
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended July 31, 2025

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

For the transition period from _____ to _____

Commission File Number **0-1678**

BUTLER NATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

Kansas

41-0834293

(State or other jurisdiction of incorporation or organization)

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

One Aero Plaza, New Century, Kansas 66031

(Address of principal executive offices)

Registrant's telephone number, including area code: **(913) 780-9595**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	None	None

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

Common Stock \$.01 Par Value

(Title of Class)

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 twelve months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐

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

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

Large accelerated filer

☐

Accelerated filer

☐

Non-accelerated filer

☒

Smaller reporting company

☒

Emerging growth company

☐

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

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

On September 5, 2025, the Issuer's Common Stock, \$0.01 par value, shares outstanding were 64,854,736.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
BUTLER NATIONAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

As of July 31, 2025 and April 30, 2025
(in thousands except per share data)

	<u>July 31, 2025</u>	<u>April 30, 2025</u>
	(unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash	\$ 33,444	\$ 25,226
Accounts receivable, net	7,598	5,867
Inventory, net	10,525	10,924
Contract asset	1,405	2,993
Prepaid expenses and other current assets	1,566	1,771
Income tax receivable	-	531
Total current assets	<u>54,538</u>	<u>47,312</u>
LEASE RIGHT-TO-USE ASSET, net	3,317	3,367
PROPERTY, PLANT AND EQUIPMENT, net	59,764	60,256
SUPPLEMENTAL TYPE CERTIFICATES (net of accumulated amortization of \$12,461 at July 31, 2025 and \$12,145 at April 30, 2025)	9,528	9,237
OTHER ASSETS:		
Other assets (net of accumulated amortization of \$12,615 at July 31, 2025 and \$12,461 at April 30, 2025)	1,060	1,050
Deferred tax asset, net	<u>2,076</u>	<u>2,076</u>
Total other assets	<u>3,136</u>	<u>3,126</u>
Total assets	<u><u>\$ 130,283</u></u>	<u><u>\$ 123,298</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 17,419	\$ 8,623
Current maturities of long-term debt	5,346	5,287
Current maturities of lease liability	123	121
Contract liability	4,872	5,530
Gaming facility mandated payment	1,559	1,688
Compensation and compensated absences	2,931	2,663
Income taxes payable	100	-
Other current liabilities	<u>291</u>	<u>502</u>

Total current liabilities	32,641	24,414
LONG-TERM LIABILITIES		
Long-term debt, net of current maturities	28,512	29,870
Lease liability, net of current maturities	3,887	3,900
Total long-term liabilities	32,399	33,770
Total liabilities	65,040	58,184
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, par value \$5: Authorized 50,000,000 shares, all classes; Designated Classes A and B 200,000 shares; no shares issued and outstanding	-	-
Common stock, par value \$.01: Authorized 100,000,000 shares, issued 79,866,584 shares, and outstanding 64,854,736 shares at July 31, 2025 and issued 79,772,345 shares, and outstanding 67,180,527 shares at April 30, 2025	799	798
Capital contributed in excess of par	14,343	14,247
Treasury stock at cost, 15,011,848 shares at July 31, 2025 and 12,591,818 shares at April 30, 2025	(13,111)	(9,458)
Retained earnings	63,212	59,527
Total stockholders' equity	65,243	65,114
Total liabilities and stockholders' equity	\$ 130,283	\$ 123,298

See accompanying notes to condensed consolidated financial statements (unaudited)

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED JULY 31, 2025 AND 2024
(in thousands, except per share data)
(unaudited)

	THREE MONTHS ENDED	
	July 31,	
	2025	2024
REVENUE:		
Professional Services	\$ 8,811	\$ 9,236
Aerospace Products	11,314	10,592
Total revenues	20,125	19,828
COSTS AND EXPENSES:		
Cost of Professional Services	3,912	3,892
Cost of Aerospace Products	6,591	7,474
Marketing and advertising	921	914
General, administrative and other	4,034	4,012
Total costs and expenses	15,458	16,292
OPERATING INCOME	4,667	3,536
OTHER INCOME (EXPENSE):		
Interest expense	(523)	(565)
Interest income	171	106
Total other income	(352)	(459)
INCOME BEFORE INCOME TAXES	4,315	3,077
PROVISION FOR INCOME TAXES:		
Provision for income taxes	630	831
NET INCOME	\$ 3,685	\$ 2,246
BASIC EARNINGS PER COMMON SHARE	\$ 0.06	\$ 0.03
WEIGHTED AVERAGE SHARES USED IN PER SHARE CALCULATION	66,922,924	68,738,247

DILUTED EARNINGS PER COMMON SHARE	\$ 0.06	\$ 0.03
WEIGHTED AVERAGE SHARES USED IN PER SHARE CALCULATION	66,922,924	68,738,247

See accompanying notes to condensed consolidated financial statements (unaudited)

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED JULY 31, 2025 AND 2024
(dollars in thousands) (unaudited)

	Shares of Common Stock	Common Stock	Capital Contributed in Excess of Par	Shares of Treasury Stock	Treasury Stock at Cost	Retained Earnings	Total Stock- holders' Equity
Balance, April 30, 2024	79,646,211	\$ 796	\$ 13,866	10,875,355	\$ (7,197)	\$ 46,976	\$ 54,441
Stock repurchase	-	-	-	500,000	(464)	-	(464)
Deferred compensation, restricted stock	-	-	69	-	-	-	69
Net Income	-	-	-	-	-	2,246	2,246
Balance, July 31, 2024	79,646,211	\$ 796	\$ 13,935	11,375,355	\$ (7,661)	\$ 49,222	\$ 56,292
	Shares of Common Stock	Common Stock	Capital Contributed in Excess of Par	Shares of Treasury Stock	Treasury Stock at Cost	Retained Earnings	Total Stock- holders' Equity
Balance, April 30, 2025	79,772,345	\$ 798	\$ 14,247	12,591,818	\$ (9,458)	\$ 59,527	\$ 65,114
Stock repurchase	-	-	-	2,414,250	(3,653)	-	(3,653)
Restricted stock forfeited	-	-	10	5,780	-	-	10
Stock awarded to directors	42,515	1	62	-	-	-	63
Deferred compensation, restricted stock	51,724	-	24	-	-	-	24
Net Income	-	-	-	-	-	3,685	3,685
Balance, July 31, 2025	79,866,584	\$ 799	\$ 14,343	15,011,848	\$ (13,111)	\$ 63,212	\$ 65,243

See accompanying notes to condensed consolidated financial statements (unaudited)

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JULY 31, 2025 AND 2024
(in thousands)
(unaudited)

	THREE MONTHS ENDED	
	July 31,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 3,685	\$ 2,246
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,703	1,596
Stock awarded to directors	63	-
Deferred compensation, restricted stock	34	69
Changes in operating assets and liabilities:		
Accounts receivable	(1,731)	(1,550)
Inventory	399	(107)
Contract assets	1,588	1,436
Prepaid expenses and other assets	205	(154)
Accounts payable	8,796	(446)
Contract liability	(658)	2,116
Lease liability	56	50
Accrued liabilities	268	11
Gaming facility mandated payment	(129)	(365)
Income tax payable	631	(2,077)
Other liabilities	(211)	127
Net cash provided by operating activities	14,699	2,952
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(1,438)	(1,182)
Net cash used in investing activities	(1,438)	(1,182)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term debt	(1,323)	(1,199)
Repayments on right-to-use lease liability	(67)	(66)
Repurchase of common stock	(3,653)	(464)
Net cash used in financing activities	(5,043)	(1,729)

NET INCREASE IN CASH	8,218	41
CASH, beginning of period	25,226	17,792
CASH, end of period	\$ 33,444	\$ 17,833
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	\$ 522	\$ 568
Income taxes paid	\$ -	\$ 2,908
NON CASH INVESTING AND FINANCING ACTIVITY:		
Lease right-of-use assets purchased	\$ -	\$ 672
Lease liability for purchase of assets under lease	\$ -	\$ 672

See accompanying notes to condensed consolidated financial statements (unaudited)

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data)
(unaudited)

1. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 8 of Regulation S-X and do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. Therefore, these financial statements should be read in conjunction with the annual report on Form 10-K for the fiscal year ended April 30, 2025. In our opinion, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been included. Operating results for the three months ended July 31, 2025 are not indicative of the results of operations that may be expected for the fiscal year ending April 30, 2026.

