164	45,189	21,699
General and administrative	12,944	6,141	42,613	14,467
Selling and marketing	2,040	281	4,138	1,029
Total operating expenses	29,696	14,586	91,940	37,195
Loss from operations	(31,473)	(16,607)	(92,021)	(39,021)
Other (expense) income:				
Interest income	1,504	430	3,468	862
Interest expense	—	—	(9)	(2,956)
Other income (expense)	13	18	(183)	(193)
Change in fair value of warrant liabilities	103,620	(683)	104,030	(4,562)
Change in fair value of convertible promissory notes	—	(3,118)	(87,824)	(3,118)
Loss on exchange of warrant liabilities	—	(3,320)	—	(3,320)
Loss on issuance of financial instruments	—	(585)	—	(585)
Loss on extinguishment of long-term debt	—	(2,157)	—	(2,157)
Change in fair value of long-term debt	—	(672)	(2,470)	(672)
Total other income (expense)	105,137	(10,087)	17,012	(16,701)
Income (loss) before provision for income taxes	73,664	(26,694)	(75,009)	(55,722)
Provision for (benefit from) income taxes	(173)	2	—	3
Net income (loss)	$ 73,837	$ (26,696)	$ (75,009)	$ (55,725)

Comparison of the three months ended September 30, 2026 and 2025

Revenue

	Three Months Ended September 30,			
($ in thousands)	**2026**	**2025**	**Change**	**% Change**
U.S. government agencies	$ 3,437	$ 1,865	$ 1,572	84.3 %
Commercial and non-U.S. government customers	24	59	(35)	(59.3)%
Total	$ 3,461	$ 1,924	$ 1,537	79.9 %

Revenue for the three months ended September 30, 2026 increased by $1,537 thousand, or 79.9%, to $3,461 thousand compared to $1,924 thousand for the three months ended September 30, 2025. This increase was primarily due to increased activity being performed under a new phase of our USSOCOM contract during the three months ended September 30, 2026.

Cost of Revenue

($ in thousands)	Three Months Ended September 30, 2026	2025	Change	% Change
Cost of revenue	$ 5,238	$ 3,945	$ 1,293	32.8 %

Cost of revenue for the three months ended September 30, 2026 increased by $1,293 thousand, or 32.8%, to $5,238 thousand compared to $3,945 thousand for the three months ended September 30, 2025. This increase was primarily the result of increased direct costs, including subcontractor and consulting costs, an adjustment to the contract loss provision, and indirect allocated expenses incurred related to the delivery on the new phase of our USSOCOM contract that commenced in the three months ended June 30, 2026 and was in the execution phase for the full period for the three months ended September 30, 2026.

Operating Expenses

Research and Development

($ in thousands)	Three Months Ended September 30, 2026	2025	Change	% Change
Research and development	$ 14,712	$ 8,164	$ 6,548	80.2 %

Research and development expenses for the three months ended September 30, 2026 increased by $6,548 thousand, or 80.2%, to $14,712 thousand compared to $8,164 thousand in the three months ended September 30, 2025. This increase was primarily due to an increase in personnel costs from the hiring of new and highly-skilled engineering talent and an increase in consulting and subcontractor costs due to outsourcing to an increased number of subject matter experts identified specifically to solve unique engineering challenges.

General and Administrative

($ in thousands)	Three Months Ended September 30, 2026	2025	Change	% Change
General and administrative	$ 12,944	$ 6,141	$ 6,803	110.8 %

General and administrative expenses for the three months ended September 30, 2026 increased by $6,803 thousand, or 110.8% to $12,944 thousand compared to $6,141 thousand in the three months ended September 30, 2025. This increase was primarily due to an increase in stock-based compensation expense and an increase in other personnel costs. The increase in compensation-related costs was primarily driven by the hiring of management-level personnel in 2026. These increases in compensation-related costs were partially offset by a decrease in outsourced accounting and financial advisory fees as during the three months ended September 30, 2025, we incurred significant professional services fees relating to our preparation for the Merger that were not incurred during the three months ended September 30, 2026.

Selling and Marketing

($ in thousands)	Three Months Ended September 30, 2026	2025	Change	% Change
Selling and marketing	$ 2,040	$ 281	$ 1,759	626.0 %

Selling and marketing expenses for the three months ended September 30, 2026 increased by $1,759 thousand, or 626.0%, to $2,040 thousand compared to $281 thousand in the three months ended September 30, 2025. This increase was primarily due to an increase in stock-based compensation expense and an increase in other personnel costs. The increase in compensation-related costs was primarily driven by the hiring of additional business development personnel during 2026 to support our selling and marketing initiatives. Additionally, marketing-related costs, including advertising, branding, and

expenses associated with attending trade shows and conferences, increased as we continue to increase brand awareness in the market and pursue revenue-generating contracts with customers.

Interest Income

	Three Months Ended September 30,			
($ in thousands)	**2026**	**2025**	**Change**	**% Change**
Interest income	$ 1,504	$ 430	$ 1,074	249.8 %

Interest income for the three months ended September 30, 2026 increased by $1,074 thousand to $1,504 thousand compared to $430 thousand in the three months ended September 30, 2025, primarily due to higher average cash and cash equivalent balances held in interest bearing money market mutual funds during the three months ended September 30, 2026 due to the receipt of proceeds from the Merger on March 16, 2026 and the May 2026 PIPE.

