
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): January 13, 2022

Virgin Galactic Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-38202
(Commission
File Number)

85-3608069
(I.R.S. Employer
Identification No.)

166 North Roadrunner Parkway, Suite 1C
Las Cruces, New Mexico
(Address of principal executive offices)

88011
(Zip Code)

(575) 424-2100
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act

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 is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

Item 2.02. Results of Operations and Financial Condition.

On January 13, 2022, Virgin Galactic Holdings, Inc. (the “Company”) announced its intention to offer, subject to market and other conditions, \$425 million aggregate principal amount of convertible senior notes due 2027 (the “Notes”) in a private offering (the “Offering”) to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. In connection with the Offering, the Company provided prospective investors with a preliminary offering circular dated January 13, 2022 (the “Preliminary Offering Circular”).

The Preliminary Offering Circular contains certain preliminary unaudited financial results of the Company as of and for the three months ended December 31, 2021. The preliminary unaudited financial results are furnished under the heading “Preliminary Financial Results as of December 31, 2021 and for the Three Months Ended December 31, 2021” in Exhibit 99.1 to this report.

Such information shall not be deemed to be “filed” with the Securities and Exchange Commission (the “SEC”) for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed to be incorporated by reference in any filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except as expressly set forth by specific reference in such filing. By filing this report and furnishing this information, the Company makes no admission as to the materiality of any information contained in Item 2.02 of this report, including the portion of Exhibit 99.1 entitled “Preliminary Financial Results as of December 31, 2021 and for the Three Months Ended December 31, 2021” and the information related thereto.

Item 7.01 Regulation FD Disclosure.

In connection with the Offering, the Company is disclosing an updated description of certain aspects of the Company’s business in the Preliminary Offering Circular. Accordingly, the Company is furnishing this information with this report in Exhibit 99.1 to this report, which is incorporated herein by reference.

Such information shall not be deemed to be “filed” with the SEC for the purposes of Section 18 of the Exchange or otherwise subject to the liabilities of that section, nor shall it be deemed to be incorporated by reference in any filing under the Securities Act or the Exchange Act, except as expressly set forth by specific reference in such filing. By filing this report and furnishing this information, the Company makes no admission as to the materiality of any information contained in Item 7.01 of this report, including any portion of Exhibit 99.1.

Item 8.01. Other Events.

On January 13, 2022, the Company issued a press release announcing its intention to offer, subject to market and other conditions, the Notes in the Offering. A copy of the press release is filed as Exhibit 99.2 hereto and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Excerpts from the Preliminary Offering Circular
99.2	Press release dated January 13, 2022
104	Cover Page Interactive Data File (Cover page XBRL tags are embedded within the Inline XBRL document)

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 hereunto duly authorized.

Virgin Galactic Holdings, Inc.

Date: January 13, 2022

By: /s/ Michelle Kley

Name: Michelle Kley

Title: Executive Vice President, General Counsel and Secretary

Except as otherwise indicated and unless the context otherwise requires, the terms “Virgin Galactic,” the “Company,” “we,” “our,” or “us” refer to Virgin Galactic Holdings, Inc. and its consolidated subsidiaries.

Cautionary Note Regarding Forward-Looking Statements

The following contains forward-looking statements. All statements other than statements of historical facts are forward-looking statements. Words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “forecast,” “future,” “intend,” “may,” “might,” “opportunity,” “plan,” “possible,” “potential,” “predict,” “project,” “should,” “strategy,” “strive,” “target,” “will,” or “would,” including their antonyms or other similar terms or expressions may identify forward-looking statements. The absence of these words does not mean that a statement is not forward-looking.

Forward-looking statements may include, for example, statements about:

- any delay in completing the flight test program and final development of our spaceflight system, which is comprised of our SpaceShipTwo Spaceship, VSS Unity, and our mothership carrier aircraft, VMS Eve;
- our ability to operate our spaceflight system after commercial launch;
- the impact of the COVID-19 pandemic on us, our operations, our future financial or operational results, and our access to additional financing;
- the safety of our spaceflight systems;
- our ability to convert our backlog or inbound inquiries into revenue;
- our ability to conduct test flights;
- our anticipated full passenger capacity; and
- delay in development or the manufacture of spaceflight systems.