Certain reclassifications within the condensed financial statement captions have been made to maintain consistency in presentation between years. These reclassifications have no impact on the reported results of operations. Financial amounts are in thousands of dollars except per share amounts.

2. Net Income Per Share: Butler National Corporation (the “Company”) follows ASC 260 that requires the reporting of both basic and diluted earnings per share. Basic earnings per share is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. In accordance with ASC 260, any anti-dilutive effects on net earnings per share would be excluded.

3. Cash and Cash Equivalents: Cash and cash equivalents consist primarily of cash and investments in a money market fund. We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. We maintain cash in bank deposit accounts that, at times, may exceed federally insured limits. At July 31, 2025 and April 30, 2025, we had \$3,355 and \$2,514, respectively in bank deposits that exceeded the federally insured limits.

4. Revenue Recognition: ASC Topic 606, *Revenue from Contracts with Customers*

Under ASC 606, revenue is recognized when a customer obtains control of promised services in an amount that reflects the consideration we expect to receive in exchange for those services. To achieve this core principle, the Company applies the following five steps:

1) Identify the contract, or contracts, with a customer

A contract with a customer exists when (i) the Company enters into an enforceable contract with a customer that defines each party’s rights regarding the services to be transferred and identifies the payment terms related to these services, (ii) the contract has commercial substance and (iii) the Company determines that collection of substantially all consideration for services that are transferred is probable based on the customer’s intent and ability to pay the promised consideration.

2) Identification of the performance obligations in the contract

At contract inception, an entity shall assess the goods or services promised in a contract with a customer and shall identify as a performance obligation each promise to transfer to the customer. Performance obligations promised in a contract are identified based on the services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the service either on its own or together with other resources that are readily available from third parties or from the Company, and are distinct in the context of the contract, whereby the transfer of the services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised services, the Company must apply judgment to determine whether promised services are capable of being distinct and distinct in the

context of the contract. If these criteria are not met the promised services are accounted for as a combined performance obligation.

3) Determination of the transaction price

The transaction price is the amount that an entity allocates to the performance obligations identified in the contract and, therefore, represents the amount of revenue recognized as those performance obligations are satisfied. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer.

4) Allocation of the transaction price to the performance obligations in the contract

Once a contract and associated performance obligations have been identified and the transaction price has been determined, ASC 606 requires an entity to allocate the transaction price to each performance obligation identified. This is generally done in proportion to the standalone selling prices of each performance obligation (i.e., on a relative standalone selling price basis). As a result, any discount within the contract generally is allocated proportionally to all the separate performance obligations in the contract. The Company is applying the right to invoice practical expedient to recognize revenue. As a result, the entity bypasses the steps of determining the transaction price, allocating that transaction price and determining when to recognize revenue as it will recognize revenue as billed by multiplying the price assigned to the good or service, by the units.

5) Recognition of revenue when, or as, we satisfy a performance obligation

Revenue is recognized when or as performance obligations are satisfied by transferring control of a promised good or service to a customer. Control transfers either over time or at a point in time. Revenue is recognized when control of the promised services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services.

Aircraft modifications are performed under fixed-price contracts unless modified with a change order. Significant payment terms are generally included in these contracts, requiring a 25% to 50% down payment on arrival of the aircraft and include milestone payments throughout the project. Typically, contracts are less than one year in duration. Revenue from fixed-priced contracts is recognized on the percentage-of-completion method, measured by the direct labor incurred compared to total estimated direct labor. Direct labor best represents the progress on a contract as it directly correlates to the overall progress on the work to be performed.

Revenue from Aircraft Avionics and Special Mission Electronics are recognized when shipped. Payment for these Avionics products is due within 30 days of the invoice date after shipment.

Regarding warranties and returns, our products are special order and are not suitable for return. Our products are unique upon installation and tested prior to their release to the customer and acceptance by the customer. In the rare event of a warranty claim, the claim is processed through the normal course of business and may include additional charges to the customer. In our opinion, any future warranty work would not be material to the consolidated financial statements.

Gaming revenue is the gross gaming win as reported by the Kansas Lottery casino reporting systems, less the mandated payments by and for the State of Kansas. Electronic games-slots and table games revenue is the aggregate of gaming wins and losses. Liabilities are recognized for chips and "ticket-in, ticket-out" coupons in the customers' possession, and for accruals related to anticipated payout of progressive jackpots. Progressive gaming machines, which contain base jackpots that increase at a progressive rate based on the number of coins played, are deducted from revenue as the value of jackpots increase. Effective September 1, 2022, sports wagering became legal in the State of Kansas. The Company is currently managing sports wagering through DraftKings sports wagering platform. The Company shares a percentage of the gross sports wagering win with its platform partner. Cash collections owed to DraftKings are recorded in accounts payable within our consolidated balance sheets and totaled \$16.0 million and \$6.7 million as of July 31, 2025 and April 30, 2025, respectively. Revenue from Gaming Management and other Corporate/Professional Services is recognized as the service is rendered. Food, beverage, and other revenue is recorded when the service is received and paid.

5. Disaggregation of Revenue

In the following table, revenue is disaggregated by primary geographical market, major product line, and timing of revenue recognition.

	Three Months Ended July 31, 2025			Three Months Ended July 31, 2024		
	Professional Services	Aerospace Products	Total	Professional Services	Aerospace Products	Total
Geographical Markets						
North America	\$ 8,811	\$ 8,233	\$ 17,044	\$ 9,236	\$ 6,367	\$ 15,603
Europe	-	1,256	1,256	-	3,535	3,535
Asia	-	1,742	1,742	-	455	455
Australia and Other	-	83	83	-	235	235
	<u>\$ 8,811</u>	<u>\$ 11,314</u>	<u>\$ 20,125</u>	<u>\$ 9,236</u>	<u>\$ 10,592</u>	<u>\$ 19,828</u>
Major Product Lines						
Casino Gaming Revenue	\$ 6,483	\$ -	\$ 6,483	\$ 7,081	\$ -	\$ 7,081
Sports Wagering Revenue	1,287	-	1,287	1,007	-	1,007
Casino Non-Gaming Revenue	1,041	-	1,041	1,148	-	1,148
Professional Services	-	-	-	-	-	-
Aircraft Modification	-	5,642	5,642	-	7,106	7,106
Aircraft Avionics	-	1,437	1,437	-	461	461
Special Mission Electronics	-	4,235	4,235	-	3,025	3,025
	<u>\$ 8,811</u>	<u>\$ 11,314</u>	<u>\$ 20,125</u>	<u>\$ 9,236</u>	<u>\$ 10,592</u>	<u>\$ 19,828</u>
Contract Types / Revenue Recognition Timing						
Percentage of completion contracts	\$ -	\$ 5,080	\$ 5,080	\$ -	\$ 6,080	\$ 6,080
Goods or services transferred at a point of sale	8,811	6,234	15,045	9,236	4,512	13,748
	<u>\$ 8,811</u>	<u>\$ 11,314</u>	<u>\$ 20,125</u>	<u>\$ 9,236</u>	<u>\$ 10,592</u>	<u>\$ 19,828</u>

6. Accounts receivable, net, contract asset and contract liability

Accounts Receivables, net, contract asset and contract liability were as follows (in thousands):

	July 31, 2025	April 30, 2025
Accounts Receivable, net	\$ 7,598	\$ 5,867
Contract Asset	1,405	2,993
Contract Liability	4,872	5,530

Accounts receivable, net consist of \$7,598 and \$5,867 from customers as of July 31, 2025 and April 30, 2025, respectively. At July 31, 2025 and April 30, 2025, the allowance for doubtful accounts were \$80 and \$83, respectively

Contract assets are net of progress payments and performance based payments from our customers totaling \$1,405 and \$2,993 as of July 31, 2025 and April 30, 2025, respectively. Contract assets decreased \$1,588 during the three months ended July 31, 2025, primarily due to the recognition of revenue related to the satisfaction or partial satisfaction of performance obligations during the three months ended July 31, 2025. There were no significant impairment losses related to our contract assets during the three months ended July 31, 2025. We expect to bill our customers for the majority of the July 31, 2025 contract assets during fiscal year 2026.

