

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2023

OR

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

For the transition period from to

Commission File No. 001-38202

Virgin Galactic Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware

85-3608069

(State or other jurisdiction of
incorporation or organization)

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

**1700 Flight Way
Tustin California**

92782

(Address of Principal Executive Offices)

(Zip Code)

(949) 774-7640

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.0001 par value per share	SPCE	New York Stock Exchange

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

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

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

As of July 25, 2023, there were 367,136,598 shares of the Company's common stock outstanding.

VIRGIN GALACTIC HOLDINGS, INC.

TABLE OF CONTENTS

Page

[PART I - FINANCIAL INFORMATION](#)

Cautionary Note Regarding Forward-Looking Statements	2
--	-------------------

Item 1.	Financial Statements (Unaudited)	4
	Condensed Consolidated Balance Sheets	4
	Condensed Consolidated Statements of Operations and Comprehensive Loss	5
	Condensed Consolidated Statements of Stockholders' Equity	6
	Condensed Consolidated Statements of Cash Flows	8
	Notes to Condensed Consolidated Financial Statements	9
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	26
Item 4.	Controls and Procedures	26

[PART II - OTHER INFORMATION](#)

Item 1.	Legal Proceedings	27
Item 1A.	Risk Factors	27
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	27
Item 3.	Defaults Upon Senior Securities	27
Item 4.	Mine Safety Disclosures	27
Item 5.	Other Information	27
Item 6.	Exhibits	27
Signatures		29

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements (including within the meaning of the Private Securities Litigation Reform Act of 1995) concerning us and other matters. These statements may discuss goals, intentions and expectations as to future plans, trends, events, results of operations or financial condition, or otherwise, based on current beliefs of management, as well as assumptions made by, and information currently available to management.

Forward-looking statements may be accompanied by words such as “achieve,” “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “future,” “grow,” “increase,” “intend,” “may,” “opportunity,” “plan,” “possible,” “potential,” “predict,” “project,” “should,” “strategy,” “target,” “will,” “would,” or similar words, phrases, or expressions. These forward-looking statements are subject to various risks and uncertainties, many of which are outside our control. Therefore, you should not place undue reliance on such statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, the following:

- any delay in future commercial flights of our spaceflight fleet, which is comprised of our spaceship, VSS Unity, and our mothership carrier aircraft, VMS Eve;
- our ability to successfully develop our next generation vehicles, and the time and costs associated with doing so;
- our ability to conduct test flights;
- our ability to operate our spaceflight system after commercial launch;
- the safety of our spaceflight systems;
- the development of the markets for commercial human spaceflight and commercial research and development payloads;
- our ability to effectively market and sell human spaceflights;
- our ability to convert our backlog or inbound inquiries into revenue;
- our anticipated full passenger capacity;
- our ability to achieve or maintain profitability;
- delay in development or the manufacture of spaceflight systems;
- our ability to supply our technology to additional market opportunities;
- our expected capital requirements and the availability of additional financing;
- our ability to attract or retain highly qualified personnel;
- the effect of terrorist activity, armed conflict, including any escalation of hostility arising out of the conflict between Russia and Ukraine, natural disasters or pandemic diseases, on the economy generally, and on our future financial or operational results, and our access to additional financing;
- consumer preferences and discretionary purchasing activity, which can be significantly adversely affected by unfavorable economic or market conditions;
- extensive and evolving government regulation that impact the way we operate;
- risks associated with international expansion;
- our ability to maintain effective internal control over financial reporting and disclosure and procedures; and
- our ability to continue to use, maintain, enforce, protect and defend our owned and licensed intellectual property, including the Virgin brand.

[Table of Contents](#)

Additional factors that may cause actual results to differ materially from current expectations include, among other things, those set forth in Part I, Item 1. "Business," Part I, Item 1A. "Risk Factors," and Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the "Annual Report on Form 10-K") and in Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Quarterly Report on Form 10-Q. Although we believe that the expectations reflected in the forward-looking statements are reasonable, our information may be incomplete or limited, and we cannot guarantee future results. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

Each of the terms the "Company," "Virgin Galactic," "we," "our," "us" and similar terms used herein refer collectively to Virgin Galactic Holdings, Inc., a Delaware corporation, and its consolidated subsidiaries, unless otherwise stated.

PART I. FINANCIAL INFORMATION

VIRGIN GALACTIC HOLDINGS, INC.
Condensed Consolidated Balance Sheets

(Unaudited; in thousands, except share and per share amounts)

	June 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 358,309	\$ 302,291
Restricted cash	39,726	40,336
Marketable securities, short-term	581,913	606,716
Inventories	18,250	24,043
Prepaid expenses and other current assets	26,510	28,228
Total current assets	1,024,708	1,001,614
Marketable securities, long-term	—	30,392
Property, plant and equipment, net	69,869	53,658
Other non-current assets	52,208	54,274
Total assets	<u>\$ 1,146,785</u>	<u>\$ 1,139,938</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 24,728	\$ 16,326
Accrued liabilities	59,118	61,848
Customer deposits	100,112	102,647
Other current liabilities	4,035	3,232
Total current liabilities	187,993	184,053
Non-current liabilities:		
Convertible senior notes, net	416,795	415,720
Other long-term liabilities	57,456	59,942
Total liabilities	662,244	659,715
Commitments and contingencies (Note 13)		
Stockholders' Equity		
Preferred stock, \$0.0001 par value; 10,000,000 shares authorized; none issued and outstanding	—	—
Common stock, \$0.0001 par value; 700,000,000 shares authorized; 336,760,534 and 275,397,229 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively	34	28
Additional paid-in capital	2,404,322	2,111,316
Accumulated deficit	(1,917,544)	(1,623,795)
Accumulated other comprehensive loss	(2,271)	(7,326)
Total stockholders' equity	484,541	480,223
Total liabilities and stockholders' equity	<u>\$ 1,146,785</u>	<u>\$ 1,139,938</u>

See accompanying notes to condensed consolidated financial statements.

VIRGIN GALACTIC HOLDINGS, INC.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited; in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue	\$ 1,871	\$ 357	\$ 2,263	\$ 676
Operating expenses:				
Customer experience	234	122	552	147
Research and development	86,574	62,340	196,444	114,167
Selling, general and administrative	51,437	44,700	101,802	81,707
Depreciation and amortization	3,192	2,915	6,437	5,767
Total operating expenses	141,437	110,077	305,235	201,788
Operating loss	(139,566)	(109,720)	(302,972)	(201,112)
Interest income	8,404	1,985	15,734	2,803
Interest expense	(3,216)	(3,157)	(6,427)	(5,631)
Other income, net	48	194	78	210
Loss before income taxes	(134,330)	(110,698)	(293,587)	(203,730)
Income tax expense	34	23	162	48
Net loss	(134,364)	(110,721)	(293,749)	(203,778)
Other comprehensive income (loss):				
Foreign currency translation adjustment	34	(108)	69	(133)
Unrealized income (loss) on marketable securities	1,885	(1,862)	4,986	(7,642)
Total comprehensive loss	\$ (132,445)	\$ (112,691)	\$ (288,694)	\$ (211,553)
Net loss per share:				
Basic and diluted	\$ (0.46)	\$ (0.43)	\$ (1.03)	\$ (0.79)
Weighted-average shares outstanding:				
Basic and diluted	293,222	258,589	285,877	258,439

See accompanying notes to condensed consolidated financial statements.