We caution you that the foregoing list may not contain all of the forward-looking statements made below. For details concerning the material risks and uncertainties we face, see the heading “Risk Factors” contained herein, as well as Amendment No. 2 to our Annual Report on Form 10-K for the year ended December 31, 2020 and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2021. These forward-looking statements are based on information available as of the date of this report and current expectations, forecasts and assumptions, and involve a number of judgments, risks and uncertainties. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

As a result of a number of known and unknown risks and uncertainties, our actual results or performance may be materially different from those expressed or implied by these forward-looking statements. You should not place undue reliance on these forward-looking statements.

Overview

We are pioneering human spaceflight for private individuals and researchers, as well as a manufacturer of advanced air and space vehicles. Using our proprietary and reusable technologies and supported by a distinctive, Virgin-branded customer experience, we are developing a spaceflight system designed to offer customers, whom we refer to as "future astronauts," a unique, multi-day, transformative experience. This culminates in a spaceflight that includes views of Earth from space and several minutes of weightlessness that will launch from Spaceport America, New Mexico. We believe that one of the most exciting and significant opportunities of our time lies in the commercial exploration of space and the development of technology that will change the way we travel across the globe in the future. Together we are opening access to space to change the world for good.

Our primary mission is to launch the commercial program for human spaceflight. In December 2018, we made history by flying our groundbreaking spaceship, VSS Unity, to space. This represented the first flight of a spaceflight system built for commercial service to take humans into space. In February 2019, we flew our second spaceflight with VSS Unity, which carried a crew member in the cabin in addition to the two pilots. After relocating our operations to Spaceport America, we have flown an additional two spaceflights in May and July of 2021. The May flight carried revenue-generating research experiments as part of NASA's Flight Opportunities Program. This is the third time Virgin Galactic has flown technology experiments in the cabin on a spaceflight. This flight also completed the data submission to the Federal Aviation Administration ("FAA") resulting in the approval for the expansion of our commercial space transportation operator license to allow for the carriage of space flight participants. This marked the first time the FAA licensed a spaceline to fly customers and was further validation of the inherent safety of our system.

Our July flight was the 22nd flight of VSS Unity, the fourth rocket powered spaceflight and the first spaceflight with a full crew of four mission specialists in the cabin, including our Founder, Sir Richard Branson. We have since re-opened ticket sales and received over 60,000 flight inquiries. We expect to commence conducting private astronaut spaceflights in the fourth quarter of 2022.

We have developed an extensive set of integrated aerospace development capabilities encompassing preliminary vehicle design and analysis, detail design, manufacturing, ground testing, flight testing, and maintenance of our spaceflight system. Our spaceflight system consists of two primary components: our carrier aircraft, the mothership, and our spaceship.

The spaceship is a vehicle with the capacity to carry pilots and private astronauts, research experiments or researchers that travel with their experiments for human tended research flights, into space and return them safely to Earth. It is powered by a hybrid rocket propulsion system, which propels the spaceship on a trajectory into space. The hybrid rocket motor utilizes liquid oxidizer and solid fuel and is designed to be a simple, safe, reliable propulsion system for the spaceship. The spaceship's cabin has been designed to maximize the future astronaut's safety, experience and comfort. A dozen windows line the sides and ceiling of the spaceship, offering customers the ability to view the blackness of space as well as stunning views of the Earth below. Our mothership is a twin-fuselage, custom-built aircraft designed to carry the spaceship up to an altitude of approximately 45,000 feet where it is released for its flight into space. Using the mothership's air launch capability, rather than a standard ground-launch, reduces the energy requirements of our spaceflight system as the spaceship does not have to ascend through the higher density atmosphere closest to the Earth's surface as well as being a fully reusable spaceflight system.