Contract liabilities decreased \$658 during the three months ended July 31, 2025, primarily due to the revenue recognized on these performance obligations being more than the payments received.

7. Inventory

Inventories are priced at the lower of cost, determined on a first-in, first-out basis, or net realizable value. Inventories include material, labor and factory overhead required in the production of our products.

Inventory obsolescence is examined on a regular basis. When determining our estimate of obsolescence, we consider inventory that has been inactive for five years or longer and the probability of using that inventory in future production. The obsolete inventory generally consists of Learjet parts and electrical components.

Inventory is comprised of the following, net of the estimate for obsolete inventory of \$558 at July 31, 2025 and \$558 at April 30, 2025.

	July 31, 2025	April 30, 2025
Parts and raw material	\$ 5,897	\$ 6,238
Work in process	4,553	4,610
Finished goods	75	76
Total Inventory, net of allowance	<u>\$ 10,525</u>	<u>\$ 10,924</u>

8. Property, Plant and Equipment

Property, plant and equipment is comprised of the following:

	July 31, 2025	April 30, 2025
Land	\$ 3,447	\$ 3,447
Building and improvements	49,753	49,753
Aircraft	8,122	8,122
Machinery and equipment	6,667	6,356
Office furniture and fixtures	15,954	15,599
Leasehold improvements	4,032	4,032
	<u>87,975</u>	<u>87,309</u>
Accumulated depreciation	(28,211)	(27,053)
Total property, plant and equipment	<u>\$ 59,764</u>	<u>\$ 60,256</u>

Property and Related Depreciation: Machinery and equipment are recorded at cost and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis. Depreciation expense was \$1,208 for the three months ended July 31, 2025 and \$1,075 for the three months ended July 31, 2024. Depreciation expense is included in cost of sales and general and administrative costs.

Description	Estimated useful life
Building and improvements	39 years or the shorter of the estimated useful life of the asset or the underlying lease term
Aircraft	5 years
Machinery and equipment	5 years
Office furniture and fixtures	5 years
Leasehold improvements	Shorter of the estimated useful life of the asset or the underlying lease term

Maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of assets retired are removed from the accounts and any resulting gains or losses are reflected as income or expense.

9. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Future events and their effects cannot be determined with certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results could differ from those estimates, and any such differences may be material to our financial statements.

10. Research and Development:

We invested in research and development activities. The amount invested in the three months ended July 31, 2025 and 2024 was \$262 and \$220, respectively.

11. Debt:

At July 31, 2025, the Company has a line of credit with Kansas State Bank in the form of a promissory note with an interest rate of 8.4% totaling \$2.0 million. The unused line at July 31, 2025 is \$2.0 million. There were no advances or payments made on the line of credit during the quarter ended July 31, 2025. The line of credit is due on demand and is secured by a first and second position on all assets of the Company.

On November 25, 2024, the Company entered into a note agreement with Simmons Bank for \$2.0 million with an interest rate of 7.19% payable over five years. At July 31, 2025, the loan balance of \$1.86 million is secured by a single aircraft with a net book value of \$2.38 million.

The first note with Academy Bank, N.A. for \$27.0 million secured by all of BHCMC's assets and compensation under the State management contract with an interest rate of 5.25% payable over seven years with an initial twenty-year amortization and a balloon payment of \$19.25 million in December 2027. The second note with Academy Bank, N.A. for \$3.9 million is secured by all of BHCMC's assets and compensation under the State management contract with an interest rate of 5.75% payable in full over five years. These notes contain a covenant to maintain a debt service coverage ratio of 1.3 to 1.0. These notes also contain a liquidity covenant requiring the Company to maintain an aggregate sum of \$1.5 million of unrestricted cash.

At July 31, 2025, there is a note payable with Bank of America, N.A. with a balance of \$587. The interest rate on this note is at SOFR plus 1.75%. The loan is secured by buildings and improvements having a net book value of \$611. This note matures in March 2029.

At July 31, 2025, there is a note payable with Patriots Bank with an interest rate of 4.35% totaling \$678. This loan is secured by aircraft security agreements with a net book value of \$414. This note matures in March 2029.

At July 31, 2025, there is a note payable with an interest rate of 8.13% totaling \$21 secured by equipment with a net book value of \$18. This note matures in October 2025.

The Company is compliant with the covenants and obligations of each of our notes as of July 31, 2025, and September 11, 2025.

12. Other Assets:

The other asset account includes assets of \$5.5 million related to the Kansas Expanded Lottery Act Management Contract privilege fee, \$8.0 million of gaming equipment we were required to pay for ownership by the State of Kansas Lottery and miscellaneous other assets of \$127. BHCMC expects the \$5.5 million privilege fee to have a value over the remaining life of the Management Contract with the State of Kansas. The State of Kansas approved the renewal management contract for our Professional Services company BNSC assumed by BHCMC. The renewal took effect December 15, 2024, and will continue another 15 years to 2039. Gaming equipment includes a Managers Certificate asset which is amortized over a period of three years based on the estimated useful life of gaming equipment.

13. Stock Options and Incentive Plans:

In November 2016, the shareholders approved and adopted the Butler National Corporation 2016 Equity Incentive Plan. The maximum number of shares of common stock that may be issued under the Plan is 12.5 million.

On April 12, 2019, the Company granted 2.5 million restricted shares to employees. In April 2024, 1.65 million of those shares became fully vested and non-forfeitable. The remaining \$850 shares were forfeited. On March 17, 2020, the Company granted 5.0 million restricted shares to employees. These shares have voting rights at date of grant and fully vested on March 16, 2025. The restricted shares were valued at \$0.41 per share, for a total of \$2.0 million. The deferred compensation related to these grants was expensed on the financial statements over the five-year vesting period.

In January 2025, the Company granted 86,704 shares under the plan. The first installment of these shares vested immediately, the second installment vests on the one-year anniversary and the final installment vests on the two-year anniversary. These shares were valued at \$1.73 per share for a total of \$150. The deferred compensation related to these grants will be expensed on the financial statements over the remaining two-year vesting period.

In March 2025, the Company granted five board members a total of 39,430 shares under the plan. These shares were fully vested and non-forfeitable on the date of the grant. These shares were valued at \$1.59 for a total of \$63. The compensation related to this grant was expensed in the year ended April 30, 2025.

In May 2025, the Company granted 51,724 shares under the plan. The first installment of these shares vests on the one-year anniversary, the second installment vests on the two-year anniversary and the final installment vests on the three-year anniversary. These shares were valued at \$1.45 per share for a total of \$75. The deferred compensation related to these grants will be expensed on the financial statements over the remaining two-year vesting period.

In July 2025, the Company granted five board members a total of 42,515 shares under the plan. These shares were fully vested and non-forfeitable on the date of the grant. These shares were valued at \$1.47 for a total of \$63. The compensation related to this grant was expensed in the quarter ended July 31, 2025.

During the quarter ended July 31, 2025, 5,780 shares were forfeited. During the quarter ended July 31, 2024, no shares were forfeited. For the three months ended July 31, 2025 the Company expensed \$42 and received a benefit from the forfeiture of shares of \$8, for a net expense of \$34. For the three months ended July 31, 2024, the Company expensed \$69.