VIRGIN GALACTIC HOLDINGS, INC.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited; in thousands, except share amounts)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balance at December 31, 2021	258,166,417	\$ 26	\$ 2,019,750	\$ (1,123,643)	\$ (1,869)	\$ 894,264
Net loss	—	—		(93,057)	—	(93,057)
Other comprehensive loss	—	—		—	(5,805)	(5,805)
Stock-based compensation	—	—	10,895	—	—	10,895
Issuance of common stock pursuant to stock-based awards, net of withholding taxes	307,471	—	(1,882)	—	—	(1,882)
Purchase of capped calls	—	—	(52,318)	—	—	(52,318)
Balance at March 31, 2022	258,473,888	26	1,976,445	(1,216,700)	(7,674)	752,097
Net loss	—	—	—	(110,721)	—	(110,721)
Other comprehensive loss	—	—	—	—	(1,970)	(1,970)
Stock-based compensation	—	—	12,083	—	—	12,083
Issuance of common stock pursuant to stock-based awards, net of withholding taxes	216,758	—	(914)	—	—	(914)
Balance at June 30, 2022	258,690,646	\$ 26	\$ 1,987,614	\$ (1,327,421)	\$ (9,644)	\$ 650,575

See accompanying notes to condensed consolidated financial statements.

VIRGIN GALACTIC HOLDINGS, INC.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited; in thousands, except share amounts)

	Common Stock		Additional	Accumulated	Accumulated	Total
	Shares	Amount	Paid-in	Deficit	Other Comprehensive Loss	
Balance at December 31, 2022	275,397,229	\$ 28	\$ 2,111,316	\$ (1,623,795)	\$ (7,326)	\$ 480,223
Net loss	—	—	—	(159,385)	—	(159,385)
Other comprehensive income	—	—	—	—	3,136	3,136
Stock-based compensation	—	—	12,976	—	—	12,976
Issuance of common stock pursuant to stock-based awards, net of withholding taxes	508,159	—	(1,870)	—	—	(1,870)
Issuance of common stock pursuant to at-the-market offering	5,759,499	—	32,044	—	—	32,044
Transaction costs	—	—	(343)	—	—	(343)
Balance at March 31, 2023	281,664,887	28	2,154,123	(1,783,180)	(4,190)	366,781
Net loss	—	—	—	(134,364)	—	(134,364)
Other comprehensive income	—	—	—	—	1,919	1,919
Stock-based compensation	—	—	11,859	—	—	11,859
Issuance of common stock pursuant to stock-based awards, net of withholding taxes	485,076	1	(447)	—	—	(446)
Issuance of common stock pursuant to at-the-market offering	54,610,571	5	241,388	—	—	241,393
Transaction costs	—	—	(2,601)	—	—	(2,601)
Balance at June 30, 2023	336,760,534	\$ 34	\$ 2,404,322	\$ (1,917,544)	\$ (2,271)	\$ 484,541

See accompanying notes to condensed consolidated financial statements.

VIRGIN GALACTIC HOLDINGS, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited; in thousands)

	Six Months Ended June 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (293,749)	\$ (203,778)
Stock-based compensation	24,835	22,978
Depreciation and amortization	6,437	5,767
Amortization of debt issuance costs	1,075	841
Other non-cash items	(2,020)	241
Change in operating assets and liabilities:		
Inventories	5,793	(4,136)
Other current and non-current assets	4,736	1,410
Accounts payable and accrued liabilities	(4,307)	10,108
Customer deposits	(2,535)	13,733
Other current and long-term liabilities	(1,652)	(125)
Net cash used in operating activities	(261,387)	(152,961)
Cash flows from investing activities:		
Capital expenditures	(12,616)	(6,293)
Purchases of marketable securities	(409,920)	(379,254)
Proceeds from maturities and calls of marketable securities	471,287	—
Net cash provided by (used in) investing activities	48,751	(385,547)
Cash flows from financing activities:		
Payments of finance lease obligations	(116)	(66)
Proceeds from convertible senior notes	—	425,000
Debt issuance costs	—	(11,278)
Purchase of capped call	—	(52,318)
Proceeds from issuance of common stock	273,437	—
Proceeds from issuance of common stock pursuant to stock options exercised	—	49
Withholding taxes paid on behalf of employees on net settled stock-based awards	(2,316)	(2,845)
Transaction costs related to issuance of common stock	(2,961)	—
Net cash provided by financing activities	268,044	358,542
Net increase (decrease) in cash, cash equivalents and restricted cash	55,408	(179,966)
Cash, cash equivalents and restricted cash at beginning of period	342,627	550,030
Cash, cash equivalents and restricted cash at end of period	\$ 398,035	\$ 370,064
Cash and cash equivalents	\$ 358,309	\$ 329,857
Restricted cash	39,726	40,207
Cash, cash equivalents and restricted cash	\$ 398,035	\$ 370,064

See accompanying notes to condensed consolidated financial statements.

VIRGIN GALACTIC HOLDINGS, INC.
Notes to Condensed Consolidated Financial Statements

(1) Description of Business and Basis of Presentation

Virgin Galactic Holdings, Inc., together with its consolidated subsidiaries ("Virgin Galactic" or the "Company"), is focused on the development, manufacture and operation of spaceships and related technologies for the purpose of conducting commercial human spaceflight and flying commercial research and development payloads into space.

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission for interim financial reporting. Certain information and footnote disclosures, normally included in annual consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), have been condensed or omitted pursuant to such rules and regulations. However, in management's opinion, the condensed consolidated financial statements reflect all adjustments, including those of a normal recurring nature, necessary to present fairly the Company's financial position, results of operations and cash flows for the periods presented.

The operating results for the three and six months ended June 30, 2023 are not necessarily indicative of the results that may be expected for the entire fiscal year. The accompanying condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates.

(2) Cash, Cash Equivalents and Marketable Securities

The Company maintains certain cash balances restricted as to withdrawal or use. Restricted cash consists of cash deposits received from future astronauts that are contractually restricted for operational use until the condition of carriage is signed or the deposits are refunded.

The amortized cost, unrealized loss and estimated fair value of the Company's cash, cash equivalents and marketable securities are as follows:

	June 30, 2023		
	Amortized Cost	Gross Unrealized Gain (Loss)	Fair Value
<i>(In thousands)</i>			
Cash and cash equivalents:			
Cash and restricted cash	\$ 46,036	\$ —	\$ 46,036
Money market	351,999	—	351,999
Marketable securities:			
U.S. treasuries	98,873	29	98,902
Corporate bonds	485,368	(2,357)	483,011
	<u>\$ 982,276</u>	<u>\$ (2,328)</u>	<u>\$ 979,948</u>

VIRGIN GALACTIC HOLDINGS, INC.
Notes to Condensed Consolidated Financial Statements

	December 31, 2022		
	Gross Unrealized		
	Amortized Cost	Loss	Fair Value
	(In thousands)		
Cash and cash equivalents:			
Cash and restricted cash	\$ 51,651	\$ —	\$ 51,651
Money market	249,249	—	249,249
Certificate of deposits	41,727	—	41,727
Marketable securities:			
U.S. treasuries	79,570	(53)	79,517
Corporate bonds	564,853	(7,262)	557,591
	\$ 987,050	\$ (7,315)	\$ 979,735

The Company included \$2.7 million and \$4.5 million of interest receivable in prepaid expenses and other current assets as of June 30, 2023 and December 31, 2022, respectively.

The Company recognizes amortization and accretion of purchase premiums and discounts on its marketable securities within interest income in the accompanying condensed consolidated statements of operations and comprehensive loss. The Company recognized \$2.0 million in accretion income, net and \$1.8 million in amortization expense, net for its marketable securities for the three months ended June 30, 2023 and 2022, respectively. The Company recognized \$2.5 million in accretion income, net and \$4.0 million in amortization expense, net for its marketable securities for the six months ended June 30, 2023 and 2022, respectively.

As of June 30, 2023, the amortized cost and estimated fair value of the Company's marketable securities were \$ 584.2 million and \$581.9 million, respectively. These marketable securities all had contractual maturities within one year and, accordingly, have been presented in current assets in the accompanying condensed consolidated balance sheet.

