

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 October 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

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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 December 5, 2025, the Issuer's Common Stock, \$0.01 par value, shares outstanding were 64,279,002.

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
As of October 31, 2025 and April 30, 2025
(in thousands except per share data)

| | <u>October 31, 2025</u> | <u>April 30, 2025</u> | | |
|---|--------------------------|--------------------------|--|--|
| | (unaudited) | | | |
| ASSETS | | | | |
| CURRENT ASSETS: | | | | |
| Cash | \$ 29,636 | \$ 25,226 | | |
| Accounts receivable, net | 7,517 | 5,867 | | |
| Inventory, net | 11,465 | 10,924 | | |
| Contract asset | 1,915 | 2,993 | | |
| Prepaid expenses and other current assets | 2,615 | 1,771 | | |
| Income tax receivable | - | 531 | | |
| Total current assets | <u>53,148</u> | <u>47,312</u> | | |
| LEASE RIGHT-TO-USE ASSET, net | 3,268 | 3,367 | | |
| PROPERTY, PLANT AND EQUIPMENT, net | 58,864 | 60,256 | | |
| SUPPLEMENTAL TYPE CERTIFICATES (net of accumulated amortization of \$12,772 at October 31, 2025 and \$12,145 at April 30, 2025) | 9,803 | 9,237 | | |
| OTHER ASSETS: | | | | |
| Other assets (net of accumulated amortization of \$12,761 at October 31, 2025 and \$12,461 at April 30, 2025) | 1,022 | 1,050 | | |
| Deferred tax asset, net | 2,076 | 2,076 | | |
| Total other assets | <u>3,098</u> | <u>3,126</u> | | |
| Total assets | <u><u>\$ 128,181</u></u> | <u><u>\$ 123,298</u></u> | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | |
| CURRENT LIABILITIES: | | | | |
| Accounts payable | \$ 9,862 | \$ 8,623 | | |
| Current maturities of long-term debt | 5,401 | 5,287 | | |
| Current maturities of lease liability | 126 | 121 | | |
| Contract liability | 5,893 | 5,530 | | |
| Gaming facility mandated payment | 1,749 | 1,688 | | |
| Compensation and compensated absences | 2,082 | 2,663 | | |
| Income taxes payable | 1,557 | - | | |
| Other current liabilities | 433 | 502 | | |
| Total current liabilities | <u>27,103</u> | <u>24,414</u> | | |
| LONG-TERM LIABILITIES | | | | |
| Long-term debt, net of current maturities | 26,992 | 29,870 | | |
| Lease liability, net of current maturities | 3,873 | 3,900 | | |
| Total long-term liabilities | <u>30,865</u> | <u>33,770</u> | | |
| Total liabilities | <u><u>57,968</u></u> | <u><u>58,184</u></u> | | |
| 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 | - | - | | |

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| | | |
|---|-------------------|-------------------|
| Common stock, par value \$.01: Authorized 100,000,000 shares, issued 79,978,702 shares, and outstanding 64,279,002 shares at October 31, 2025 and issued 79,772,345 shares, and outstanding 67,180,527 shares at April 30, 2025 | 800 | 798 |
| Capital contributed in excess of par | 14,472 | 14,247 |
| Treasury stock at cost, 15,699,700 shares at October 31, 2025 and 12,591,818 shares at April 30, 2025 | (14,265) | (9,458) |
| Retained earnings | 69,206 | 59,527 |
| Total stockholders' equity | 70,213 | 65,114 |
| Total liabilities and stockholders' equity | \$ 128,181 | \$ 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 OCTOBER 31, 2025 AND 2024
(in thousands, except per share data)
(unaudited)

| | THREE MONTHS ENDED October 31, | |
|--|-----------------------------------|--------------------------|
| | 2025 | 2024 |
| REVENUE: | | |
| Professional Services | \$ 9,212 | \$ 9,650 |
| Aerospace Products | 14,039 | 11,710 |
| Total revenues | <u>23,251</u> | <u>21,360</u> |
| COSTS AND EXPENSES: | | |
| Cost of Professional Services | 3,863 | 3,909 |
| Cost of Aerospace Products | 7,473 | 7,524 |
| Marketing and advertising | 896 | 951 |
| General, administrative and other | <u>3,942</u> | <u>4,122</u> |
| Total costs and expenses | <u>16,174</u> | <u>16,506</u> |
| OPERATING INCOME | <u>7,077</u> | <u>4,854</u> |
| OTHER INCOME (EXPENSE): | | |
| Interest expense | (501) | (538) |
| Gain on sale of airplanes | 403 | 248 |
| Gain on sale of building | 1,477 | 261 |
| Interest income | <u>335</u> | <u>100</u> |
| Total other income | <u>1,714</u> | <u>71</u> |
| INCOME BEFORE INCOME TAXES | <u>8,791</u> | <u>4,925</u> |
| PROVISION FOR INCOME TAXES: | | |
| Provision for income taxes | <u>2,797</u> | <u>1,329</u> |
| NET INCOME | <u><u>\$ 5,994</u></u> | <u><u>\$ 3,596</u></u> |
| BASIC EARNINGS PER COMMON SHARE | <u><u>\$ 0.09</u></u> | <u><u>\$ 0.05</u></u> |
| WEIGHTED AVERAGE SHARES USED IN PER SHARE CALCULATION | <u><u>64,568,585</u></u> | <u><u>68,027,071</u></u> |
| DILUTED EARNINGS PER COMMON SHARE | <u><u>\$ 0.09</u></u> | <u><u>\$ 0.05</u></u> |
| WEIGHTED AVERAGE SHARES USED IN PER SHARE CALCULATION | <u><u>64,568,585</u></u> | <u><u>68,027,071</u></u> |