	Number of Shares	Weighted Average Grant Date Fair Value
Total shares issued	8,420,373	\$ 0.46
Forfeited, in prior periods	(2,500,000)	\$ 0.40
Forfeited, during the year ended April 30, 2025	-	\$ -
Forfeited, during the three months ended July 31, 2025	(5,780)	\$ 1.73
Total	5,914,593	\$ 0.49
Vested shares	5,810,846	\$ 0.47
Non-vested shares	103,747	\$ 1.59

14. Stock Repurchase Program:

In December 2016, the Board of Directors approved a common stock repurchase program. The program was established for the purpose of enabling Butler National Corporation (BNC) to flexibly repurchase its own shares in consideration of factors such as opportunities for strategic investment, BNC's financial condition and the price of its common stock as part of improving capital efficiency. In July 2023, the Board of Directors approved an increase in the size of the Company's common stock repurchase program from \$4 million to \$9 million. In October 2024, the Board of Directors approved an increase in the size of the Company's common stock repurchase program from \$9 million to \$11 million. In June 2025, the Board of Directors approved an increase in the size of the Company's common stock repurchase program from \$11 million to \$15 million. Subsequent to the quarter ended July 31, 2025, in August 2025, the Board of Directors approved the closure of the 2016 Stock Repurchase Program and established a new \$5 million 2025 Stock Repurchase Program that is authorized through April 2027.

Prior to its closure in August 2025, the total remaining authorization for future common stock repurchases under the 2016 Stock Repurchase Program share repurchase program was \$2.6 million as of July 31, 2025.

The table below provides information with respect to common stock purchases by the Company through July 31, 2025.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
Shares purchased in prior periods	10,275,355	\$ 0.63	10,275,355	\$ 2,536
Quarter ended July 31, 2024 (a)	500,000	\$ 0.93	500,000	\$ 2,071
Quarter ended October 31, 2024 (a)	683,760	\$ 1.31	683,760	\$ 1,172
Increase in program authorization in October 2024	-	-	-	\$ 3,172
Quarter ended January 31, 2025 (a)	71,404	\$ 1.86	71,404	\$ 3,039
Quarter ended April 31, 2025 (a)	461,299	\$ 1.66	461,299	\$ 2,274
Increase in program authorization in June 2025	-	-	-	\$ 6,274
Quarter ended July 31, 2025 (a)	2,414,250	\$ 1.51	2,414,250	\$ 2,631
Total	14,406,068	\$ 0.86	14,406,068	

(a) These shares of common stock were purchased through a private transaction

15. Lease Right-to-Use:

We lease hangars and office space with initial lease terms of two, five, and fifty years.

	July 31, 2025
Lease right-to-use assets	\$ 3,829
Less accumulated depreciation	512
Total	\$ 3,317

Future minimum lease payments for assets under finance leases at July 31, 2025 are as follows:

2026	\$ 274
2027	279
2028	284
2029	275
2030	126
Thereafter	12,548
Total minimum lease payments	13,786
Less amount representing interest	9,776
Present value of net minimum lease payments	4,010
Less current maturities of lease liability	123
Lease liability, net of current maturities	\$ 3,887

Finance lease costs at July 31, 2025 and July 31, 2024 are as follows:

	July 31, 2025	July 31, 2024
Finance lease cost:		
Amortization of right-of-use assets	\$ 50	\$ 48
Interest on lease liabilities	56	50
Total finance lease cost	<u>\$ 106</u>	<u>\$ 98</u>
	July 31, 2025	July 31, 2024
Weighted average remaining lease term - Financing leases (in years)	38	38
Weighted average discount rate - Financing leases	5.9%	5.9%

16. Segment Reporting and Sales by Major Customer:

Industry Segmentation

Current Activities - The Company focuses on two primary activities, Professional Services and Aerospace Products.

Aerospace Products:

Aircraft Modifications principally includes the modification of customer owned business-size aircraft with capabilities to perform special missions including provisions for radar systems, aerial photography, search and rescue, environmental research, mapping, intelligence surveillance reconnaissance (ISR), and stability enhancing modifications for Learjet, Textron Beechcraft, and Textron Cessna aircraft along with other specialized modifications. We provide these services through our subsidiary, Avcon Industries, Inc. (“Aircraft Modifications” or “Avcon”). Avcon activities include the high quality precision manufacturing of machine parts at Butler Machine, LLC (doing business as “KC Machine”).

Special mission electronics principally includes the manufacture, sale, and service of electronics and accessories for control systems used on commercial and government aircraft and vehicles. We provide the products through our subsidiary, Butler National Corporation - Tempe, Arizona.

Butler Avionics sells, installs and troubleshoots aircraft avionics equipment (airplane radio equipment and flight control systems). This includes flight display systems that feature intuitive touchscreen controls with large display to give users unprecedented access to high-resolution terrain mapping, graphical flight planning, geo-referenced charting, traffic display, satellite weather and much more. Butler Avionics is also recognized for its troubleshooting. Butler Avionics also supports Avcon with the integration and installation of special mission electronics systems.

Professional Services:

Butler National Service Corporation (“BNSC”) and its wholly owned subsidiary BHCMC, LLC provide management services to the Boot Hill Casino, a “state-owned casino”.

Three Months Ended July 31, 2025	Gaming	Aircraft Modification	Aircraft Avionics	Special Mission Electronics	Other	Total
Revenues from customers	\$ 8,811	\$ 5,642	\$ 1,437	\$ 4,235	\$ -	\$ 20,125
Interest expense	415	98	-	10	-	523
Depreciation and amortization	774	877	7	30	15	1,703
Operating income (loss)	1,782	714	498	1,957	(284)	4,667

Three Months Ended July 31, 2024	Gaming	Aircraft Modification	Aircraft Avionics	Special Mission Electronics	Other	Total
Revenues from customers	\$ 9,236	\$ 7,106	\$ 461	\$ 3,025	\$ -	\$ 19,828
Interest expense	491	59	-	14	1	565
Depreciation and amortization	792	744	6	34	20	1,596
Operating income (loss)	2,754	555	(55)	1,384	(1,102)	3,536

Our Chief Operating Decision Maker (CODM) uses the information above to evaluate performance by operating segment and does not evaluate operating segments using asset or liability information.

Major Customers: Revenue from major customers (10 percent or more of consolidated revenue) were as follows:

	July 31, 2025		July 31, 2024	
	Number of Customers	% of Consolidated Revenue	Number of Customers	% of Consolidated Revenue
Aerospace Products	1	21.0%	1	15.2%
Professional Services	-	-	-	-

In the three months ended July 31, 2025 the Company derived 38.9% of total revenue from five Aerospace customers. The top customer provided 21.0% of total revenue while the next top four customers ranged from 1.4% to 6.2%. At July 31, 2025, we had one customer that accounted for 25.3% of our accounts receivable.

17. Subsequent Events:

The Company evaluated its July 31, 2025 financial statements for subsequent events through the filing date of this report. The Company is not aware of any subsequent events that would require recognition or disclosure in the consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THROUGHOUT THIS ITEM 2 ALL NON TABULAR FINANCIAL RESULTS ARE PRESENTED IN THOUSANDS OF U.S. DOLLARS EXCEPT WHERE MILLIONS OF DOLLARS IS INDICATED.

Forward-Looking Statements

Statements made in this report, other reports and proxy statements filed with the Securities and Exchange Commission, communications to stockholders, press releases, and oral statements made by representatives of the Company that are not historical in nature, or that state the Company or management intentions, plans, beliefs, expectations or predictions of the future, may constitute “forward-looking statements” within the meaning of Section 21E of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements can often be identified by the use of forward-looking terminology, such as “could,” “should,” “will,” “intended,” “continue,” “believe,” “may,” “expect,” “anticipate,” “goal,” “forecast,” “plan,” “guidance” or “estimate” or the negative of these words, variations thereof or similar expressions. Forward-looking statements are not guarantees of future performance or results. They involve risks, uncertainties, and assumptions. It is important to note that any such performance and actual results, financial condition or business, could differ materially from those expressed in such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in Item 1A (Risk Factors) of the Annual Report on Form 10-K for the fiscal year ended April 30, 2025, and elsewhere herein or in other reports filed with the SEC. Other unforeseen factors not identified herein could also have such an effect. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in future operating results, financial condition or business over time, except as expressly required by federal securities laws.