Change in Fair Value of Warrant Liabilities

	Three Months Ended September 30,			
($ in thousands)	**2026**	**2025**	**Change**	**% Change**
Change in fair value of warrant liabilities	$ 103,620	$ (683)	$ 104,303	(15,271.3)%

Change in fair value of warrant liabilities for the three months ended September 30, 2026 resulted in a gain of $103,620 thousand compared to a loss of $683 thousand in the three months ended September 30, 2025. The gain of $103,620 thousand recognized during the three months ended September 30, 2026 is due to a decrease in the overall fair value of our warrant liabilities driven by changes in underlying inputs into the valuation model, namely decreases in underlying stock price and the expectation, as of September 30, 2026, that the VWAP strike price reset feature of our warrant liabilities would be triggered in October 2026.

Change in Fair Value of Convertible Promissory Notes

	Three Months Ended September 30,			
($ in thousands)	**2026**	**2025**	**Change**	**% Change**
Change in fair value of convertible promissory notes	$ —	$ (3,118)	$ 3,118	— %

Change in fair value of convertible promissory notes for the three months ended September 30, 2026 was zero, compared to a loss of $3,118 thousand for the three months ended September 30, 2025, due to the issuance of convertible promissory notes related to the Pre-PIPE Bridge and the Pre-Funded PIPE during the three months ended September 30, 2025. These instruments converted into equity in connection with the Merger, and were no longer outstanding after March 16, 2026.

Loss On Exchange of Warrant Liabilities

	Three Months Ended September 30,			
($ in thousands)	**2026**	**2025**	**Change**	**% Change**
Loss on exchange of warrant liabilities	$ —	$ (3,320)	$ 3,320	— %

Loss on exchange of warrant liabilities for the three months ended September 30, 2026 was zero, compared to a loss of $3,320 thousand for the three months ended September 30, 2025, due to the exchange of 2024 LSA Warrants for Pre-PIPE Bridge Notes and Warrants in August 2025.

Loss On Issuance of Financial Instruments

($ in thousands)	Three Months Ended September 30, 2026	2025	Change	% Change
Loss on issuance of financial instruments	$ —	$ (585)	$ 585	— %

Loss on issuance of financial instruments for the three months ended September 30, 2026 was zero, compared to a loss of $585 thousand for the three months ended September 30, 2025, due to the Company receiving gross proceeds that were less than the fair value of Pre-PIPE Bridge Notes and Warrants issued during the three months ended September 30, 2025.

Loss On Extinguishment of Long-term Debt

($ in thousands)	Three Months Ended September 30, 2026	2025	Change	% Change
Loss on extinguishment of long-term debt	$ —	$ (2,157)	$ 2,157	— %

Loss on extinguishment of long-term debt for the three months ended September 30, 2026 was zero, compared to a loss of $2,157 thousand for the three months ended September 30, 2025, related to the extinguishment of our term loans (2024 LSA).

Change in Fair Value of Long-term Debt

($ in thousands)	Three Months Ended September 30, 2026	2025	Change	% Change
Change in fair value of long-term debt	$ —	$ (672)	$ 672	— %

Change in fair value of long-term debt for the three months ended September 30, 2026 was zero, compared to a loss of $672 thousand for the three months ended September 30, 2025, due to the election of the fair value option for our amended term loans (2024 LSA) during the three months ended September 30, 2025.

Provision For (Benefit From) Income Taxes

($ in thousands)	Three Months Ended September 30, 2026	2025	Change	% Change
Provision for (benefit from) income taxes	$ (173)	$ 2	$ (175)	(8,750.0)%

Benefit from income taxes for the three months ended September 30, 2026 was $173 thousand, compared to a provision for income taxes of $2 thousand for the three months ended September 30, 2025. This change was due to the reversal of the previously recorded foreign income tax provision related to the Merlin Labs NZ Limited entity, as the Company began generating research and development credits that offset its foreign income tax liability during the three months ended September 30, 2026.

Comparison of the nine months ended September 30, 2026 and 2025

Revenue

($ in thousands)	Nine Months Ended September 30, 2026	2025	Change	% Change
U.S. government agencies	$ 6,521	$ 5,776	$ 745	12.9 %
Commercial and non-U.S. government customers	136	123	13	10.6 %
Total	$ 6,657	$ 5,899	$ 758	12.8 %

Revenue for the nine months ended September 30, 2026 increased by $758 thousand, or 12.8%, to $6,657 thousand compared to $5,899 thousand for the nine months ended September 30, 2025. This increase was primarily due to the commencement of a new phase of work, and a significant amount of additional work being completed thereunder, related to our USSOCOM contract during the nine months ended September 30, 2026.

Cost of Revenue

	Nine Months Ended September 30,			
($ in thousands)	**2026**	**2025**	**Change**	**% Change**
Cost of revenue	$ 8,967	$ 7,725	$ 1,242	16.1 %

Cost of revenue for the nine months ended September 30, 2026 increased by $1,242 thousand, or 16.1%, to $8,967 thousand compared to $7,725 thousand for the nine months ended September 30, 2025. This increase was primarily the result of increased direct costs, including subcontractor and consulting costs, and indirect allocated expenses incurred related to the delivery on both historical task orders and the new phase of our USSOCOM contract that commenced in the nine months ended September 30, 2026, which is partially offset by an increased benefit recognized from the contract loss provision, as the related expenses were accelerated and previously recognized in prior periods.