(3) Inventories

Inventories are comprised of the following:

	June 30, 2023	December 31, 2022
	<i>(In thousands)</i>	
Raw materials	\$ 13,625	\$ 15,033
Spare parts	4,625	9,010
	<u>\$ 18,250</u>	<u>\$ 24,043</u>

VIRGIN GALACTIC HOLDINGS, INC.
Notes to Condensed Consolidated Financial Statements

(4) Property, Plant and Equipment

Property, plant and equipment consists of the following:

	June 30, 2023	December 31, 2022
	<i>(In thousands)</i>	
Land	\$ 1,302	\$ 1,302
Buildings	9,092	9,117
Aircraft	784	195
Machinery and equipment	38,144	37,223
Information technology software and equipment	38,457	33,387
Leasehold improvements	31,610	31,086
Construction in progress	19,578	4,339
	138,967	116,649
Less: accumulated depreciation and amortization	69,098	62,991
	\$ 69,869	\$ 53,658

The following table sets forth a summary of depreciation and amortization expense related to property, plant and equipment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	<i>(In thousands)</i>			
Research and development	\$ 1,217	\$ 1,248	\$ 2,461	\$ 2,501
Selling, general and administrative	1,975	1,667	3,976	3,266
	\$ 3,192	\$ 2,915	\$ 6,437	\$ 5,767

(5) Leases

The components of expense related to leases are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	<i>(In thousands)</i>			
Operating lease cost	\$ 2,800	\$ 2,092	\$ 5,610	\$ 4,069
Variable lease cost	584	2,106	1,285	3,316
Short-term lease cost	6	—	12	—
Finance lease cost:				
Amortization of assets under finance leases	66	29	131	58
Interest on finance lease liabilities	20	4	39	9
Total finance lease cost	86	33	170	67
Total lease cost	\$ 3,476	\$ 4,231	\$ 7,077	\$ 7,452

VIRGIN GALACTIC HOLDINGS, INC.
Notes to Condensed Consolidated Financial Statements

The components of supplemental cash flow information related to leases are as follows:

	Six Months Ended June 30,			
	2023		2022	
	(In thousands, except term and rate data)			
Cash Flow Information:				
Operating cash flows for operating leases	\$	4,245	\$	5,087
Operating cash flows for finance leases	\$	39	\$	9
Financing cash flows for finance leases	\$	116	\$	66
Non-cash Activity:				
Assets acquired in exchange for lease obligations:				
Operating leases	\$	270	\$	4,924
Finance leases	\$	140	\$	—
Other Information:				
Weighted average remaining lease term:				
Operating leases (in years)		10.2		11.2
Finance leases (in years)		3.2		1.7
Weighted average discount rates:				
Operating leases		12.2 %		11.7 %
Finance leases		12.9 %		8.1 %

The supplemental balance sheet information related to leases is as follows:

	June 30, 2023	December 31, 2022
	(In thousands)	
Operating Leases:		
Long-term right-of-use assets	\$ 47,230	\$ 48,463
Short-term operating lease liabilities	\$ 3,822	\$ 3,020
Long-term operating lease liabilities	55,905	56,645
Total operating lease liabilities	\$ 59,727	\$ 59,665

Right-of-use assets are presented in other non-current assets and lease liabilities are presented in other current liabilities and other long-term liabilities in the accompanying condensed consolidated balance sheets.

VIRGIN GALACTIC HOLDINGS, INC.
Notes to Condensed Consolidated Financial Statements

(6) Accrued Liabilities

The components of accrued liabilities are as follows:

	June 30, 2023	December 31, 2022
	<i>(In thousands)</i>	
Accrued compensation	\$ 24,158	\$ 26,554
Accrued manufacturing sub-contractor and contract labor costs	15,272	19,398
Other accrued expenses	19,688	15,896
	<u>\$ 59,118</u>	<u>\$ 61,848</u>

(7) Convertible Senior Notes

On January 19, 2022, the Company completed an offering of \$425 million aggregate principal amount of convertible senior notes (the "2027 Notes"). The 2027 Notes are senior unsecured obligations of the Company and bear interest at a fixed rate of 2.50% per year. Interest is payable in cash semi-annually in arrears on February 1 and August 1 of each year, beginning on August 1, 2022. The 2027 Notes mature on February 1, 2027 unless earlier repurchased, redeemed or converted.

The net carrying value of the 2027 Notes is as follows:

	June 30, 2023	December 31, 2022
	<i>(In thousands)</i>	
Principal	\$ 425,000	\$ 425,000
Less: unamortized debt issuance costs	8,205	9,280
Net carrying amount	<u>\$ 416,795</u>	<u>\$ 415,720</u>

During each of the three months ended June 30, 2023 and 2022, the Company recognized \$ 3.2 million of interest expense on the 2027 Notes, including \$0.5 million and \$0.4 million of amortized debt issuance costs, respectively.

During the six months ended June 30, 2023 and 2022, the Company recognized \$ 6.4 million and \$5.6 million of interest expense on the 2027 Notes, respectively, including \$1.1 million and \$0.8 million of amortized debt issuance costs, respectively.

(8) Income Taxes

Income tax expense was \$34,000 and \$23,000 for the three months ended June 30, 2023 and 2022, respectively. Income tax expense was \$ 162,000 and \$48,000 for the six months ended June 30, 2023 and 2022, respectively. The effective income tax rate was nil for three and six months ended June 30, 2023 and 2022. The effective tax rate differs from the U.S. statutory rate primarily due to a full valuation allowance against net deferred tax assets where it is more likely than not that some or all of the deferred tax assets will not be realized.

(9) Stockholders' Equity

In August 2022, the Company entered into a distribution agency agreement with Credit Suisse Securities (USA) LLC, Morgan Stanley & Co. LLC and Goldman Sachs & Co. LLC (each, an "Agent" and collectively, the "Agents") providing for the offer and sale of up to \$300 million of shares of the Company's common stock from time to time through the Agents, acting as sales agents, or directly to one or more of the Agents, acting as principal(s), through an "at the market offering" program (the "2022 ATM Program").

The Company completed the 2022 ATM Program in June 2023, selling a total of 59.4 million shares of common stock and generating \$300 million in gross proceeds since its inception, before deducting \$3.0 million in underwriting discounts, commissions and other expenses.

VIRGIN GALACTIC HOLDINGS, INC.
Notes to Condensed Consolidated Financial Statements

In June 2023, the Company entered into a distribution agency agreement with the Agents providing for the offer and sale of up to \$ 400 million of shares of the Company's common stock from time to time through the Agents, acting as sales agents, or directly to one or more of the Agents, acting as principal(s), through an "at the market offering" program (the "2023 ATM Program").

During the three months ended June 30, 2023, the Company sold 17.2 million shares of common stock under the 2023 ATM Program and generated \$76.8 million in gross proceeds, before deducting \$0.8 million in underwriting discounts, commissions and other expenses.

(10) Earnings Per Share

The following table presents net loss per share and related information:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<i>(In thousands, except per share amounts)</i>				
Basic and diluted:				
Net loss	\$ (134,364)	\$ (110,721)	\$ (293,749)	\$ (203,778)
Weighted average common shares outstanding	293,222	258,589	285,877	258,439
Basic and diluted net loss per share	<u>\$ (0.46)</u>	<u>\$ (0.43)</u>	<u>\$ (1.03)</u>	<u>\$ (0.79)</u>

Basic and diluted net loss per share is computed using the weighted-average number of shares of common stock outstanding during the period. The computation of diluted net loss per share excludes the effect of all potential common shares outstanding as their impact would have been anti-dilutive.

The Company has excluded stock-based awards and shares issuable upon conversion of the 2027 Notes from the diluted loss per share calculation because their effect was anti-dilutive. The total number of shares excluded for the three and six months ended June 30, 2023 were 46.7 million. The total number of shares excluded for the three and six months ended June 30, 2022 were 42.7 million.

(11) Stock-Based Plans and Compensation

Equity Incentive Plans

The Company maintains two equity incentive plans -- the Amended and Restated Virgin Galactic Holdings, Inc. 2019 Incentive Award Plan (the "2019 Plan") and the Virgin Galactic Holdings, Inc. 2023 Employment Inducement Incentive Award Plan (the "Inducement Plan").