Actual events or results may differ materially from the information included in forward-looking statements. In evaluating such statements, a number of risks, uncertainties and other factors could cause actual results, performance, financial condition, cash flows, prospects and opportunities to differ materially from those expressed in, or implied by, the forward-looking statements. These risks, uncertainties and other factors include those set forth in Item 1A (Risk Factors) of the Annual Report on Form 10-K for the fiscal year ended April 30, 2025, including the following factors:

- customer concentration risk;
- dependence on government spending;
- industry specific business cycles;
- regulatory hurdles in the launch of new products;
- loss of key personnel;
- the geographic location of our casino;
- fixed-price contracts;
- international sales;
- changing U.S. trade policy and impacts of tariffs
- future acquisitions;
- supply chain and labor issues;
- customer demand;
- insurance costs and insufficient insurance for aircraft modifications;
- cyber security threats;
- fraud, theft and cheating at our casino;
- dependence on third-party platforms to offer sports wagering;
- outside factors influence the profitability of sports wagering and legacy gaming;
- change of control restrictions;
- significant and expensive governmental regulation across our industries;
- failure by the corporation or its stockholders to maintain applicable gaming licenses;
- evolving political and legislative initiatives in gaming;
- extensive and increasing taxation of gaming revenues;
- changes in regulations of financial reporting;
- the stability of economic markets;
- potential impairment losses;
- marketability restrictions of our common stock;
- the possibility of a reverse-stock split;
- market competition by larger competitors;

- acts of terrorism and war;
- climate change, inclement weather and natural disasters; and
- rising inflation

Except as expressly required by the federal securities laws, the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this report. Results of operations in any past period should not be considered indicative of the results to be expected for future periods. Fluctuations in operating results may also result in fluctuations in the price of the Company's common stock.

Investors should also be aware that while the Company, from time to time, communicates with securities analysts; Company policy is to not disclose any material non-public information or other confidential commercial information. Accordingly, shareholders should not assume that the Company agrees with any statement or report issued by any analyst irrespective of the content of the statement or report. Furthermore, the Company has a policy against issuing or confirming financial forecasts or projections issued by others. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not the responsibility of Butler National Corporation.

General

Butler National Corporation (“Butler National” the “Company”, “we”, “us”, or “our”) was incorporated in 1960. Our companies design, engineer, manufacture, sell, integrate, install, repair, modify, overhaul, service and distribute a broad portfolio of aerostructures, aircraft components, avionics, accessories, subassemblies and systems (“Aerospace Products”). We serve a broad, worldwide spectrum of the aviation industry, including owners of aircraft and contractors involved with private, commercial, business, and government aircraft operations. We also serve commercial weapon manufacturers and suppliers to governments and their agencies.

In addition, our companies provide management services in the gaming industry, which includes owning the land and building for the Boot Hill Casino and Resort in Dodge City, Kansas (“Professional Services”).

Products and Services

The Company has two operating segments for financial reporting purposes: (a) Aerospace Products, whose companies' revenues are derived from system design, engineering, manufacturing, sale, distribution, integration, installation, repairing, modifying, overhauling and servicing of aerostructures, avionics, aircraft components, accessories, subassemblies and systems; and (b) Professional Services, whose companies provide professional management services in the traditional gaming industry and in sports wagering.

Aerospace Products. The Aerospace Products segment includes the design, manufacture, sale and service of structural modifications, design, integration and installation of electronic equipment, systems and technologies that enhance aircraft operations, and the design, manufacture and sale of commercial controls, cabling and defense related articles. Additionally, we operate Federal Aviation Administration (the “FAA”) Repair Stations. Companies in Aerospace Products concentrate on products and services for Learjet, Textron Beechcraft King Air, and Textron Cessna turboprop aircraft.

Products. The aviation-related products that the companies within this group design, engineer, manufacture, integrate, install, repair and/or service include:

- Aerial surveillance products
- Aerodynamic enhancement products
- Airplane range extension products
- Avcon stability enhancing fins
- Airplane nose extension products
- Cargo/sensor carrying pods and radomes
- Fuel system protection devices
- Navigation / flight display installations
- Crew work stations
- Electrical power systems and switching equipment
- Enlarged aircraft doors
- Powered airplane sensor lifts
- Provisions to allow carrying of external stores
- Specialized cabling and harnesses

Modifications. The companies in Aerospace Products have authority, pursuant to Federal Aviation Administration Supplemental Type Certificates (“STCs”) and Parts Manufacturer Approval (“PMA”), to build required parts and subassemblies and to make applicable installations. Companies in Aerospace Products perform modifications in the aviation industry including:

- Aerial photograph capabilities
- Aerodynamic improvements
- Avionics systems
- Cargo or expanded-sized doors
- Search and rescue
- Airborne research capability
- Extended range fuel tanks
- Radar systems
- ISR – Intelligence Surveillance Reconnaissance
- Special mission modifications
- Target towing capabilities
- Traffic collision avoidance systems

Special Mission Electronics. We supply defense-related, commercial off-the-shelf products to various commercial entities and government agencies and subcontractors in order to update or extend the useful life of systems. These products include:

- Cabling
- Electronic control systems
- Gun Control Units for Apache and Blackhawk helicopters
- HangFire Override Modules
- Test equipment
- Gun Control Units for land and sea based military vehicles

Professional Services. The Professional Services segment includes the management of a gaming and related dining and entertainment facility in Dodge City, Kansas. Boot Hill Casino and Resort features approximately 500 slot machines, 15 table games, a restaurant and a sportsbook.

Boot Hill. Butler National Service Corporation (“BNSC”), and BHCMC, LLC (“BHCMC”), companies in Professional Services, manage The Boot Hill Casino and Resort in Dodge City, Kansas (“Boot Hill”) pursuant to the Lottery Gaming Facility Management Contract, by and among BNSC, BHCMC and the Kansas Lottery, as subsequently amended (“Boot Hill Agreement”). As required by Kansas law, all games, gaming equipment and gaming operations, including sports wagering, at Boot Hill are owned and operated by the Kansas Lottery. On September 1, 2022, sports wagering became legal in the State of Kansas. Sports wagering is managed through the four lottery gaming facility managers. The Company entered into a provider contract with DraftKings for

interactive/mobile sports wagering. In addition to an online platform, the Company opened a DraftKings branded sports book at Boot Hill on February 28, 2023.

Results Overview

The three months ended July 31, 2025 revenue increased 1% to \$20.1 million compared to \$19.8 million in the three months ended July 31, 2024. In the three months ended July 31, 2025 the Professional Services revenue was \$8.8 million compared to \$9.2 million in the three months ended July 31, 2024, a decrease of 5%. In the three months ended July 31, 2025 the Aerospace Products revenue was \$11.3 million compared to \$10.6 million in the three months ended July 31, 2024, an increase of 7%.

In the three months ended July 31, 2025, net income increased to \$3.7 million compared to a net income of \$2.2 million in the three months ended July 31, 2024. In the three months ended July 31, 2025, operating income increased to \$4.7 million from an operating income of \$3.5 million in the three months ended July 31, 2024.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JULY 31, 2025 COMPARED TO THE THREE MONTHS ENDED JULY 31, 2024

(dollars in thousands)	Three Months Ended July 31, 2025	Percent of Total Revenue	Three Months Ended July 31, 2024	Percent of Total Revenue	Percent Change 2024- 2025
Revenue:					
Professional Services	\$ 8,811	44%	\$ 9,236	47%	-5%
Aerospace Products	11,314	56%	10,592	53%	7%
Total revenue	20,125	100%	19,828	100%	1%
Costs and expenses:					
Costs of Professional Services	3,912	19%	3,892	20%	1%
Cost of Aerospace Products	6,591	33%	7,474	38%	-12%
Marketing and advertising	921	5%	914	5%	1%
General, administrative and other	4,034	20%	4,012	20%	1%
Total costs and expenses	15,458	77%	16,292	82%	-5%
Operating income	\$ 4,667	23%	\$ 3,536	18%	32%

Revenue

Revenue increased 1% to \$20.1 million in the three months ended July 31, 2025, compared to \$19.8 million in the three months ended July 31, 2024. See “Operations by Segment” below for a discussion of the primary reasons for the increase in revenue.