Contract Loss Adjustments

	Nine Months Ended September 30,			
($ in thousands)	**2026**	**2025**	**Change**	**% Change**
Contract loss adjustments	$ (2,229)	$ —	$ (2,229)	— %

Contract loss adjustments for the nine months ended September 30, 2026 increased to $2,229 thousand compared to none for the nine months ended September 30, 2025, due to our revision of the estimate of total internal and subcontractor costs to be incurred in the delivery of a historical phase of the USSOCOM contract which resulted in the recognition of a favorable adjustment to the contract loss provision of $2,229 thousand for the nine months ended September 30, 2026.

Operating Expenses

Research and Development

	Nine Months Ended September 30,			
($ in thousands)	**2026**	**2025**	**Change**	**% Change**
Research and development	$ 45,189	$ 21,699	$ 23,490	108.3%

Research and development expenses for the nine months ended September 30, 2026 increased by $23,490 thousand, or 108.3%, to $45,189 thousand compared to $21,699 thousand in the nine months ended September 30, 2025. This increase was primarily due to an increase in stock-based compensation expense and an increase in other personnel costs from the hiring of new and highly-skilled engineering talent. Additionally, consulting and subcontractor costs increased due to outsourcing to an increased number of subject matter experts identified specifically to solve unique engineering challenges, and equipment and material costs increased during the nine months ended September 30, 2026.

General and Administrative

	Nine Months Ended September 30,			
($ in thousands)	**2026**	**2025**	**Change**	**% Change**
General and administrative	$ 42,613	$ 14,467	$ 28,146	194.6%

General and administrative expenses for the nine months ended September 30, 2026 increased by $28,146 thousand, or 194.6%, to $42,613 thousand compared to $14,467 thousand in the nine months ended September 30, 2025. This increase was primarily due to an increase in stock-based compensation expense and an increase in other personnel costs. The increase in compensation-related costs was primarily driven by the hiring of management-level personnel in 2026.

Additionally, general and administrative expenses increased during the nine months ended September 30, 2026 as we incurred significant costs that were not subject to capitalization related to the consummation of the Merger and thereafter incurred relatively higher other general corporate expenses from operating as a public company.

Selling and Marketing

	Nine Months Ended September 30,			
($ in thousands)	**2026**	**2025**	**Change**	**% Change**
Selling and marketing	$ 4,138	$ 1,029	$ 3,109	302.1%

Selling and marketing expenses for the nine months ended September 30, 2026 increased by $3,109 thousand, or 302.1%, to $4,138 thousand compared to $1,029 thousand in the nine months ended September 30, 2025. This increase was primarily due to an increase in stock-based compensation expense and an increase in other personnel costs. The increase in compensation-related costs was primarily driven by the hiring of additional business development personnel during 2026 to support our selling and marketing initiatives. Additionally, marketing-related costs, including advertising, branding, and expenses associated with attending trade shows and conferences, increased as we continue to increase brand awareness in the market and pursue revenue-generating contracts with customers.

Interest Income

	Nine Months Ended September 30,			
($ in thousands)	**2026**	**2025**	**Change**	**% Change**
Interest income	$ 3,468	$ 862	$ 2,606	302.3%

Interest income for the nine months ended September 30, 2026 increased by $2,606 thousand, or 302.3%, to $3,468 thousand compared to $862 thousand in the nine months ended September 30, 2025, primarily due to higher average cash and cash equivalent balances held in interest bearing money market mutual funds during the nine months ended September 30, 2026 due to the receipt of proceeds from the Merger on March 16, 2026 and the May 2026 PIPE.

Interest Expense

	Nine Months Ended September 30,			
($ in thousands)	**2026**	**2025**	**Change**	**% Change**
Interest expense	$ (9)	$ (2,956)	$ 2,947	(99.7)%

Interest expense for the nine months ended September 30, 2026 decreased by $2,947 thousand, or 99.7%, to $9 thousand compared to $2,956 thousand in the nine months ended September 30, 2025, primarily related to the Company's election to recognize our amended term loans (2024 LSA) and related interest costs under the fair value option starting in July 2025 and prior to the Merger, when the amended term loans were prepaid. As a result, $956 thousand of cash interest expense related to the 2024 LSA was recognized as a change in fair value of long-term debt rather than in interest expense during the nine months ended September 30, 2026 prior to prepayment.

Other Income (Expense)

	Nine Months Ended September 30,			
($ in thousands)	**2026**	**2025**	**Change**	**% Change**
Other income (expense)	$ (183)	$ (193)	$ 10	(5.2)%

Other expense for the nine months ended September 30, 2026 decreased by $10 thousand, or 5.2%, to $183 thousand compared to $193 thousand in the nine months ended September 30, 2025, primarily driven by the receipt of insurance proceeds, which was partially offset by an increase in foreign currency losses, during the nine months ended September 30, 2026.

Change in Fair Value of Warrant Liabilities

($ in thousands)	Nine Months Ended September 30, 2026	2025	Change	% Change
Change in fair value of warrant liabilities	$ 104,030	$ (4,562)	$ 108,592	(2,380.4)%

Change in fair value of warrant liabilities for the nine months ended September 30, 2026 resulted in a gain of $104,030 thousand compared to a loss of $4,562 thousand in the nine months ended September 30, 2025. The gain of $104,030 thousand for the nine months ended September 30, 2026 is primarily comprised of a gain of $103,620 thousand recognized during the three months ended September 30, 2026, related to a decrease in the overall fair value of our warrant liabilities driven by changes in underlying inputs into the valuation model, namely decreases in underlying stock price and an expectation, as of September 30, 2026, that the VWAP strike price reset feature of our warrant liabilities would be triggered in October 2026.