Pursuant to the 2019 Plan, the Company has the ability to grant incentive stock options and non-qualified stock options, restricted stock awards, stock appreciation rights, restricted stock units ("RSUs") and other stock or cash-based awards to employees and other service providers of the Company and its subsidiaries and members of the Company's board of directors. The 2019 Plan, as amended and restated, was adopted by the Company's board of directors and became effective in April 2023, subject to the approval of the Company's stockholders, and was approved by the Company's stockholders in June 2023. Prior to the amendment and restatement of the Virgin Galactic Holdings, Inc. 2019 Incentive Award Plan (the "Original Plan"), the Company initially reserved 21,208,755 shares of common stock for issuance. The amendment and restatement of the Original Plan increased the number of shares available for issuance by 8,200,000 shares.

Pursuant to the Inducement Plan, the Company has the ability to grant non-qualified stock options, restricted stock awards, stock appreciation rights, restricted stock units and other stock or cash-based awards to any prospective employee in connection with their commencement of employment with the Company, who (i) is being hired by the Company or (ii) is being rehired following a bona fide period of interruption of employment by the Company, as an inducement material to their commencing employment. The Company's board of directors adopted the Inducement Plan in June 2023 and reserved 2,800,000 shares of common stock for the issuance of awards thereunder.

VIRGIN GALACTIC HOLDINGS, INC.
Notes to Condensed Consolidated Financial Statements

Stock-Based Compensation

Pursuant to both the 2019 Plan and the Inducement Plan, the Company has the ability to grant performance stock units ("PSUs") and performance stock options ("PSOs"). PSUs are RSUs that vest based on achievement of specified performance criteria. PSOs are stock options that vest based on achievement of specified performance criteria.

A summary of the components of stock-based compensation expense included in the condensed consolidated statements of operations and comprehensive loss is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<i>(In thousands)</i>				
Stock option and PSO expense:				
Research and development	\$ 492	\$ 731	\$ 1,025	\$ 1,416
Selling, general and administrative	1,382	2,192	3,020	3,917
Total stock option and PSO expense	1,874	2,923	4,045	5,333
RSU and PSU expense:				
Research and development	2,525	2,702	5,008	5,620
Selling, general and administrative	7,460	6,458	15,782	12,025
Total RSU and PSU expense	9,985	9,160	20,790	17,645
Total stock-based compensation expense	\$ 11,859	\$ 12,083	\$ 24,835	\$ 22,978

As of June 30, 2023, the Company had unrecognized stock-based compensation expense of \$ 6.1 million for stock options and \$0.1 million for PSOs. These amounts are expected to be recognized over weighted-average periods of 0.9 years and 0.2 years, respectively. Unrecognized stock-based compensation expense as of June 30, 2023 for RSUs and PSUs totaled \$63.7 million and \$8.7 million, respectively, which are expected to be recognized over weighted-average periods of 1.2 years and 1.2 years, respectively.

(12) Fair Value Measurements

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company estimates fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which is categorized in one of the following levels:

- **Level 1 inputs:** Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date;
- **Level 2 inputs:** Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability; and
- **Level 3 inputs:** Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

VIRGIN GALACTIC HOLDINGS, INC.
Notes to Condensed Consolidated Financial Statements

The following tables present the Company's financial assets that are recorded at fair value on a recurring basis, segregated among the appropriate levels within the fair value hierarchy:

June 30, 2023				
	Level 1	Level 2	Level 3	Total
<i>(In thousands)</i>				
Assets:				
Money market	\$ 351,999	\$ —	\$ —	\$ 351,999
U.S. treasuries	98,902	—	—	98,902
Corporate bonds	—	483,011	—	483,011
Total assets at fair value	<u>\$ 450,901</u>	<u>\$ 483,011</u>	<u>\$ —</u>	<u>\$ 933,912</u>

December 31, 2022				
	Level 1	Level 2	Level 3	Total
<i>(In thousands)</i>				
Assets:				
Money market	\$ 249,249	\$ —	\$ —	\$ 249,249
Certificates of deposit	41,727	—	—	41,727
U.S. treasuries	79,517	—	—	79,517
Corporate bonds	—	557,591	—	557,591
Total assets at fair value	<u>\$ 370,493</u>	<u>\$ 557,591</u>	<u>\$ —</u>	<u>\$ 928,084</u>

The following tables present the Company's financial liabilities that are recorded at amortized cost, segregated among the appropriate levels within the fair value hierarchy:

June 30, 2023				
	Level 1	Level 2	Level 3	Total
<i>(In thousands)</i>				
Liabilities:				
2027 Notes	\$ —	\$ 218,833	\$ —	\$ 218,833
Total liabilities at fair value	<u>\$ —</u>	<u>\$ 218,833</u>	<u>\$ —</u>	<u>\$ 218,833</u>

December 31, 2022				
	Level 1	Level 2	Level 3	Total
<i>(In thousands)</i>				
Liabilities:				
2027 Notes	\$ —	\$ 193,439	\$ —	\$ 193,439
Total liabilities at fair value	<u>\$ —</u>	<u>\$ 193,439</u>	<u>\$ —</u>	<u>\$ 193,439</u>

VIRGIN GALACTIC HOLDINGS, INC.
Notes to Condensed Consolidated Financial Statements

(13) Commitments and Contingencies

Leases

The Company has certain non-cancelable operating leases primarily for its premises. These leases generally contain renewal options for periods ranging from 3 to 20 years and require the Company to pay all executory costs, such as maintenance and insurance. Certain lease arrangements have rent free periods or escalating payment provisions, and the Company recognizes rent expense for such arrangements on a straight line basis.

Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) and future minimum finance lease payments as of June 30, 2023 are as follows:

	Operating Leases	Finance Leases
	<i>(In thousands)</i>	
2023 (for the remaining period)	\$ 5,069	\$ 151
2024	10,114	233
2025	10,190	203
2026	10,347	152
2027	10,313	38
Thereafter	61,372	14
Total payments	107,405	791
Less: present value discount/imputed interest	47,678	146
Present value of lease liabilities	\$ 59,727	\$ 645

Legal Proceedings

From time to time, the Company is a party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. The Company applies accounting for contingencies to determine when and how much to accrue for and disclose related to legal and other contingencies. Accordingly, the Company discloses contingencies deemed to be reasonably possible and accrues loss contingencies when, in consultation with legal advisors, it is concluded that a loss is probable and reasonably estimable. Although the ultimate aggregate amount of monetary liability or financial impact with respect to these matters is subject to many uncertainties and is therefore not predictable with assurance, management believes that any monetary liability or financial impact to the Company from these matters, individually and in the aggregate, beyond that provided at June 30, 2023, would not be material to the Company's consolidated financial position, results of operations or cash flows. However, there can be no assurance with respect to such result, and monetary liability or financial impact to the Company from legal proceedings, lawsuits and other claims could differ materially from those projected.

Lavin v. the Company

On May 28, 2021, a class action complaint was filed against the Company in the Eastern District of New York captioned Lavin v. Virgin Galactic Holdings, Inc., Case No. 1:21-cv-03070. In September 2021, the Court appointed Robert Scheele and Mark Kusnier as co-lead plaintiffs for the purported class. Co-lead plaintiffs amended the complaint in December 2021, asserting violations of Sections 10(b), 20(a) and 20A of the Securities Exchange Act of 1934 against the Company and certain of its current and former officers and directors on behalf of a putative class of investors who purchased the Company's common stock between July 10, 2019 and October 14, 2021.

VIRGIN GALACTIC HOLDINGS, INC.
Notes to Condensed Consolidated Financial Statements

The amended complaint alleges, among other things, that the Company and certain of its current and former officers and directors made false and misleading statements and failed to disclose certain information regarding the safety of the Company's ships and success of its commercial flight program. Co-lead plaintiffs seek damages, interest, costs, expenses, attorneys' fees and other unspecified equitable relief. The defendants moved to dismiss the amended complaint and, on November 7, 2022, the court granted in part and denied in part the defendants' motion and gave the plaintiffs leave to file a further amended complaint. Plaintiffs' filed a second amended complaint on December 12, 2022. The second amended complaint contains many of the same allegations as in the first amended complaint. The defendants moved to dismiss the second amended complaint on February 24, 2023 and their motion was fully briefed as of May 23, 2023. The Company intends to continue to vigorously defend against this matter.