- Professional Services derives its revenue from professional management services in the gaming industry through Butler National Service Corporation (“BNSC”) and BHCMC, LLC (“BHCMC”). Revenue from Professional Services decreased 5% to \$8.8 million for the three months ended July 31, 2025 compared to \$9.2 million for the three months ended July 31, 2024. Sports wagering through the DraftKings sports wagering platform brought in \$1.3 million for the three months ended July 31, 2025 compared to \$1.0 million in the three months ended July 31, 2024. Traditional casino gaming revenue decreased \$0.6 million. Effective December 15, 2024, the revenue share to the state of Kansas increased by 2% with the start of our fifteen-year contract renewal term for the management of Boot Hill.
- Aerospace Products derives its revenue by designing, engineering, manufacturing, installing, servicing and repairing products for aircraft and military vehicles. Aerospace Products revenue increased by 7% to \$11.3 million for the three months ended July 31, 2025 compared to \$10.6 million for the three months ended July 31,

2024. The increase in revenue is primarily due to an increase in special mission electronics business of \$1.2 million along with an increase in aircraft avionics business of \$1.0 million.

Costs and expenses:

Costs and expenses related to Professional Services and Aerospace Products include the cost of engineering, labor, materials, equipment utilization, control systems, security and occupancy. Costs and expenses decreased 5% to \$15.5 million in the three months ended July 31, 2025 compared to \$16.3 million in the three months ended July 31, 2024. Costs and expenses were 77% of total revenue in the three months ended July 31, 2025, as compared to 82% of total revenue in the three months ended July 31, 2024. This represents an operating margin of 20.3% in the three months ended July 31, 2025, compared to 17.8% in fiscal 2024 (operating income as a percentage of revenue), an increase of 2.5 percentage points.

Costs of Professional Services remained constant in the three months ended July 31, 2025 at \$3.9 million compared to \$3.9 million in the three months ended July 31, 2024. Costs were 19% of total revenue in the three months ended July 31, 2025, as compared to 20% of total revenue in the three months ended July 31, 2024.

Costs of Aerospace Products decreased 12% in the three months ended July 31, 2025 to \$6.6 million compared to \$7.5 million for the three months ended July 31, 2024. Costs were 33% of total revenue in the three months ended July 31, 2025, as compared to 38% of total revenue in the three months ended July 31, 2024, reflecting increased efficiencies of our engineering and fabrication leading to improved operating profit margins.

While we continue to work to control costs, with the sales growth and expansion of aircraft modification installations at the New Century facility, the need for parts fabrication exceeded our existing shop capacity in Newton, Kansas. In response, in April, 2025, we purchased a building adjacent to our Newton airport campus for the primary purpose to expand our internal fabrication capabilities.

Marketing and advertising expenses remained constant in the three months ended July 31, 2025 at \$0.9 million compared to \$0.9 million in the three months ended July 31, 2024. Expenses were 5% of total revenue in the three months ended July 31, 2025, as compared to 5% of total revenue in the three months ended July 31, 2024. Marketing and advertising expenses include advertising, sales and marketing labor, gaming development costs, and casino and product promotions.

General, administrative and other expenses as a percent of total revenue was 20% in the three months ended July 31, 2025, compared to 20% in the three months ended July 31, 2024. These expenses remained constant at \$4.0 million in the three months ended July 31, 2025 and July 31, 2024.

Other income (expense):

Other income (expense) was (\$352) thousand in the three months ended July 31, 2025 compared to (\$459) thousand in the three months ended July 31, 2024. Interest expense was \$523 thousand in the three months ended July 31, 2025, compared with interest expense of \$565 thousand in the three months ended July 31, 2024. The decrease in interest expense is due to the paydown of long term debt. Interest income was \$171 thousand in the three months ended July 31, 2025 compared to \$106 thousand in the three months ended July 31, 2024.

Operations by Segment

We have two operating segments, Professional Services and Aerospace Products. The Professional Services segment includes revenue contributions and expenditures associated with casino management services and management support services. Aerospace Products derives its revenue by designing, engineering, manufacturing, installing, modifying, servicing and repairing products for aircraft.

The following table presents a summary of our operating segment information for the three months ended July 31, 2025 and July 31, 2024:

(dollars in thousands)	Three Months Ended July 31, 2025	Percent of Total Revenue	Three Months Ended July 31, 2024	Percent of Total Revenue	Percent Change 2024- 2025
Professional Services					
Revenue - Boot Hill Casino	\$ 8,811	100%	\$ 9,236	100%	-5%
Costs of Professional Services	3,912	44%	3,892	42%	1%
Expenses	3,117	35%	3,214	35%	-3%
Total costs and expenses	7,029	80%	7,106	77%	-1%
Professional Services operating income	\$ 1,782	20%	\$ 2,130	23%	-16%

(dollars in thousands)	Three Months Ended July 31, 2025	Percent of Total Revenue	Three Months Ended July 31, 2024	Percent of Total Revenue	Percent Change 2024- 2025
Aerospace Products					
Revenue	\$ 11,314	100%	\$ 10,592	100%	7%
Costs of Aerospace Products	6,591	58%	7,474	71%	-12%
Expenses	1,838	16%	1,712	16%	7%
Total costs and expenses	8,429	75%	9,186	87%	-8%
Aerospace Products operating income	\$ 2,885	25%	\$ 1,406	13%	105%

Professional Services

- Revenue from Professional Services decreased 5% for the three months ended July 31, 2025 to \$8.8 million compared to \$9.2 million for the three months ended July 31, 2024. Sports wagering through the DraftKings sports wagering platform brought in \$1.3 million of revenue for the three months ended July 31, 2025 compared to \$1.0 million in the three months ended July 31, 2024. Furthermore, traditional casino gaming revenue decreased \$0.4 million due to a decrease in patron visits. We believe the decline of traditional casino gaming revenue was due primarily to economic factors impacting the region surrounding our casino in southwest Kansas. Factors influencing the local economy in the region surrounding our casino operations include reduced shifts and/or wages for Dodge City-based cattle processors and meat packing employees, increased inflation and drought conditions. Additionally, beginning in December 2024, the revenue share paid to the State of Kansas under our Management Agreement increased by two percent. Our revenue is determined after the revenue share is distributed to the state and mandated regulatory expenses are paid. Non-gaming revenue at Boot Hill Casino decreased slightly to \$1.0 million for the three months ended July 31, 2025, compared to \$1.1 million for the three months ended July 31, 2024.
- Costs of Professional Services increased less than \$0.1 million to \$3.9 million in the three months ended July 31, 2025 compared to \$3.9 million compared to the three months ended July 31, 2024. Costs were 44% of segment total revenue in the three months ended July 31, 2025, as compared to 42% of segment total revenue in the three months ended July 31, 2024. The increase is directly related to an increase in labor costs.
- Expenses decreased 3% in the three months ended July 31, 2025 to \$3.1 million compared to \$3.2 million in the three months ended July 31, 2024. Expenses were 35% of segment total revenue in the three months ended July 31, 2025 and July 31, 2024.