See accompanying notes to condensed consolidated financial statements (unaudited)

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

| | SIX MONTHS ENDED October 31, | |
|--|---------------------------------|-------------------|
| | 2025 | 2024 |
| REVENUE: | | |
| Professional Services | \$ 18,023 | \$ 18,887 |
| Aerospace Products | 25,353 | 22,302 |
| Total revenue | <u>43,376</u> | <u>41,189</u> |
| COSTS AND EXPENSES: | | |
| Cost of Professional Services | 7,775 | 7,802 |
| Cost of Aerospace Products | 14,064 | 14,998 |
| Marketing and advertising | 1,817 | 1,865 |
| General, administrative and other | <u>7,976</u> | <u>8,134</u> |
| Total costs and expenses | <u>31,632</u> | <u>32,799</u> |
| OPERATING INCOME | <u>11,744</u> | <u>8,390</u> |
| OTHER INCOME (EXPENSE): | | |
| Interest expense | (1,025) | (1,103) |
| Gain on sale of airplanes | 403 | 248 |
| Gain on sale of building | 1,477 | 261 |
| Interest income | <u>507</u> | <u>206</u> |
| Total other income (expense) | <u>1,362</u> | <u>(388)</u> |
| INCOME BEFORE INCOME TAXES | <u>13,106</u> | <u>8,002</u> |
| PROVISION FOR INCOME TAXES | | |
| Provision for income taxes | <u>3,427</u> | <u>2,160</u> |
| NET INCOME | <u>\$ 9,679</u> | <u>\$ 5,842</u> |
| BASIC EARNINGS PER COMMON SHARE | <u>\$ 0.15</u> | <u>\$ 0.09</u> |
| WEIGHTED AVERAGE SHARES USED IN PER SHARE CALCULATION | <u>65,759,497</u> | <u>68,382,659</u> |
| DILUTED EARNINGS PER COMMON SHARE | <u>\$ 0.15</u> | <u>\$ 0.09</u> |
| WEIGHTED AVERAGE SHARES USED IN PER SHARE CALCULATION | <u>65,759,497</u> | <u>68,382,659</u> |

See accompanying notes to condensed consolidated financial statements (unaudited)

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED OCTOBER 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 |
| Stock repurchase | - | - | - | 683,760 | (899) | - | (899) |
| Deferred compensation, restricted stock | - | - | 68 | - | - | - | 68 |
| Net Income | - | - | - | - | - | 3,596 | 3,596 |
| Balance, October 31, 2024 | 79,646,211 | \$ 796 | \$ 14,003 | 12,059,115 | \$ (8,560) | \$ 52,818 | \$ 59,057 |

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| | 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 |
| Stock repurchase | - | - | - | 687,852 | (1,154) | - | (1,154) |
| Stock awarded to directors | 30,300 | 1 | 50 | - | - | - | 51 |
| Deferred compensation, restricted stock | 81,818 | - | 79 | - | - | - | 79 |
| Net Income | - | - | - | - | - | 5,994 | 5,994 |
| Balance, October 31, 2025 | 79,978,702 | \$ 800 | \$ 14,472 | 15,699,700 | \$ (14,265) | \$ 69,206 | \$ 70,213 |

See accompanying notes to condensed consolidated financial statements (unaudited)