Spiteri, Grenier, Laidlaw, St. Jean, and D. Abughazaleh derivatively on behalf of the Company vs. Certain Current and Former Officers and Directors

On February 21, 2022, March 1, 2022, September 21, 2022, and December 13, 2022, four alleged shareholders filed separate derivative complaints purportedly on behalf of the Company against certain of its current and former officers and directors in the Eastern District of New York captioned Spiteri v. Branson et al., Case No. 1:22-cv-00933, Grenier v. Branson et al., Case No. 1:22-cv-01100, Laidlaw v. Branson et al., Case No. 1:22-cv-05634, and St. Jean v. Branson et al., Case No. 1:22-cv-7551, respectively. On February 13, 2023, an alleged shareholder filed a derivative complaint purportedly on behalf of the Company against certain of its current and former officers and directors in the District of Delaware captioned Abughazaleh v. Branson et al., Case No. 23-cv-00156. Collectively, the complaints assert violations of Sections 10(b), 14(a), and 21D of the Securities Exchange Act of 1934 and claims of breach of fiduciary duty, aiding and abetting breach of fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets, contribution and indemnification, and unjust enrichment arising from substantially similar allegations as those contained in the securities class action described above. The complaints seek an unspecified sum of damages, interest, restitution, expenses, attorneys' fees and other equitable relief. The cases are at a preliminary stage.

(14) Supplemental Cash Flow Information

	Six Months Ended June 30,	
	2023	2022
	(In thousands)	
Supplemental disclosure of cash flow information:		
Cash payments for:		
Income taxes	\$ 533	\$ 43
Interest	10,625	—
Supplemental disclosure of non-cash investing and financing activities:		
Unpaid property, plant and equipment	\$ 9,848	\$ 1,343
Issuance of common stock through RSUs vested	6,662	7,440

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

Unless the context otherwise requires, all references in this section to the "Company," "Virgin Galactic," "we," "us," or "our" refer to Virgin Galactic Holdings, Inc. and its subsidiaries.

You should read the following discussion and analysis of our financial condition and results of operations together with the condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q, as well as the audited financial statements and the related notes thereto, and the discussion under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the "Annual Report on Form 10-K"). This discussion contains forward-looking statements that reflect our plans, estimates, and beliefs that involve risks and uncertainties. As a result of many factors, such as those set forth under the "Risk Factors" section of our Annual Report on Form 10-K and under the "Cautionary Note Regarding Forward-Looking Statements" section and elsewhere in this Quarterly Report on Form 10-Q, our actual results may differ materially from those anticipated in these forward-looking statements.

Overview

Virgin Galactic Holdings, Inc. is an aerospace and space travel company offering access to space for private individuals, researchers and government agencies. Our missions include flying passengers to space as tourists, as well as flying scientific payloads and researchers to space in order to conduct experiments for scientific and educational purposes. Our operations include the design and development, manufacturing, ground and flight testing, and post-flight maintenance of our spaceflight system vehicles. Our spaceflight system is developed using our proprietary technology and processes and is focused on providing space experiences for private astronauts, researcher flights and professional astronaut training. We have also leveraged our knowledge and expertise in manufacturing spaceships to occasionally perform engineering services for third parties, such as research, design, development, manufacturing and integration of advanced technology systems.

Factors Affecting Our Performance

We believe that our performance and future success depend on a number of factors that present significant opportunities for us but also pose risks and challenges, including those discussed below and in Part 1, Item 1A. of our Annual Report on Form 10-K titled "Risk Factors."

Commercial Launch of Our Human Spaceflight Program

We are the first spaceline to receive Federal Aviation Administration approval to carry commercial customers to space. This was through an update to our existing commercial spaceflight license which we have held since 2016. In late June 2023, we completed our first commercial spaceflight, 'Galactic 01,' which marked the start of our commercial service. We continuously monitor our supply chain for potential risk associated with the delivery of materials from our suppliers, which in turn could impact the future schedule for our commercial service. We have identified some areas of risk for timely delivery and continue to work on mitigating these identified risks. Any delays in future commercial spaceflights, whether due to supply chain issues, general macroeconomic factors or otherwise, will impact our ability to generate revenue from human spaceflight.

Customer Demand

We have already received significant interest from potential future astronauts. Going forward, we expect the size of our backlog and the number of future astronauts that have flown to space on our spaceflight system to be an important indicator of our future performance. As of June 30, 2023, we had reservations for spaceflights for approximately 800 future astronauts. In August 2021, following Sir Richard Branson's successful test flight, we reopened ticket sales to a select group and increased the pricing of our consumer offerings to a base price of \$450,000 per seat. In February 2022, we opened ticket sales to the general public. We are reserving 100 seats within our first 1,000 commercial seats sold for research and scientific experiments. As of June 30, 2023, the tickets sold represent approximately \$207 million in expected future spaceflight revenue upon completion of spaceflights.

Available Capacity and Annual Flight Rate

We commenced our commercial operations with a single spaceship, VSS Unity, and a single mothership carrier aircraft, VMS Eve, which together comprise our only spaceflight system. As a result, our annual flight rate will be constrained by the availability and capacity of this spaceflight system. Additionally, we are temporarily assigning one of the four passenger seats in VSS Unity to be occupied by one of our employees to gather input about the experience in order to help us create a better experience for our customers in the long-term. To reduce the capacity constraint associated with having only one spaceflight system, we are currently developing our next generation spaceflight vehicles, which include our Delta class spaceships and our next generation motherships, which will allow us to increase our annual flight rate. We are dedicating significant engineering resources to the work that precedes production of the future fleet. Simultaneously, we are focused on the flight consistency of Unity and Eve to bring our customers to space and to demonstrate the value of our product.

Safety Performance of Our Spaceflight Systems

Our spaceflight systems are highly specialized with sophisticated and complex technology. We have built operational processes to ensure that the design, manufacture, performance and servicing of our spaceflight systems meet rigorous quality standards. However, our spaceflight systems are still subject to operational and process risks, such as manufacturing and design issues, human errors, or cyber-attacks. Any actual or perceived safety issues may result in significant reputational harm to our business and our ability to generate human spaceflight revenue.

Results of Operations

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(In thousands)			
Revenue	\$ 1,871	\$ 357	\$ 2,263	\$ 676
Operating expenses:				
Customer experience	234	122	552	147
Research and development	86,574	62,340	196,444	114,167
Selling, general and administrative	51,437	44,700	101,802	81,707
Depreciation and amortization	3,192	2,915	6,437	5,767
Total operating expenses	141,437	110,077	305,235	201,788
Operating loss	(139,566)	(109,720)	(302,972)	(201,112)
Interest income	8,404	1,985	15,734	2,803
Interest expense	(3,216)	(3,157)	(6,427)	(5,631)
Other income, net	48	194	78	210
Loss before income taxes	(134,330)	(110,698)	(293,587)	(203,730)
Income tax expense	34	23	162	48
Net loss	<u>\$ (134,364)</u>	<u>\$ (110,721)</u>	<u>\$ (293,749)</u>	<u>\$ (203,778)</u>

For the Three and Six Months Ended June 30, 2023 Compared to the Three and Six Months Ended June 30, 2022

Revenue

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change
(In thousands, except %)								
Revenue	\$ 1,871	\$ 357	\$ 1,514	424 %	\$ 2,263	\$ 676	\$ 1,587	235 %

Revenue for the three months ended June 30, 2023 was primarily attributable to revenue generated from our first commercial spaceflight, 'Galactic 01,' and membership fees related to our Future Astronaut community. Revenue for the three months ended June 30, 2022 was primarily attributable to membership fees related to our Future Astronaut community.

Revenue for the six months ended June 30, 2023 was primarily attributable to revenue generated from our first commercial spaceflight, 'Galactic 01,' and membership fees related to our Future Astronaut community. Revenue for the six months ended June 30, 2022 was primarily attributable to membership fees related to our Future Astronaut community, as well as the performance of engineering services.