Change in Fair Value of Convertible Promissory Notes

($ in thousands)	Nine Months Ended September 30, 2026	2025	Change	% Change
Change in fair value of convertible promissory notes	$ (87,824)	$ (3,118)	$ (84,706)	2,716.7 %

Loss on change in fair value of convertible promissory notes for the nine months ended September 30, 2026 increased by $84,706 thousand, or 2,716.7%, to $87,824 thousand compared to $3,118 thousand for the nine months ended September 30, 2025. This increase is primarily driven by significant increases in fair value of our convertible promissory notes related to the Pre-PIPE Bridge and the Pre-Funded PIPE immediately prior to conversion thereof in connection with the completion of the Merger on March 16, 2026.

Loss On Exchange of Warrant Liabilities

($ in thousands)	Nine Months Ended September 30, 2026	2025	Change	% Change
Loss on exchange of warrant liabilities	$ —	$ (3,320)	$ 3,320	— %

Loss on exchange of warrant liabilities for the nine months ended September 30, 2026 was zero, compared to a loss of $3,320 thousand for the nine months ended September 30, 2025, due to the exchange of 2024 LSA Warrants for Pre-PIPE Bridge Notes and Warrants in August 2025.

Loss On Issuance of Financial Instruments

($ in thousands)	Nine Months Ended September 30, 2026	2025	Change	% Change
Loss on issuance of financial instruments	$ —	$ (585)	$ 585	— %

Loss on issuance of financial instruments for the nine months ended September 30, 2026 was zero, compared to a loss of $585 thousand for the nine months ended September 30, 2025, due to the Company receiving gross proceeds that were less than the fair value of Pre-PIPE Bridge Notes and Warrants issued during the nine months ended September 30, 2025.

Loss On Extinguishment of Long-term Debt

($ in thousands)	Nine Months Ended September 30, 2026	2025	Change	% Change
Loss on extinguishment of long-term debt	$ —	$ (2,157)	$ 2,157	— %

Loss on extinguishment of long-term debt for the nine months ended September 30, 2026 was zero, compared to a loss of $2,157 thousand for the nine months ended September 30, 2025, related to the extinguishment of our term loans (2024 LSA).

Change in Fair Value of Long-term Debt

	Nine Months Ended September 30,			
($ in thousands)	**2026**	**2025**	**Change**	**% Change**
Change in fair value of long-term debt	$ (2,470)	$ (672)	$ (1,798)	267.6 %

Loss on change in fair value of long-term debt for the nine months ended September 30, 2026 increased by $1,798 thousand, or 267.6%, to $2,470 thousand compared to $672 thousand for the nine months ended September 30, 2025, due to the election of the fair value option for our amended term loans (2024 LSA) in July 2025. The increase in the loss on change in fair value of long-term debt is driven by remeasurement of our 2024 LSA Loans, together with interest accrued thereon, prior to the prepayment thereof in connection with the Merger.

Non-GAAP Financial Measures

In addition to our results determined in accordance with U.S. GAAP, we believe that EBITDA and Adjusted EBITDA, non-GAAP financial measures, provide investors with additional useful information in evaluating our performance. We define EBITDA as net income (loss) before interest expense or income, income tax expense or benefit, and depreciation and amortization. We define Adjusted EBITDA as EBITDA adjusted for (i) stock-based compensation expense, (ii) equity-based compensation expense for non-employees, (iii) changes in fair value of warrant liabilities, (iv) changes in fair value of financial instruments accounted for at fair value, (v) transaction and merger-related costs, and (vi) other one-time, nonrecurring items. We exclude stock-based compensation expense and equity-based payments to non-employees because they are non-cash charges that can vary significantly based on the timing and size of equity awards. Changes in fair value of warrant liabilities reflect periodic non-cash mark-to-market adjustments that will recur each reporting period as long as warrants remain outstanding and are excluded because they are not reflective of our core operating performance. Changes in fair value of convertible promissory notes and long-term debt relate to instruments that were settled in connection with the Merger and are excluded because they are non-cash and are not expected to recur in future periods. Transaction and merger-related costs are excluded because they relate to specific non-recurring corporate events and are not indicative of our ongoing operating performance.

We believe that each of these non-GAAP financial measures provides useful supplemental information to management and investors in evaluating our operations and, when considered with both our U.S. GAAP results and the reconciliation to net income (loss), the most directly comparable U.S. GAAP financial measure, provides a more complete understanding of our business than could be obtained absent this disclosure. We use these non-GAAP financial measures, together with U.S. GAAP financial measures, such as revenue, gross profit (loss) margins and cash flow from operations, to assess our historical and prospective operating performance, to provide meaningful comparisons of operating performance across periods, to enhance our understanding of our operating performance, and to compare our performance to that of our peers and competitors.

The non-GAAP financial measures are presented here because we believe they are useful to investors in assessing the operating performance of our business without the effect of non-cash items, and other items as detailed above. However, these non-GAAP financial measures should not be considered in isolation or as alternatives to net income (loss), income (loss) from operations or any other measure of financial performance calculated and presented in accordance with U.S. GAAP. Our non-GAAP financial measures may not be comparable to similarly titled measures reported by other companies because other companies may not calculate such measures in the same manner as we do.