Our team is currently in various stages of designing, testing and manufacturing additional spaceships and rocket motors in order to meet the expected demand for human spaceflight experiences. Our next generation spaceships will include the various learnings from our flight test program so we are able to design and manufacture our future

spaceships to allow for greater predictability, faster turnaround time and easier maintenance. Specifically, we have designed VSS Imagine, our second spaceship to operate on a two flights per month turnaround time, and our Delta Class spaceships are expected to operate on a turnaround time of one flight per week. Following the planned enhancements being made to VMS, we are expecting our mothership to fly up to 100 flights between major maintenance inspections, as opposed to ten flights currently. We expect to commence flight tests with VSS Imagine in the third quarter of 2022 in anticipation of conducting revenue-generating flights in 2023. With regards to fleet expansion, we are in the concept design phase for our Delta Class vehicles, and we are expecting to double our workforce to support our growth plans. Additionally, we are in advanced discussions with leading aerospace manufacturers for a strategic partnership for the production of our next gen mothership, and also in negotiations to lease a new assembly facility for our Delta class vehicle. As we continue to build out our fleet and facilities, our long term plan is to develop multiple new spaceports around the world, with the goal of operating eight to twelve spaceships and two to three motherships per spaceport, and conducting 400 flights per year per spaceport. Concurrently, we are also researching and developing new products and technologies to grow our company.

Our operations also include spaceflight opportunities for research and technology development. Prior to Virgin Galactic's offering, researchers have utilized parabolic aircraft and drop towers to create moments of microgravity and conduct significant research activities related to the space environment. In most cases, these solutions offer only seconds of continuous microgravity time and do not offer access to the upper atmosphere or space itself. Researchers can also conduct experiments on sounding rockets or satellites. These opportunities are expensive, infrequent and may impose highly limiting operational constraints. VSS Unity is intended to provide the scientific research community access to space for affordable and repeatable high-quality microgravity. Our suborbital platform is an end-to-end offering, which includes not only our vehicles, but also the hardware along with the processes and facilities needed for a successful campaign. The platform offers a routine, reliable and responsive service allowing for experiments to be repeated rapidly and frequently and with the opportunity to be tended in-flight by one or more researchers. This capability will enable scientific experiments as well as educational and research programs to be carried out by a broader range of individuals, organizations and institutions than ever before. Our commitment to advancing research and science has been present in all of our spaceflights to date. Most recently, in May, we carried payloads into space for research purposes as part of our contract with NASA under its Flight Opportunities Program, and our July flight included research payloads from the University of Florida.

We have also leveraged our knowledge and expertise in manufacturing spaceships to occasionally perform engineering services, such as research, design, development, manufacturing and integration of advanced technology systems.

Preliminary Financial Results as of December 31, 2021 and for the Three Months Ended December 31, 2021

Set forth below are certain preliminary financial expectations as of and for the three months ended December 31, 2021. These preliminary results represent our estimates, which are based only on currently available information and do not present all necessary information for an understanding of our financial condition as of December 31, 2021 or our cash flows or results of operations for the three months of the year ended December 31, 2021. This financial information has been prepared by and is the responsibility of our management. Our independent registered public accounting firm has not audited, reviewed or performed any procedures with respect to this preliminary financial data or the accounting treatment thereof and does not express an opinion or any other form of assurance with respect thereto. We expect to complete our audited financial statements for the year ended December 31, 2021 subsequent to the completion of this offering. While we are currently unaware of any items that would require us to make adjustments to the financial information set forth below, it is possible that we or our independent registered public accounting firm may identify such items as we complete our audited financial statements and any resulting changes could be material. Accordingly, undue reliance should not be placed on these preliminary estimates.