Customer Experience

	Three Months Ended				Six Months Ended June			
	June 30,		\$	%	30,		\$	%
	2023	2022			2023	2022		
			Change	Change			Change	Change
(In thousands, except %)								
Customer experience	\$	234	\$	122	\$	112	92	%
	\$	552	\$	147	\$	405	276	%

Customer experience costs for the three months ended June 30, 2023 were primarily attributable to incremental costs related to our commercial spaceflight and costs related to our Future Astronaut community. Customer experience costs for the three months ended June 30, 2022 were primarily attributable to costs related to our Future Astronaut community.

Customer experience costs for the six months ended June 30, 2023 were primarily attributable to incremental costs related to our commercial spaceflight and costs related to our Future Astronaut community. Customer experience costs for the six months ended June 30, 2022 were primarily attributable to costs related to our Future Astronaut community and labor costs incurred in connection with engineering services.

Research and Development

	Three Months Ended				Six Months Ended June			
	June 30,		\$	%	30,		\$	%
	2023	2022			2023	2022		
<i>(In thousands, except %)</i>								
Research and development	\$ 86,574	\$ 62,340	\$ 24,234	39 %	\$ 196,444	\$ 114,167	\$ 82,277	72 %

Research and development expenses increased from \$62.3 million for the three months ended June 30, 2022 to \$86.6 million for the three months ended June 30, 2023. The increase was primarily driven by a \$14.6 million increase in manufacturing sub-contractor and contract labor costs, material costs and other direct costs associated with the development of our spaceflight system, and a \$7.0 million increase in compensation and other employee benefit costs.

Research and development expenses increased from \$114.2 million for the six months ended June 30, 2022 to \$196.4 million for the six months ended June 30, 2023. The increase was primarily driven by a \$53.9 million increase in manufacturing sub-contractor and contract labor costs, material costs and other direct costs associated with the development of our spaceflight system, and a \$20.6 million increase in compensation and other employee benefit costs.

Selling, General and Administrative

	Three Months Ended				Six Months Ended June			
	June 30,		\$	%	30,		\$	%
	2023	2022			2023	2022		
			Change	Change			Change	Change
(In thousands, except %)								
Selling, general and administrative	\$ 51,437	\$ 44,700	\$ 6,737	15 %	\$ 101,802	\$ 81,707	\$ 20,095	25 %

Selling, general and administrative expenses increased from \$44.7 million for the three months ended June 30, 2022 to \$51.4 million for the three months ended June 30, 2023. The increase was primarily driven by a \$4.0 million increase in compensation and other employee benefit costs.

Selling, general and administrative expenses increased from \$81.7 million for the six months ended June 30, 2022 to \$101.8 million for the six months ended June 30, 2023. The increase was primarily driven by a \$11.7 million increase in compensation and other employee benefit costs, a \$2.9 million increase in stock-based compensation, a \$1.7 million increase in professional and consulting fees and a \$1.0 million increase in facility costs.

Depreciation and Amortization

	Three Months Ended				Six Months Ended June				
	June 30,		\$	%	30,		\$	%	
	2023	2022			2023	2022			
(In thousands, except %)									
Depreciation and amortization	\$ 3,192	\$ 2,915	\$ 277	10	% \$ 6,437	\$ 5,767	\$ 670	12	%

Depreciation and amortization expense increased from \$2.9 million for the three months ended June 30, 2022 to \$3.2 million for the three months ended June 30, 2023, an increase of \$0.3 million due to the acquisition of property, plant and equipment.

Depreciation and amortization expense increased from \$5.8 million for the six months ended June 30, 2022 to \$6.4 million for the six months ended June 30, 2023, an increase of \$0.7 million due to the acquisition of property, plant and equipment.

Interest Income

	Three Months Ended June				Six Months Ended June											
	30,		\$	%	30,		\$	%								
	2023	2022			2023	2022										
	(In thousands, except %)															
Interest income	\$	8,404	\$	1,985	\$	6,419	323	%	\$	15,734	\$	2,803	\$	12,931	461	%

Interest income increased from \$2.0 million for the three months ended June 30, 2022 to \$8.4 million for the three months ended June 30, 2023. This increase was primarily driven by higher interest rates on marketable securities and deposits in interest bearing accounts.

Interest income increased from \$2.8 million for the six months ended June 30, 2022 to \$15.7 million for the six months ended June 30, 2023. This increase was primarily driven by higher interest rates on marketable securities and deposits in interest bearing accounts.

Interest Expense

	Three Months Ended				Six Months Ended June											
	June 30,		\$	%	30,		\$	%								
	2023	2022			2023	2022										
(In thousands, except %)																
Interest expense	\$	3,216	\$	3,157	\$	59	2	%	\$	6,427	\$	5,631	\$	796	14	%

Interest expense was \$3.2 million for three months ended June 30, 2023 and \$3.2 million for the three months ended June 30, 2022. Interest expense consists of interest expense and amortization of debt issuance costs related to our convertible senior notes.

Interest expense increased from \$5.6 million for six months ended June 30, 2022 to \$6.4 million for the six months ended June 30, 2023. This increase was primarily driven by a full six months of interest expense and amortization of debt issuance costs related to our convertible senior notes.

Income Tax Expense

Income tax expense was immaterial for the three and six months ended June 30, 2023 and 2022. We have accumulated net operating losses at the U.S. federal and state levels. We maintain a full valuation allowance against our net U.S. federal and state deferred tax assets. The income tax expense is primarily related to corporate income taxes for our operations in the United Kingdom, which operates on a cost-plus arrangement.

Liquidity and Capital Resources

As of June 30, 2023, we had cash, cash equivalents and restricted cash of \$398.0 million and marketable securities of \$581.9 million. Our principal sources of liquidity have come from sales of our common stock and offering of convertible senior notes ("2027 Notes").

Historical Cash Flows

	Six Months Ended June 30,	
	2023	2022
(In thousands)		
Net cash provided by (used in):		
Operating activities	\$ (261,387)	\$ (152,961)
Investing activities	48,751	(385,547)
Financing activities	268,044	358,542
Net increase (decrease) in cash, cash equivalents and restricted cash	\$ 55,408	\$ (179,966)

Operating Activities

Net cash used in operating activities was \$261.4 million for the six months ended June 30, 2023, and consisted primarily of \$293.7 million of net losses, adjusted for non-cash items, which primarily included stock-based compensation expense of \$24.8 million and depreciation and amortization expense of \$6.4 million.

Net cash used in operating activities was \$153.0 million for the six months ended June 30, 2022, and consisted primarily of \$203.8 million of net losses, adjusted for non-cash items, which primarily included stock-based compensation expense of \$23.0 million and depreciation and amortization expense of \$5.8 million, as well as \$21.0 million of cash provided from changes in operating assets and liabilities.

Investing Activities

Net cash provided by investing activities was \$48.8 million for the six months ended June 30, 2023, and consisted of \$471.3 million in proceeds from maturities and calls of marketable securities, partially offset by \$409.9 million in purchases of marketable securities and \$12.6 million in capital expenditures.

Net cash used in investing activities was \$385.5 million for the six months ended June 30, 2022, and consisted of \$379.3 million in purchases of marketable securities and \$6.3 million in capital expenditures.

Financing Activities

Net cash provided by financing activities was \$268.0 million for the six months ended June 30, 2023, and consisted primarily of net cash proceeds from the sale and issuance of common stock of \$270.5 million, partially offset by tax withholdings paid for net settled stock-based awards of \$2.3 million.

Net cash provided by financing activities was \$358.5 million for the six months ended June 30, 2022, and consisted primarily of the issuance of the 2027 Notes for net proceeds of \$413.7 million, partially offset by the purchase of the capped call related to the 2027 Notes of \$52.3 million and tax withholdings paid for net settled stock-based awards of \$2.8 million.