The following table provides a reconciliation of EBITDA and Adjusted EBITDA to net income (loss), the most directly comparable financial measure presented in accordance with U.S. GAAP.

($ in thousands)	Three Months Ended September 30, 2026	Three Months Ended September 30, 2025	Nine Months Ended September 30, 2026	Nine Months Ended September 30, 2025
Net income (loss)	$ 73,837	$ (26,696)	$ (75,009)	$ (55,725)
Depreciation	574	375	1,703	1,145
Amortization of right-of-use assets	320	183	871	549
Interest income	(1,504)	(430)	(3,468)	(862)
Interest expense	—	—	9	2,956
Provision for (benefit from) income taxes	(173)	2	—	3
EBITDA	73,054	(26,566)	(75,894)	(51,934)
Stock-based compensation	6,375	526	12,278	1,472
Equity-based payments to non-employees	81	—	833	—
Change in fair value of warrant liabilities	(103,620)	683	(104,030)	4,562
Change in fair value of convertible promissory notes	—	3,118	87,824	3,118
Change in fair value of long-term debt	—	672	2,470	672
Loss on exchange of warrant liabilities	—	3,320	—	3,320
Loss on issuance of financial instruments	—	585	—	585
Loss on extinguishment of long-term debt	—	2,157	—	2,157
Transaction costs	—	1,927	1,236	1,927
Adjusted EBITDA	$ (24,110)	$ (13,578)	$ (75,283)	$ (34,121)

Liquidity and Capital Resources

We have incurred operating losses and negative cash flows, primarily from the production of our proprietary Merlin Pilot technology. Certain contracts have become loss-making due to contract costs exceeding the contract price. Concurrently, our expenses have risen due to business growth, increased headcount, expanded corporate functions, higher proposal activity, and increased fees for professional services.

Our ability to fund our operations and meet our obligations depends on achieving anticipated revenue and cash flow levels, managing costs, and successfully managing working capital. Our ability to generate cash is also subject to economic, financial, competitive, legislative, regulatory, and other factors beyond our control. We cannot guarantee that our business will generate sufficient cash flow to meet our liquidity needs.

Based on our current operating plan, we believe our cash and cash equivalents will be sufficient to fund our operating expenses and capital expenditure requirements for at least the next twelve months. We believe we will meet longer-term expected future cash requirements and obligations through a combination of cash flows from operating activities and available cash balances.

Although we do not currently expect to require additional financing to fund our capital requirements, we may seek to access debt and equity markets to provide additional financial flexibility or to fund opportunities beyond our current plan. If we do seek additional funding, our ability to obtain such funding is subject to market conditions, our operating performance, and market perception of our growth. Our capital needs may also vary materially from current plans if, for example, revenues do not meet expectations, or we incur unforeseen expenditures.

On May 1, 2026, the Company issued 8,000,000 shares of common stock and warrants to purchase 4,000,000 shares of common stock in a private placement for aggregate gross proceeds of approximately $80.0 million.

If we require additional capital to respond to growth in the demand for our offering, technological advancements, competitive dynamics or technologies, customer demands, business opportunities, challenges, acquisitions or unforeseen circumstances and in either the short-term or long-term may need to seek additional equity or debt financing, or enter into credit facilities, which could involve shareholder dilution or restrictive operational covenants. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to grow or support our business and to respond to business challenges could be significantly limited. In particular, global events such as international political turmoil, supply chain disruptions, prolonged inflation and rising interest rates have resulted in, and

may continue to result in, significant disruption of global financial markets, reducing our ability to access capital. If we are unable to raise additional funds when or on the terms desired, our business, financial condition and results of operations could be adversely affected.

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

	Nine Months Ended September 30,			
($ in thousands)	**2026**	**2025**	**Change**	**% Change**
Net cash provided by (used in):				
Operating activities	$ (70,823)	$ (43,013)	$ (27,810)	65 %
Investing activities	(7,432)	(236)	(7,196)	3,049 %
Financing activities	182,926	72,811	110,115	151 %
Net increase in cash, cash equivalents, and restricted cash	$ 104,671	$ 29,562	$ 75,109	254 %

Operating Activities

Net cash used in operating activities for the nine months ended September 30, 2026, was $70,823 thousand, an increase of $27,810 thousand from net cash used in operating activities of $43,013 thousand for the nine months ended September 30, 2025. The change in cash used in operations was primarily due to the recognition of a gain on change in fair value of warrant liabilities of $104,030 thousand during the nine months ended September 30, 2026, an increase in net loss of $19,284 thousand, and a change in contract loss provision of $3,415 thousand. These changes are partially offset by an increase in the loss on change in fair value of convertible promissory notes of $84,706 thousand and an increase in stock-based compensation of $10,806 thousand.

Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2026, was $7,432 thousand, an increase of $7,196 thousand from net cash used in investing activities of $236 thousand for the nine months ended September 30, 2025. The change in cash used in investing activities was primarily due to an increase in acquired property and equipment of $7,294 thousand.