We estimate that:

- cash and cash equivalents, marketable securities and restricted cash was approximately \$933 million as of December 31, 2021;
- net cash used in operating activities for the three months ended December 31, 2021 was between \$62 million and \$67 million, compared to \$70.1 million for the three months ended December 31, 2020; and
- free cash flow for the three months ended December 31, 2021 was between (\$65 million) and (\$70 million), compared to (\$73.6 million) for the three months ended December 31, 2020.

Free cash flow for the three months ended December 31, 2021 was favorably impacted by labor efficiencies and the shift of non-critical path work from the quarter ended December 31, 2021 to early 2022.

Free cash flow is a financial measure that is not prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) that our management uses to assess our performance. We define free cash flow as net cash used in operating activities plus capital expenditures. Free cash flow is not a substitute for, or superior to, measures prepared in accordance with GAAP and should not be construed as an alternative to any liquidity measure derived in accordance with GAAP. The measure could differ substantially from similarly titled measures presented by other companies in our industry or companies in other industries.

A reconciliation of free cash flow to net cash used in operating activities for the three months ended December 31, 2021 and 2020 is set forth below:

	Three Months Ended	
	December 31, 2021	
	(estimated range)	December 31, 2020 (actual)
<i>(amounts in millions)</i>		
Net cash used in operating activities	(\$62) – (\$67)	(\$70.1)
Capital expenditures	(\$1) – (\$3)	(\$3.5)
Free cash flow	(\$65) – (\$70)	(\$73.6)

Virgin Galactic Holdings, Inc. Announces Proposed Convertible Senior Notes Offering

Las Cruces, N.M.—January 13, 2022—Virgin Galactic Holdings, Inc. (NYSE: SPCE) (“Virgin Galactic” or “the Company”) today announced its intention to offer, subject to market and other conditions, \$425 million aggregate principal amount of convertible senior notes due 2027 (the “notes”) in a private offering to persons reasonably believed to be qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”). Virgin Galactic also expects to grant the initial purchasers of the notes an option to purchase, for settlement within a period of 13 days from, and including, the date when the notes are first issued, up to an additional \$75 million principal amount of notes.

The notes will be senior, unsecured obligations of Virgin Galactic, will accrue interest payable semi-annually in arrears on February 1 and August 1 of each year, beginning on August 1, 2022. The notes will mature on February 1, 2027, unless earlier repurchased, redeemed or converted. Prior to November 1, 2026, noteholders will have the right to convert their notes only upon the occurrence of certain events. On and after November 1, 2026, noteholders will have the right to convert their notes at any time at their election until the close of business on the second scheduled trading day immediately before the maturity date. Virgin Galactic will settle conversions by paying or delivering, as applicable, cash, shares of its common stock or a combination of cash and shares of its common stock, par value \$0.0001 per share (the “common stock”), at its election, based on the conversion rate. The notes will be redeemable, in whole or in part (subject to certain limitations), for cash at Virgin Galactic’s option at any time, and from time to time, on or after February 6, 2025 and on or before the 20th scheduled trading day immediately before the maturity date, but only if the last reported sale price per share of Virgin Galactic’s common stock exceeds 130% of the conversion price for a specified period of time and certain liquidity conditions have been satisfied. The redemption price will be equal to the principal amount of the notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. The interest rate, initial conversion rate and other terms of the notes will be determined at the pricing of the offering.

If a “fundamental change” (as will be defined in the indenture for the notes) occurs, then, subject to a limited exception, noteholders may require Virgin Galactic to repurchase their notes for cash. The repurchase price will be equal to the principal amount of the notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the applicable repurchase date.

The Company intends to use the net proceeds from the offering to fund working capital, general and administrative matters and capital expenditures to accelerate the development of its spacecraft fleet in order to facilitate high-volume commercial service. Virgin Galactic also intends to use a portion of the net proceeds from the offering to fund the cost of entering into the capped call transactions described below. If the initial purchasers exercise their option to purchase additional notes, then Virgin Galactic intends to use a portion of the additional net proceeds to fund the cost of entering into additional capped call transactions as described below.