Aerospace Products

- Revenue increased 7% to \$11.3 million in the three months ended July 31, 2025, compared to \$10.6 million in the three months ended July 31, 2024. The increase in revenue is primarily due to a \$1.2 million increase in special missions electronics and a \$1.0 million increase in aircraft avionics, partially offset by a \$1.5 million decrease in aircraft modification business. The increase in revenue with respect to special mission electronics is related to efficiencies in production, including pre-building components for shipment upon receipt of orders, increased inventory to minimize risk of production delay, and receipt of additional orders, which is also reflected in the increased backlog. While a new control housing design for the minigun control is in process, special mission electronics shipped a number of the legacy control units that were first manufactured in late fiscal year 2025. We are focused on identifying and acquiring the staffing to efficiently decrease backlog. We continue to look at process opportunities to enhance the cable fabrication process in our expansion of that business. For Aircraft Modifications, timing in percentage of completion is reflected in the quarter revenue compared to the previous year. Avionics revenue was up due to revenues associated with a multi-airplane avionics upgrade contract.
- Costs of Aerospace Products decreased 12% in the three months ended July 31, 2025 to \$6.6 million compared to \$7.5 million for the three months ended July 31, 2024. Costs were 58% of segment total revenue in the three months ended July 31, 2025, as compared to 71% of segment total revenue in the three months ended July 31, 2024, reflecting increased efficiencies of our engineering and fabrication labor leading to improved operating profit margins. Both Special Mission Electronics and Aircraft Modifications gained further efficiencies by strategically planning sub-component fabrication and decreasing outsourcing. With respect to Avionics, the divestment of the autopilot product line has reduced the costs. It is noteworthy that on June 16, 2025, a third-party's airplane crashed into the Company's New Century, Kansas hangar facility resulting in some, but not a material, temporary loss in use of hangar operations for Aircraft Modifications. The hangar has now been fully repaired and restored.
- Expenses increased 7% in the three months ended July 31, 2025 to \$1.8 million compared to \$1.7 million compared to the three months ended July 31, 2024. Expenses were 16% of segment total revenue in the three months ended July 31, 2025, as compared to 16% of segment total revenue in the three months ended July 31, 2024. The increase is primarily due to higher insurance premium costs, higher administrative and overhead labor costs, and greater depreciation as a result of increased fixed assets in fiscal 2026.

Employees

Other than persons employed by our gaming subsidiaries, there were 149 full time and 8 part time employees on July 31, 2025, compared to 137 full time and 3 part time employees on July 31, 2024. Our staffing at Boot Hill Casino & Resort on July 31, 2025 was 190 full time and 45 part time employees compared to 189 full time and 40 part time employees on July 31, 2024. None of the employees are subject to any collective bargaining agreements.

Liquidity and Capital Resources

Overview

Butler National is a holding company. Our ability to fund our obligations depends on existing cash on hand, cash flow from our subsidiaries and our ability to raise capital. Our primary sources of liquidity and capital resources have been cash on hand, cash flow from operations, borrowings under our lines of credit and notes payable and proceeds from the issuance of debt and equity securities. We assess liquidity in terms of the ability to generate cash or obtain financing in order to fund operating, investing and debt service requirements. Our primary ongoing cash requirements include the funding of operations, capital expenditures, acquisitions and other investments in line with our business strategy and debt repayment obligations and interest payments. Our strategy has been to maintain moderate leverage and substantial capital resources in order to take advantage of opportunities, to invest in our businesses and develop new streams of income that may be profitable. As such, we have continued to invest in developing and marketing new aircraft modifications and marketing new STCs. We believe that our current banks will provide the necessary capital for our business operations. However, we continue to maintain contact with other banks that have expressed an interest in funding our working capital needs to continue our operational growth in 2026 and beyond.

Operating Activities

During the three months ended July 31, 2025 our cash position increased by \$8.2 million. Net income was \$3.7 million for the three months ended July 31, 2025. Cash flow provided by operating activities was \$14.7 million for the three months ended July 31, 2025. Non-cash activities consisting of depreciation and amortization provided \$1.7 million and deferred compensation added \$63 thousand. Contract assets increased our cash position by \$1.6 million. Contract liability decreased our cash position by \$0.7 million. Inventories decreased our cash position by \$399 thousand. Accounts receivable decreased our cash position by \$1.7 million. Gaming facility mandated payments decreased our cash position by \$129 thousand. Prepaid expenses and other assets increased our cash by \$205 thousand. Accounts payable increased our cash position by \$8.8 million and accrued liabilities increased our cash position by \$268 thousand. An increase in lease liabilities and other current liabilities increased our cash by \$56 thousand. Income tax payable increased our cash position by \$0.6 million.

Investing Activities

Cash used in investing activities was \$1.4 million for the three months ended July 31, 2025. We invested \$607 thousand towards STCs, \$120 thousand on buildings and improvements, \$711 thousand on equipment and furnishings.

Financing Activities

Cash used by financing activities was \$5.0 million for the three months ended July 31, 2025. We made repayments of \$1.3 million on our long-term debt and we made repayments on lease right-to-use of \$67 thousand. We purchased Company stock of \$3.7 million. The stock acquired was placed in treasury.

Capital Expenditures

The Company anticipates remaining capital expenditures in fiscal 2026 to be approximately \$12.5 million, consisting of \$5 million on STCs, \$4.5 million on equipment, and \$3.0 million on buildings and improvements. We anticipate our cash balance will be sufficient to cover our cash requirements through the current fiscal year.

Critical Accounting Policies and Estimates

We believe there are several accounting policies that are critical to understanding our historical and future performance, as these policies affect the reported amount of revenue and other significant areas involving management judgments and estimates. These significant accounting policies relate to revenue from contracts with customers, inventory valuation and long-lived assets. These policies and our procedures related to these policies are described in detail below and under specific areas within this “Management's Discussion and Analysis of Financial Condition and Results of Operations.”

Revenue from Contracts with Customers – Aerospace Contracts

Methodology

We recognize revenue and profit based upon either (1) the percent completion method, in which sales and profit are recorded based upon the ratio of labor costs incurred to date to estimated total labor costs to complete the performance obligation, or (2) the point-in-time method, in which sales are recognized at the time control is transferred to the customer. For aerospace contracts that involve airplane modifications based on customer specific requirements, we generally recognize revenue and income using the percent completion method because of continuous transfer of control to the customer. Revenue is generally recognized using the percent completion method based on the extent of progress towards completion of the performance obligation, which allows for recognition of revenue as work on a contract progresses. Our general contract term is between one to twelve months.

Management performs detailed quarterly reviews of all of our significant long-term contracts. Based upon these reviews, we record the effects of adjustments in profit estimates each period. If at any time management determines that in the case of a particular contract total costs will exceed total contract revenue, we record a provision for the entire anticipated contract loss at that time.

Judgment and Uncertainties

The percent completion revenue recognition model requires that we estimate future revenues and costs over the life of a contract. Revenues are estimated based upon the original contract price, with consideration being given to exercised contract options, change orders and, in some cases, projected customer requirements. Contract costs may be incurred over a period of several months, and the estimation of these costs requires significant judgment based upon the acquired knowledge and experience of program managers, engineers and financial professionals. Estimated costs are based primarily on anticipated purchase contract terms, historical performance trends, business base and other economic projections.

Effect if Actual Results Differ From Assumptions

While we do not believe there is a reasonable likelihood there will be a material change in estimates or assumptions used to calculate our revenue contracts and costs, estimating the percentage of work complete on certain programs is a complex task. As a result, changes to these estimates could have a significant impact on our results of operations. These products and services are an important element in our continuing strategy to increase operating efficiencies and profitability as well as broaden our business base. Management continues to monitor and update program cost estimates quarterly for these contracts. A significant change in an estimate on one or more of these contracts could have a material effect on our financial position and results of operations.

Inventory Valuation

Methodology

We have four types of inventory (a) raw materials, (b) contracts in process, (c) other work in process and (d) finished goods. Raw material includes certain general stock materials but primarily relates to purchases that were made in anticipation of specific programs that have not been started as of the balance sheet date. Raw materials are stated at the lower of the cost of the inventory or its fair market value. Contracts in process, other work in process and finished goods are valued at production cost comprised of material, labor and overhead. Contracts in process, other work in process and finished goods are reported at the lower of cost or net realizable value.

Judgment and Uncertainties

The process for evaluating inventory obsolescence or market value often requires the Company to make subjective judgments and estimates concerning future sales levels, quantities and prices at which such inventory will be sold in the normal course of business. We adjust our inventory by the difference between the estimated market value and the actual cost of our inventory to arrive at net realizable value. Changes in estimates of future sales volume may necessitate future write-downs of inventory value.