Financing Activities

Net cash provided by financing activities for the nine months ended September 30, 2026, was $182,926 thousand, an increase of $110,115 thousand from net cash provided by financing activities of $72,811 thousand for the nine months ended September 30, 2025. The change in cash flows provided by financing activities was primarily due to the receipt of proceeds from issuance of warrants of $75,875 thousand in the Closing PIPE and May 2026 PIPE, proceeds from issuance of Series A Preferred Stock in connection with the Closing PIPE of $71,805 thousand, and proceeds from issuance of common stock in connection with the Merger and the May 2026 PIPE of $26,290 thousand and $52,334 thousand, respectively. These changes are offset by an increase in repayments of long-term debt of $27,927 thousand, payment of transaction costs related to the issuance of Series A Preferred Stock in connection with the Closing PIPE of $10,482 thousand, payment of transaction costs related to issuance of common stock in connection with the Merger of $8,528 thousand, and payment of costs directly attributable to the Merger of $2,061 thousand.

Material Cash Requirements for Known Contractual and Other Obligations

As of September 30, 2026, we have no debt obligations, as we paid off the principal amount outstanding of our PGF Loan, our Term Loan (LSA 2021), and our Term Loan (LSA 2024). As of September 30, 2026, restricted cash of $2,570 thousand consists of deposits held at financial institutions that are used to collateralize irrevocable letters of credit required under the Company’s lease agreements.

As of September 30, 2026, and December 31, 2025, our non-cancelable operating lease liabilities were $2,432 thousand and $988 thousand, respectively, of which $1,235 thousand and $657 thousand, respectively, are due in less than one year. Our operating leases relate to our office space, aircraft, motor vehicles, and airport hangar space.

Critical Accounting Estimates

Our condensed consolidated financial statements are prepared in conformity with U.S. GAAP. As such, we are required to make certain estimates, judgments and assumptions that management believes are reasonable based upon the information available. We base these estimates on our historical experience, future expectations and various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for our judgments that may not be readily apparent from other sources. We evaluate these estimates on an ongoing basis. Actual results could differ from those estimates under different assumptions or conditions, and any differences could be material.

There have been no significant changes in our critical accounting estimates during the nine months ended September 30, 2026, as compared to the critical accounting policies and estimates disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Form 8-K dated and filed with the SEC on March 20, 2026.

Emerging Growth Company Status

Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies are required to comply with the new or revised financial accounting standards. 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, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard, until such time as we are no longer considered to be an emerging growth company. At times, we may elect to early adopt a new or revised standard.

Recent Accounting Pronouncements

See Note 2, *Summary of Significant Accounting Policies* to our consolidated financial statements in the sections titled "Recently Adopted Accounting Pronouncements" and "Recently Issued Accounting Pronouncements Not Yet Adopted" included elsewhere in this Quarterly Report for a discussion about new accounting pronouncements adopted and not yet adopted as of the date of this report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, we are not required to provide the information required by this item.

Item 4. Controls and Procedures

Limitations on Effectiveness of Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2026.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective at the reasonable assurance level as of September 30, 2026 due to the material weaknesses in our internal controls over financial reporting described below.

Previously Reported Material Weaknesses in Internal Controls Over Financial Reporting

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 our annual or interim financial statements will not be prevented or detected on a timely basis.

In the course of preparing our consolidated financial statements as of and for the years ended December 31, 2025 and 2024, and the condensed consolidated financial statements for the three months ended March 31, 2026, June 30, 2026 and September 30, 2026, our management determined that we have material weaknesses and significant deficiencies in our internal controls over financial reporting. These material weaknesses primarily relate to (i) non-routine and complex transactions, (ii) segregation of duties, and (iii) information technology general controls (ITGCs) over logical access to key systems tested supporting financial reporting.

Specifically, we identified the following material weaknesses:

Management did not maintain effective controls over the accounting for non-routine and complex transactions including valuation of complex financial instruments, warrant liabilities, and equity transactions associated with de-SPAC capital structure, as a result of which management determined that controls were not operating with sufficient precision and frequency to prevent or detect potential material misstatements in the accounting for such instruments on a timely basis;

Management did not maintain effective controls relating to segregation of duties and the design of review controls operating at a sufficient level of precision, including controls over period-end financial close and non-routine or complex transactions; and,

Management did not maintain effective information technology general controls (ITGCs) over logical access to key systems tested supporting financial reporting. Deficiencies in the design and operation of access controls indicate that management did not have effective controls in place to appropriately restrict privileged access, formally provision and deprovision user access, and periodically review user access rights.

These control deficiencies, individually and in the aggregate, could result in a misstatement of one or more account balances or disclosures that could lead to a material misstatement of our annual or interim consolidated financial statements, and accordingly, management has determined that these control deficiencies constitute material weaknesses.

Remediation Plan and Status

Management is actively engaged in remediating the material weaknesses described above. The following actions have been taken or are in progress as of the date of this filing:

- Personnel and training: We have hired and continue to hire personnel with public company accounting experience and are providing targeted training on internal controls requirements, complex transaction accounting, and financial reporting obligations.
- Control design and implementation: We are implementing additional controls and processes designed to operate at a sufficient level of precision and frequency, and that appropriately evidence the performance of the control, particularly with respect to the accounting and reporting of revenue and non-routine, unusual, or complex transactions.
- Segregation of duties: We have begun to implement processes and controls to better identify and manage segregation of duties risks within our accounting and financial reporting functions.
- Systems and automation: We are evaluating system enhancements to reduce our reliance on manual processes in key areas of our financial close and reporting process.
- External advisor engagement: We have engaged an external advisor to assist with evaluating and documenting the design and operating effectiveness of our internal controls and to assist with remediation of identified deficiencies.