In connection with the pricing of the notes, Virgin Galactic expects to enter into privately negotiated capped call transactions with certain financial institutions, which may include one or more of the initial purchasers or their affiliates (the “option counterparties”). The capped call transactions are expected to cover, subject to customary anti-dilution adjustments, the number of shares of Virgin Galactic’s common stock that will initially underlie the notes. If the initial purchasers exercise their option to purchase additional notes, Virgin Galactic expects to enter into additional capped call transactions with the option counterparties.

The capped call transactions are expected generally to reduce the potential dilution to Virgin Galactic’s common stock upon any conversion of the notes and/or offset any potential cash payments Virgin Galactic is required to make in excess of the principal amount of converted notes, as the case may be, upon conversion of the notes, up to a cap price. If, however, the market price per share of Virgin Galactic’s common stock, as measured under the terms of the capped call transactions, exceeds the cap price of the capped call transactions, there would nevertheless be dilution and/or there would not be an offset of such potential cash payments, in each case, to the extent that such market price exceeds the cap price of the capped call transactions.

Virgin Galactic has been advised that, in connection with establishing their initial hedges of the capped call transactions, the option counterparties or their respective affiliates expect to enter into various derivative transactions with respect to Virgin Galactic’s common stock and/or purchase shares of Virgin Galactic’s common stock concurrently with or shortly after the pricing of the notes. This activity could increase (or reduce the size of any decrease in) the market price of Virgin Galactic’s common stock or the notes at that time.

In addition, the option counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to Virgin Galactic’s common stock and/or purchasing or selling Virgin Galactic’s common stock or other securities in secondary market transactions following the pricing of the notes and from time to time prior to the maturity of the notes (and are likely to do so following any conversion of the notes, any repurchase of the notes by Virgin Galactic on any fundamental change repurchase date, any redemption

date or any other date on which the notes are retired by Virgin Galactic, in each case, if Virgin Galactic exercises the relevant election to terminate the corresponding portion of the capped call transactions). This activity could also cause or avoid an increase or decrease in the market price of Virgin Galactic's common stock or the notes, which could affect the ability to convert the notes, and, to the extent the activity occurs during any observation period related to a conversion of notes, it could affect the number of shares of common stock, if any, and value of the consideration that noteholders will receive upon conversion of the notes.

The offer and sale of the notes and any shares of common stock issuable upon conversion of the notes have not been, and will not be, registered under the Securities Act or any other securities laws, and the notes and any such shares cannot be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable securities laws. This press release does not constitute an offer to sell, or the solicitation of an offer to buy, the notes or any shares of common stock issuable upon conversion of the notes, nor will there be any sale of the notes or any such shares, in any state or other jurisdiction in which such offer, sale or solicitation would be unlawful.

About Virgin Galactic

Virgin Galactic is an aerospace and space travel company, pioneering human spaceflight for private individuals and researchers with its advanced air and space vehicles. It is developing a spaceflight system designed to connect the world to the wonder and awe created by space travel and to offer customers a transformative experience.

Forward-Looking Statements

This press release includes forward-looking statements, including statements regarding the anticipated terms of the notes being offered, the completion, timing and size of the proposed offering, and the intended use of the proceeds and the anticipated terms of, and the effects of entering into, the capped call transactions described above. Forward-looking statements represent Virgin Galactic's current expectations regarding future events and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those implied by the forward-looking statements. Among those risks and uncertainties are market conditions, including market interest rates, the trading price and volatility of Virgin Galactic's common stock and risks relating to Virgin Galactic's business, including those described in periodic reports that Virgin Galactic files from time to time with the Securities and Exchange Commission. Virgin Galactic may not consummate the proposed offering described in this press release and, if the proposed offering is consummated, cannot provide any assurances regarding the final terms of the offering or the notes or its ability to effectively apply the net proceeds as described above. The forward-looking statements included in this press release speak only as of the date of this press release, and Virgin Galactic does not undertake to update the statements included in this press release for subsequent developments, except as may be required by law.

Contact Information

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