Funding Requirements

We expect our expenses to increase in connection with our ongoing activities, particularly as we continue to advance the development of our spaceflight system and the commercialization of our human spaceflight operations. In addition, we expect our operating expenses to increase as we continue our commercial operations and add additional spaceships to our operating fleet.

Specifically, our operating expenses will increase as we:

- scale up our manufacturing processes and capabilities to support expanding our fleet with additional spaceships, carrier aircraft and rocket motors in connection with commercialization;
- pursue further research and development on our future human spaceflights;
- hire additional personnel in research and development, manufacturing operations, testing programs, maintenance operations and guest services as we increase the volume of our spaceflights;
- seek regulatory approval for any changes, upgrades or improvements to our spaceflight technologies and operations in the future;
- maintain, expand and protect our intellectual property portfolio;
- establish our astronaut campus in New Mexico; and
- hire additional personnel in management to support the expansion of our operational, financial, information technology, and other areas to support our operations as a public company.

We expect our arrangements with third-party providers for the design and manufacture of our next generation of carrier aircraft and to manufacture key subassemblies for our next generation spaceships will require significant capital expenditures from us. Certain estimated amounts in connection with third-party arrangements are subject to future negotiations and cannot be estimated with reasonable certainty.

Although we believe that our current capital is adequate to sustain our operations for at least the next twelve months, changing circumstances may cause us to consume capital significantly faster than we currently anticipate, and we may need to spend more money than currently expected because of circumstances beyond our control. While we have completed our initial commercial launch with a single spaceship, we currently have additional spaceship vehicles under construction. We anticipate the costs to manufacture additional vehicles will begin to decrease as we continue to scale up our manufacturing processes and capabilities. Until we achieve technological feasibility with our next generation spaceflight systems, we will not capitalize expenditures incurred to construct these spaceflight systems and we will continue to expense these costs as incurred to research and development.

Issuances of Common Stock

In August 2022, we entered into a distribution agency agreement with Credit Suisse Securities (USA) LLC, Morgan Stanley & Co. LLC and Goldman Sachs & Co. LLC (each, an "Agent" and collectively, the "Agents") providing for the offer and sale of up to \$300 million of shares of our common stock from time to time through the Agents, acting as sales agents, or directly to one or more of the Agents, acting as principal(s), through an "at the market offering" program (the "2022 ATM Program").

We completed the 2022 ATM Program in June 2023, selling a total of 59.4 million shares of common stock and generating \$300 million in gross proceeds since its inception, before deducting \$3.0 million in underwriting discounts, commissions and other expenses.

In June 2023, we entered into a distribution agency agreement with the Agents providing for the offer and sale of up to \$400 million of shares of the Company's common stock from time to time through the Agents, acting as sales agents, or directly to one or more of the Agents, acting as principal(s), through an "at the market offering" program (the "2023 ATM Program").

During the three months ended June 30, 2023, we sold 17.2 million shares of common stock under the 2023 ATM Program and generated \$76.8 million in gross proceeds, before deducting \$0.8 million in underwriting discounts, commissions and other expenses.

Liquidity Outlook

For at least the next twelve months, we expect our principal demand for funds will be for our ongoing activities described above. We expect to meet our short-term liquidity requirements primarily through our cash, cash equivalents and marketable securities on hand. We believe we will have sufficient liquidity available to fund our business needs, commitments and contractual obligations for the next twelve months.

Beyond the next twelve months, our principal demand for funds will be to sustain our operations, including the construction of additional spaceships and motherships, expansion of the New Mexico Spaceport, construction of our astronaut campus and payment of the principal amount of our convertible senior notes as they become due. We expect to generate revenue from our human spaceflight program, which commenced with our first commercial spaceflight, 'Galactic 01,' in late June 2023. To the extent this source of capital as well as the sources of capital described above are insufficient to meet our needs, we may need to seek additional debt or equity financing.

The commercial launch of our human spaceflight program and the anticipated expansion of our fleet have unpredictable costs and are subject to significant risks, uncertainties and contingencies, many of which are beyond our control, that may affect the timing and magnitude of these anticipated expenditures. Some of these risk and uncertainties are described in more detail in our Annual Report on Form 10-K under the heading Item 1A. "Risk Factors—Risks Related to Our Business."

Contractual Obligations and Commitments

Except as set forth in the notes to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, there have been no material changes outside the ordinary course of business to our contractual obligations and commitments as described in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K. Additionally, in some cases, we have entered arrangements with third-party providers for services, such as the design and manufacture of our next generation of carrier aircraft. The amounts we would pay under those arrangements will be significant but are not contractually committed until we execute specific task orders with the applicable counterparty, are subject to future negotiations and cannot be estimated with reasonable certainty.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of our condensed consolidated financial statements and related disclosures requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. We believe that the estimates, assumptions and judgments involved in the accounting policies referred to below have the greatest potential impact on our financial statements and, therefore, we consider these to be our critical accounting policies. Accordingly, we evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions and conditions.

During the fiscal quarter ended June 30, 2023, there were no significant changes to our critical accounting policies and estimates compared to those previously disclosed in "Critical Accounting Policies and Estimates" included in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2022 Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

During the fiscal quarter ended June 30, 2023, there were no significant changes to our market risks compared to those previously disclosed in Part II, Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" included in our 2022 Annual Report on Form 10-K.

Item 4. Controls and Procedures

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), 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 of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2023, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION**Item 1. Legal Proceedings**

We are from time to time subject to various claims, lawsuits and other legal and administrative proceedings arising in the ordinary course of business. Some of these claims, lawsuits and other proceedings may involve highly complex issues that are subject to substantial uncertainties, and could result in damages, fines, penalties, non-monetary sanctions or relief. However, we do not consider any such claims, lawsuits or proceedings that are currently pending, individually or in the aggregate, to be material to our business or likely to result in a material adverse effect on our future operating results, financial condition or cash flows. See Note 13 in our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information.

Item 1A. Risk Factors

Our business, financial condition and operating results can be affected by a number of factors, whether currently known or unknown, including but not limited to those described as risk factors, any one or more of which could, directly or indirectly, cause our actual operating results and financial condition to vary materially from past, or anticipated future, operating results and financial condition. For a discussion of our potential risks and uncertainties, see the risk factors previously disclosed in Part I, Item 1. "Business," Part I, Item 1A. "Risk Factors," and Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K and in Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Quarterly Report on Form 10-Q. There have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended June 30, 2023, none of our officers or directors adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non Rule 10b5-1 trading arrangement."

Item 6. Exhibits

The following documents are filed as part of this report:

(1) Exhibits. The following exhibits are filed, furnished or incorporated by reference as part of this Quarterly Report on Form 10-Q.

Exhibit No.	Exhibit Description	Incorporated by Reference				
		Form	File No.	Exhibit	Filing Date	Filed/Furnished Herewith
3.1	Certificate of Incorporation of the Registrant	8-K	001-38202	3.1	10/29/2019	
3.2	By-Laws of the Registrant	8-K	001-38202	3.2	10/29/2019	
10.1 ⁽¹⁾	Amended and Restated Non-Employee Director Compensation Program					*
10.2 ⁽¹⁾	Amended and Restated 2019 Incentive Award Plan	S-8	333-271905	99.1	5/12/23	
10.3 ⁽¹⁾	Form of Executive Restricted Stock Unit Agreement (Cash or Share Settlement)	S-8	333-271905	99.5	5/12/23	
10.4 ⁽¹⁾	2023 Inducement Incentive Award Plan	S-8	333-272529	99.1	6/8/23	

Table of Contents

Incorporated by Reference						
Exhibit No.	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed/Furnished Herewith
10.5 ⁽¹⁾	Form of Restricted Stock Unit Agreement under the 2023 Employment Inducement Incentive Award Plan	S-8	333-272529	99.2	6/8/23	
10.6 ⁽¹⁾	Form of Performance-Vesting Restricted Stock Unit Agreement under the 2023 Employment Inducement Incentive Award Plan	S-8	333-272529	99.3	6/8/23	
10.7	Distribution Agency Agreement, dated June 22, 2023, by and among the Company, Credit Suisse Securities (USA) LLC, Morgan Stanley & Co. LLC and Goldman Sachs & Co. LLC (including the form of Terms Agreement)	8-K	001-38202	3.1	6/22/23	
31.1	Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					*
31.2	Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), 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 Labels Linkbase Document					*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					*

* Filed herewith.