The process of designing and maintaining effective internal controls over financial reporting is a continuous effort that requires management to anticipate and react to changes in our business, economic and regulatory environments and to expend significant resources. As we continue to evaluate our internal controls over financial reporting, we may take additional actions to remediate the material weaknesses or modify the remediation actions described above.

While we continue to devote significant time and attention to these remediation efforts, the material weaknesses will not be considered remediated until management completes the design and implementation of the actions described above and the controls operate for a sufficient period of time, and management has concluded, through testing, that these controls are effective.

Changes in Internal Controls Over Financial Reporting

Other than the remediation efforts described above under "Previously Reported Material Weaknesses in Internal Control over Financial Reporting" and "Remediation Plan and Status," there were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2026 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be subject to various legal proceedings and claims that arise in the ordinary course of business. We are not currently a party to any legal proceedings that we believe would, individually or in the aggregate, have a material adverse effect on our business, financial condition, results of operations, or cash flows. See Part I, Item 1 "Financial Statements (Unaudited) – Note 14, *Commitments, Contingencies and Indemnification*, in this Quarterly Report, which is incorporated herein by reference.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. In addition to the other information set forth in this Quarterly Report and in other documents that we file with the SEC, you should carefully consider the factors described in the section titled "Risk Factors" in our final Prospectus, filed on May 13, 2026. Other than as disclosed below, there have been no material changes to the risk factors described in the Prospectus as so amended and supplemented. If any of the risk factors actually materializes, our business, financial condition and results of operations could be materially adversely affected. In such an event, the market price of our common stock could decline and you may lose all or part of your investment. We may disclose changes to such risk factors or disclose additional risk factors from time to time in our future filings with the SEC.

We depend on aircraft manufacturers and other third parties for proprietary technical data, interface specifications, and software necessary to integrate our autonomy systems onto their aircraft, and our access to this information may be limited, delayed, or withdrawn.

Integrating our autonomy software onto a given aircraft platform generally requires access to proprietary information controlled by the aircraft's manufacturer, including interface control documents, avionics and flight control software specifications, wiring and systems data, and in some cases source code or object code for systems our software must interface with. In many cases, a single manufacturer controls all of this information for a given aircraft type, and we have no alternative source for such information. Our ability to obtain this information, and the terms on which we obtain it, are governed by negotiated agreements, government contracting data rights frameworks, or the manufacturer's own discretion, none of which guarantee continued or timely access.

Our access to this data may be limited or withdrawn. Such limitations may occur if a manufacturer views our autonomy capabilities as competitive with its own current or future offerings, if commercial terms cannot be agreed, if a program contract or teaming arrangement terminates or is not renewed, or if the manufacturer becomes unable or unwilling to support integration work for other reasons. Because this data is often subject to export control restrictions (including ITAR and EAR) and, in government programs, to specific technical data rights allocations under DFARS or FAR, our access can also be affected by regulatory determinations outside our control or the manufacturer's control.

If we lose access to this information for any aircraft type on which we depend, we may be unable to complete, certify, maintain, or update our integration for that aircraft, which could delay or terminate programs, require costly and time-consuming redesign or reverse engineering efforts (which may themselves be legally or practically unavailable), and damage our relationships with customers who have selected that aircraft type. Our dependence on a limited number of manufacturers for this access also gives those manufacturers significant leverage over the commercial terms, timing, and scope of our integration work, which could materially adversely affect our business, financial condition, and results of operations.

We have identified material weaknesses in our internal controls over financial reporting. If not remediated, or if we experience additional material weaknesses in the future or otherwise fail to maintain effective internal controls in the future, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect investor confidence in us and, as a result, the value of our common stock.

In the course of preparing our consolidated financial statements as of and for the years ended December 31, 2025 and 2024, and the condensed consolidated financial statements for the three months ended March 31, 2026, June 30, 2026 and September 30, 2026, our management determined that we have material weaknesses and significant deficiencies in our internal controls over financial reporting. These material weaknesses primarily relate to (i) non-routine and complex transactions, (ii) segregation of duties, and (iii) information technology general controls (ITGCs) over logical access to key systems tested supporting financial reporting.

These deficiencies, individually and in the aggregate, could result in a misstatement of one or more account balances or disclosures, potentially leading to a material misstatement to the annual or interim consolidated financial statements which may not be prevented or timely detected and, accordingly, management determined that these control deficiencies constitute material weaknesses.

In order to remediate these material weaknesses, we have taken and plan to take the following actions:

- Personnel and training: We have hired and continue to hire personnel with public company accounting experience and are providing targeted training on internal control requirements, complex transaction accounting, and financial reporting obligations.
- Control design and implementation: We are implementing additional controls and processes designed to operate at a sufficient level of precision and frequency, and that appropriately evidence the performance of the control, particularly with respect to the accounting and reporting of revenue and non-routine, unusual, or complex transactions.
- Segregation of duties: We have begun to implement processes and controls to better identify and manage segregation of duties risks within our accounting and financial reporting functions.
- Systems and automation: We are evaluating system enhancements to reduce our reliance on manual processes in key areas of our financial close and reporting process.
- External advisor engagement: We have engaged an external advisor to assist with evaluating and documenting the design and operating effectiveness of our internal controls and to assist with remediation of identified deficiencies.