Effect if Actual Results Differ From Assumptions

Management reviews the inventory balance on an annual basis to determine whether any additional write-downs are necessary. Following the write-down of the inventory as discussed above, we believe this inventory is stated at net realizable value at July 31, 2025, although an unanticipated lack of demand for aircraft or spare parts in the future could result in additional write-downs of the inventory value. Overall, management believes that our inventory is appropriately valued at July 31, 2025.

Long-lived Assets

Methodology

The Company accounts for its long-lived assets in accordance with ASC Topic 360-10, *Impairment or Disposal of Long-Lived Assets*. ASC Topic 360-10 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. The Company assesses the recoverability of the carrying value of an asset by estimating the future net cash flows expected to result from the asset, including eventual disposition.

Judgment and Uncertainties

In years that management performs a qualitative assessment we consider the following qualitative factors: general economic conditions in the markets served by the segment, relevant industry-specific performance statistics, and forecasted results of operations.

For the quantitative impairment tests, management estimated the fair value of the long-lived asset group using an income methodology based on management's estimates of forecasted undiscounted cash flows over the estimated life of the assets. Changes in these estimates and assumptions could materially affect the results of our impairment testing.

An impairment loss is recognized for any excess of the carrying amount of the estimated undiscounted cash flows over the remaining life of the assets. No impairment charges were recorded during the three months ended July 31, 2025.

Effect if Actual Results Differ From Assumptions

As with all assumptions, there is an inherent level of uncertainty and actual results, to the extent they differ from those assumptions, could have a material impact on fair value. For example, a reduction in customer demand would impact our assumed growth rate resulting in a reduced fair value. Potential events or circumstances could have a negative effect on the estimated fair value. The loss of a major customer or program could have a significant impact on the future cash flows associated with a long-lived asset group. We do not currently believe there to be a reasonable likelihood that actual results will vary materially from estimates and assumptions used to test our long-lived assets for impairment losses. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to additional impairment charges that could be material.

Changing Prices and Inflation

We have experienced upward pressure from inflation in fiscal year 2026. From fiscal year 2025 to fiscal year 2026 most of the increases we experienced were in material and labor costs. This additional cost may not be transferable to our customers resulting in lower income in the future. We anticipate fuel, material and labor costs to rise in fiscal 2026 and 2027.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 under the Securities Exchange Act of 1934 and are not required to provide the information required under this item.

Item 4. CONTROLS AND PROCEDURES

We maintain a set of disclosure controls and procedures designed to ensure that information required to be disclosed in our filings under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission rules and forms. Our principal executive and financial officers have evaluated our disclosure controls and procedures as of the end of the period covered by this report on Form 10-Q and have determined that such disclosure controls and procedures are effective, based on criteria in the Internal Control-Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Evaluation of disclosure controls and procedures: Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) under the Exchange Act are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this Form 10-Q, our Chief Executive Officer and our Chief Financial Officer conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of

July 31, 2025. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of July 31, 2025.

Internal Control Over Financial Reporting

Limitations on Controls

Our management, including the Chief Executive Officer and Interim Chief Financial Officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Changes in Internal Control Over Financial Reporting: In our opinion there were no changes in the Company's internal control over financial reporting during the quarter ended July 31, 2025 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1.

LEGAL PROCEEDINGS.

As of July 31, 2025, there are no significant known legal proceedings pending against us. We consider all such unknown proceedings, if any, to be ordinary litigation incident to the character of the business. We believe that the resolution of any claims will not, individually or in the aggregate, have a material adverse effect on the financial position, results of operations, or liquidity of the Company.

Item 1A.

RISK FACTORS.

Smaller reporting companies are not required to provide the information required by this item.

Item 2.

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

The table below provides information with respect to common stock purchases by the Company during the third quarter of fiscal 2026.

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
May 1, 2025 - May 31, 2025	100	\$ 1.75	100	\$ 2,274,000
June 1, 2025 - June 30, 2025	-	\$ -	-	\$ 2,274,000
Increase in program authorization in June 2025	-	\$ -	-	\$ 6,274,000
July 1, 2025 - July 31, 2025	2,414,150	\$ 1.51	2,414,150	\$ 2,631,000
Total	2,414,250	\$ 1.51	2,414,250	

(a) Our Board of Directors authorized the repurchase of shares of Butler National common stock in the open market or otherwise, at an aggregate purchase price of \$4,000,000 in the second quarter of fiscal 2020. In July 2023, the Board of Directors approved an increase in the size of the Company's stock repurchase program from \$4,000,000 to \$9,000,000. In October 2024, the Board of Directors approved an increase in the size of the Company's stock repurchase program from \$9,000,000 to \$11,000,000. In June 2025, the Board of Directors approved an increase in the size of the Company's stock repurchase program from \$11,000,000 to \$15,000,000. The timing and amount of any share repurchases will be determined by Butler National's management based on market conditions and other factors. Subsequent to the quarter ended July 31, 2025, in August 2025, the Board of Directors approved the closure of the 2016 Stock Repurchase Program and established a new \$5 million 2025 Stock Repurchase Program that is authorized through April 2027.

Item 3.

DEFAULTS UPON SENIOR SECURITIES.

None.

Item 4.

MINE SAFETY DISCLOSURES.

Not applicable.

Item 5.

OTHER INFORMATION.

Rule 10b5-1 Trading Plans. During the fiscal quarter ended July 31, 2025, none of our directors or officers (as defined in Rule 16a-1 under the Exchange Act) adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" (as those terms are defined in Item 408 of Regulation S-K), except as follows:

On July 14, 2025, Joseph P. Daly, a member of our Board of Directors, adopted a Rule 10b5-1 trading arrangement for the purchase of shares of our common stock, subject to certain conditions, for up to a total of 800,000 shares that will commence no earlier than expiration of his existing Rule 10b5-1 trading plan that runs through September 26, 2025. The trading arrangement was entered into during an open trading window period and Mr. Daly represented to us that he intended for it to satisfy the requirements for the affirmative defense of Rule 10b5-1(c) of the Exchange Act. The arrangement's scheduled expiration date is July 10, 2026.

Item 6.

EXHIBITS.

- 3.1 [Articles of Incorporation, as amended and restated are incorporated by reference to Exhibit A of our Form DEF 14A filed on December 26, 2001.](#)
- 3.2 [Bylaws, as amended, are incorporated by reference to Exhibit 3.1 of our Form 8-K filed on August 20, 2024.](#)
- 10.1 [Form of Severance Agreement, incorporated by reference to Exhibit 10.2 of our Form 8-K filed on July 17, 2025.](#)
- 10.2 [Form of Change in Control Agreement, incorporated by reference to Exhibit 10.3 of our Form 8-K filed on July 17, 2025.](#)
- 31.1 [Certificate of Chief Executive Officer pursuant to Exchange Act Rule 13a-14\(a\).](#)
- 31.2 [Certificate of Chief Financial Officer pursuant to Exchange Act Rule 13a-14\(a\).](#)
- 32.1 [Certifications of Chief Executive Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certifications of Chief Financial Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101 The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended July 31, 2025, formatted in Inline XBRL (Extensible Business Reporting Language) includes: (i) Condensed Consolidated Balance Sheets as of July 31, 2025 and April 30, 2025, (ii) Condensed Consolidated Statements of Operations for the three months ended July 31, 2025 and 2024, (iii) Condensed Consolidated Statements of Stockholders' Equity for the three months ended July 31, 2025 and 2024, (iv) Condensed Consolidated Statements of Cash Flows for the three months ended July 31, 2025 and 2024 and (v) the Notes to Consolidated Financial Statements, with detail tagging.
- 104 The cover page from the Company's Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2025, formatted in Inline XBRL (included as Exhibit 101)

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.

BUTLER NATIONAL CORPORATION

(Registrant)

September 11, 2025

Date

/s/ Christopher J. Reedy

Christopher J. Reedy

(President, Chief Executive Officer and Secretary)

September 11, 2025

Date

/s/ Adam B. Sefchick

Adam B. Sefchick

(Vice President and Chief Financial Officer)