** Furnished herewith.

⁽¹⁾ Indicates management contract or compensatory plan.

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.

Virgin Galactic Holdings, Inc.

Date: August 1, 2023

/s/ Michael Colglazier

Name: Michael Colglazier
Title: Chief Executive Officer
(Principal Executive Officer)

Date: August 1, 2023

/s/ Douglas Ahrens

Name: Douglas Ahrens
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

VIRGIN GALACTIC HOLDINGS, INC.

AMENDED AND RESTATED NON-EMPLOYEE DIRECTOR COMPENSATION PROGRAM

(EFFECTIVE APRIL 21, 2023)

Eligible Directors (as defined below) on the board of directors (the “**Board**”) of Virgin Galactic Holdings, Inc. (the “**Company**”) shall be eligible to receive cash and equity compensation as set forth in this Amended and Restated Non-Employee Director Compensation Program (this “**Program**”). The cash and equity compensation described in this Program shall be paid or be made, as applicable, automatically as set forth herein and without further action of the Board, to each member of the Board who is not an employee of the Company or any of its parents, affiliates or subsidiaries, unless otherwise determined by the Board (each participant, an “**Eligible Director**”) or unless such Eligible Director declines the receipt of such cash or equity compensation by written notice to the Company. The Eligible Directors as of the date set forth above (the “**Effective Date**”) are set forth on Schedule A attached hereto, as may be amended from time to time.

This Program shall become effective upon the Effective Date, and shall remain in effect until it is revised or rescinded by further action of the Board. This Program may be amended, modified or terminated by the Board at any time in its sole discretion. No Eligible Director shall have any rights hereunder, except with respect to equity awards granted pursuant to Section 2 of this Program.

1. Cash Compensation.

a. Annual Retainers. Each Eligible Director shall be eligible to receive an annual cash retainer of \$125,000 for service on the Board.

b. Additional Annual Retainers. An Eligible Director shall be eligible to receive the following additional annual retainers, as applicable:

(i) Lead Director. An Eligible Director serving as Lead Director shall be eligible to receive an additional annual retainer of \$25,000 for such service.

(ii) Audit Committee. An Eligible Director serving as Chairperson of the Audit Committee shall be eligible to receive an additional annual retainer of \$25,000 for such service. An Eligible Director serving as a member of the Audit Committee (other than the Chairperson) shall be eligible to receive an additional annual retainer of \$10,000 for such service.

(iii) Compensation Committee. An Eligible Director serving as Chairperson of the Compensation Committee shall be eligible to receive an additional annual retainer of \$15,000 for such service. An Eligible Director serving as a member of the Compensation Committee (other than the Chairperson) shall be eligible to receive an additional annual retainer of \$7,500 for such service.

(iv) Nominating and Corporate Governance Committee. An Eligible Director serving as Chairperson of the Nominating and Corporate Governance Committee shall be eligible to receive an additional annual retainer of \$15,000 for such service. An Eligible Director serving as a member of the Nominating and Corporate Governance Committee (other than the Chairperson) shall be eligible to receive an additional annual retainer of \$7,500 for such service.

(v) Safety Committee. An Eligible Director serving as Chairperson of the Safety Committee shall be eligible to receive an additional annual retainer of \$15,000 for such service. An Eligible Director serving as a member of the Safety Committee (other than the Chairperson) shall be eligible to receive an additional annual retainer of \$7,500 for such service.

c. Payment of Retainers. The annual cash retainers described in Sections 1(a) and 1(b) shall be earned on a quarterly basis based on a calendar quarter and shall be paid by the Company in arrears not later than 30 days following the end of each calendar quarter. Annual cash retainers will be pro-rated for any partial calendar quarter of service.

2. Equity Compensation.

a. General. Eligible Directors shall be granted the equity awards described below. The awards described below shall be granted under and shall be subject to the terms and provisions of the Company's Amended and Restated 2019 Incentive Award Plan or any other applicable Company equity incentive plan then-maintained by the Company (such plan, as may be amended from time to time, the "**Equity Plan**") and may be granted subject to the execution and delivery of award agreements, including attached exhibits, in substantially the forms approved by the Board prior to or in connection with such grants. All applicable terms of the Equity Plan apply to this Program as if fully set forth herein, and all grants of equity awards hereby are subject in all respects to the terms of the Equity Plan. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Equity Plan.

b. Initial Awards. Each Eligible Director who is initially elected or appointed to serve on the Board automatically shall be granted a Restricted Stock Unit award with a value of \$150,000 (the "**Initial Award**"). The Initial RSU Award shall be granted on the date on which such Eligible Director is initially elected or appointed to serve on the Board (the "**Election Date**"). The Initial Award may be pro-rated to reflect any partial year of service, as determined by the Board in its sole discretion prior to the grant date. The Initial Award shall cover a number of Restricted Stock Units equal to \$150,000 divided by the closing price of the Company's common stock on the grant date, and shall vest with respect to one-third of the Restricted Stock Units subject to the Initial Award on each of the first three anniversaries of the applicable grant date, subject to continued service through the applicable vesting date.

c. Annual Awards. An Eligible Director who is serving on the Board as of the date of the annual meeting of the Company's stockholders ("**Annual Meeting**") each calendar year beginning with calendar year 2023 shall be granted a Restricted Stock Unit Award with a value of \$125,000 (the "**Annual Award**"). Each Annual Award shall be granted on the date of the applicable Annual Meeting, shall cover a number of Restricted Stock Units equal to \$125,000 divided by the closing price of the Company's common stock on the grant date, and shall vest in full on the earlier to occur of (i) the one-year anniversary of the applicable grant date and (ii) the date of the next Annual Meeting following the grant date, subject to continued service through the applicable vesting date.

d. Accelerated Vesting Events. Notwithstanding the foregoing, an Eligible Director's Initial Award and Annual Award(s) shall vest in full immediately prior to the occurrence of a Change in Control, in each case, to the extent outstanding and unvested at such time. In addition, unless otherwise determined by the Board in its sole discretion, if an Eligible Director resigns from the Board, then such Eligible Director's outstanding Annual Award granted after the Effective Date shall vest on a pro-rated basis with respect to a portion of such award based on dividing (i) the number of days such Eligible Director remained in service from (and including) the award's grant date by (ii) 365.

3. Compensation Limits. Notwithstanding anything to the contrary in this Program, all compensation payable under this Program will be subject to any limits on the maximum amount of non-employee Director compensation set forth in the Equity Plan, as in effect from time to time.

SCHEDULE A
ELIGIBLE DIRECTORS

Wanda Austin

Adam Bain

Craig Kreeger

Tina Jonas

George Mattson

Wanda Sigur

W. Gilbert West

Raymond E. Mabus, Jr.

Diana S. Strandberg

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Michael Colglazier, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Virgin Galactic Holdings, 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 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 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.
-

August 1, 2023

/s/ Michael Colglazier

Michael Colglazier

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Douglas Ahrens, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Virgin Galactic Holdings, 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 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 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.
-

August 1, 2023

/s/ Douglas Ahrens

Douglas Ahrens

Chief Financial Officer

(Principal Financial and Accounting Officer)

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

In connection with the Quarterly Report of Virgin Galactic Holdings, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Colglazier, Chief Executive Officer (Principal Executive Officer), 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; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

August 1, 2023

/s/ Michael Colglazier

Michael Colglazier

Chief Executive Officer

(Principal Executive Officer)

This certification shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

**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 of Virgin Galactic Holdings, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Douglas Ahrens, Chief Financial Officer (Principal Financial Officer), 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; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

August 1, 2023

/s/ Douglas Ahrens

Douglas Ahrens

Chief Financial Officer

(Principal Financial and Accounting Officer)

This certification shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.