We will not be able to fully remediate these material weaknesses until these steps have been completed, have been operating effectively for a sufficient period of time and management has concluded, through testing, that these controls are effective. We were not required to, and did not, perform an evaluation of our internal controls over financial reporting as of December 31, 2025 or any period in accordance with the provisions of the Sarbanes-Oxley Act. Accordingly, we cannot assure you that we have identified all, or that we will not in the future have additional, material weaknesses. Material weaknesses may still exist when we first report on the effectiveness of our internal controls over financial reporting as required under Section 404 of the Sarbanes-Oxley Act.

If not remediated, these material weaknesses could result in material misstatements to our annual or interim consolidated financial statements that might not be prevented or detected on a timely basis, or in delayed filing of required periodic reports. If we are unable to assert that our internal controls over financial reporting is effective when required, investors may lose confidence in the accuracy and completeness of our financial reports, the market price of our common stock could be adversely affected and we could become subject to litigation or investigations by Nasdaq, the SEC, or other regulatory authorities, which could require additional financial and management resources. Our remediation efforts may be complicated by our recent transition to operating as a public company and by the accounting, valuation and disclosure requirements associated with our capital structure, including our Series A Preferred Stock, PIPE Warrants, May 2026 PIPE Warrants and other non-routine transactions.

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

Unregistered Sales of Equity Securities

The Company has not sold equity securities in a transaction that is not registered under the Securities Act during the quarter ended September 30, 2026.

Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

a) Disclosure in lieu of reporting on a Current Report on Form 8-K.

None.

b) Material changes to the procedures by which security holders may recommend nominees to the board of directors.

None.

c) Insider trading arrangements and policies.

During the three months ended September 30, 2026, no director or officer of the Company adopted or terminated any “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement” (as such terms are defined in Item 408(a) of Regulation S-K).

Item 6. Exhibits

The following exhibits are filed or furnished with this Quarterly Report on Form 10-Q:

Exhibit No.	Description
2.1	Business Combination Agreement, dated as of August 13, 2025, by and among Bleichroeder Acquisition Corp. I, IPDX Merger Sub, Inc., and Merlin Labs, Inc (incorporated by reference to Exhibit 2.1 to Amendment No. 3 to the Registration Statement on Form S-4 (File No. 333-292719) filed February 12, 2026).
2.2	Amendment No. 1 to Business Combination Agreement, dated as of March 14, 2026, by and between Bleichroeder Acquisition Corp. I (now known as Merlin, Inc.) and Merlin Labs, Inc. (incorporated by reference to Exhibit 2.2 filed with the Company's Current Report on Form 8-K (File No. 001-42392) filed March 20, 2026).
2.3	Plan of Domestication (incorporated by reference to Exhibit 2.2 to Amendment No. 3 to the Registration Statement on Form S-4 (File No. 333-292719) filed February 12, 2026).
2.4	Certificate of Merger of IPDX Merger Sub, Inc. with and into Merlin Labs, Inc. (incorporated by reference to Exhibit 2.4 filed with the Company's Current Report on Form 8-K (File No. 001-42392) filed March 20, 2026).
3.1	Certificate of Corporate Domestication (incorporated by reference to Exhibit 3.1 filed with the Company's Current Report on Form 8-K (File No. 001-42392) filed March 20, 2026).
3.2	Certificate of Incorporation of Merlin, Inc. (incorporated by reference to Exhibit 3.2 filed with the Company's Current Report on Form 8-K (File No. 001-42392) filed March 20, 2026).
3.3	Bylaws of Merlin, Inc. (incorporated by reference to Exhibit 3.3 filed with the Company's Current Report on Form 8-K (File No. 001-42392) filed March 20, 2026).
3.4	Certificate of Designation of Preferences, Rights and Limitations of 12.0% Series A Cumulative Convertible Preferred Stock (incorporated by reference to Exhibit 3.4 filed with the Company's Current Report on Form 8-K (File No. 001-42392) filed March 20, 2026).
4.1	Specimen Common Stock Certificate of Merlin, Inc. (incorporated by reference to Exhibit 4.5 to Amendment No. 3 to the Registration Statement on Form S-4 (File No. 333-292719) filed February 12, 2026).
4.2	Specimen Series A Preferred Stock of Merlin, Inc. (incorporated by reference to Exhibit 4.2 filed with the Company's Current Report on Form 8-K (File No. 001-42392) filed March 20, 2026).
4.3	Specimen Common Stock Purchase Warrant of Merlin, Inc. (incorporated by reference to Exhibit 4.6 to Amendment No. 3 to the Registration Statement on Form S-4 (File No. 333-292719) filed February 12, 2026).
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

* Filed herewith.
** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 12, 2026

By: /s/ Matthew George

Matthew George
Chief Executive Officer
(Principal Executive Officer)

Date: November 12, 2026

By: /s/ Ryan Carrithers

Ryan Carrithers
Chief Financial Officer
(Principal Financial & Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Matthew George, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Merlin, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2026

By: /s/ Matthew George

Matthew George
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Ryan Carrithers, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Merlin, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2026

By: /s/ Ryan Carrithers

Ryan Carrithers

Chief Financial Officer

(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Merlin, Inc. (the "Company") for the quarter ended September 30, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Matthew George, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 12, 2026

By: /s/ Matthew George

Matthew George
Chief Executive Officer
(Principal Executive Officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Merlin, Inc. (the "Company") for the quarter ended September 30, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ryan Carrithers, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 12, 2026

By: /s/ Ryan Carrithers

Ryan Carrithers
Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.