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

| | SIX MONTHS ENDED October 31, | |
|---|---------------------------------|----------------|
| | 2025 | 2024 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 9,679 | \$ 5,842 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 3,394 | 3,254 |
| Stock awarded to directors | 114 | - |
| Gain on sale of airplanes | (403) | (248) |
| Gain on sale of building | (1,477) | (261) |
| Deferred compensation, restricted stock | 113 | 137 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (450) | 374 |
| Inventory | (541) | (928) |
| Contract assets | 1,078 | 426 |
| Prepaid expenses and other assets | (844) | (394) |
| Accounts payable | 1,239 | (2,415) |
| Contract liability | 363 | 3,077 |
| Lease liability | 113 | 107 |
| Accrued liabilities | (581) | (511) |
| Gaming facility mandated payment | 61 | (62) |
| Income tax payable | 2,088 | (3,110) |
| Other liabilities | (69) | 261 |
| Net cash provided by operating activities | <u>13,877</u> | <u>5,549</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Capital expenditures | (3,289) | (4,607) |
| Proceeds from sale of airplanes | 403 | 294 |
| Proceeds from sale of building | 1,168 | 1,037 |
| Net cash used in investing activities | <u>(1,718)</u> | <u>(3,276)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repayments of long-term debt | (2,807) | (2,410) |
| Repayments on right-to-use lease liability | (135) | (133) |
| Repurchase of common stock | (4,807) | (1,363) |
| Net cash used in financing activities | <u>(7,749)</u> | <u>(3,906)</u> |
| NET INCREASE (DECREASE) IN CASH | 4,410 | (1,633) |
| CASH, beginning of period | <u>25,226</u> | <u>17,792</u> |

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| CASH, end of period | | |
|---|------------------|------------------|
| | <u>\$ 29,636</u> | <u>\$ 16,159</u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | |
| Interest paid | <u>\$ 1,025</u> | <u>\$ 1,123</u> |
| Income taxes paid | <u>\$ 1,320</u> | <u>\$ 5,270</u> |
| NON CASH INVESTING AND FINANCING ACTIVITY: | | |
| Lease right-of-use assets purchased | <u>\$ -</u> | <u>\$ 672</u> |
| Lease liability for purchase of assets under lease | <u>\$ -</u> | <u>\$ 672</u> |

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 and six months ended October 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 October 31, 2025 and April 30, 2025, we had \$6,915 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 by change order(s). 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 \$7.9 million and \$6.7 million as of October 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.

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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 October 31, 2025 | | | Three Months Ended October 31, 2024 | | |
|--|-------------------------------------|--------------------|------------------|-------------------------------------|--------------------|------------------|
| | Professional Services | Aerospace Products | Total | Professional Services | Aerospace Products | Total |
| Geographical Markets | | | | | | |
| North America | \$ 9,212 | \$ 12,034 | \$ 21,246 | \$ 9,650 | \$ 8,059 | \$ 17,709 |
| Europe | - | 984 | 984 | - | 3,108 | 3,108 |
| Asia | - | 984 | 984 | - | 473 | 473 |
| Australia and Other | - | 37 | 37 | - | 70 | 70 |
| | \$ 9,212 | \$ 14,039 | \$ 23,251 | \$ 9,650 | \$ 11,710 | \$ 21,360 |
| Major Product Lines | | | | | | |
| Casino Gaming Revenue | \$ 6,833 | \$ - | \$ 6,833 | \$ 7,016 | \$ - | \$ 7,016 |
| Sports Wagering Revenue | 1,558 | - | 1,558 | 1,436 | - | 1,436 |
| Casino Non-Gaming Revenue | 821 | - | 821 | 1,198 | - | 1,198 |
| Aircraft Modification | - | 8,414 | 8,414 | - | 7,170 | 7,170 |
| Aircraft Avionics | - | 852 | 852 | - | 824 | 824 |
| Special Mission Electronics | - | 4,773 | 4,773 | - | 3,716 | 3,716 |
| | \$ 9,212 | \$ 14,039 | \$ 23,251 | \$ 9,650 | \$ 11,710 | \$ 21,360 |
| Contract Types / Revenue Recognition Timing | | | | | | |
| Percentage of completion contracts | \$ - | \$ 6,792 | \$ 6,792 | \$ - | \$ 6,539 | \$ 6,539 |
| Goods or services transferred at a point of sale | 9,212 | 7,247 | 16,459 | 9,650 | 5,171 | 14,821 |
| | \$ 9,212 | \$ 14,039 | \$ 23,251 | \$ 9,650 | \$ 11,710 | \$ 21,360 |

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| | Six Months Ended October 31, 2025 | | | Six Months Ended October 31, 2024 | | |
|--|-----------------------------------|--------------------|------------------|-----------------------------------|--------------------|------------------|
| | Professional Services | Aerospace Products | Total | Professional Services | Aerospace Products | Total |
| Geographical Markets | | | | | | |
| North America | \$ 18,023 | \$ 20,267 | \$ 38,290 | \$ 18,887 | \$ 14,426 | \$ 33,313 |
| Europe | - | 2,240 | 2,240 | - | 6,643 | 6,643 |
| Asia | - | 2,726 | 2,726 | - | 928 | 928 |
| Australia and Other | - | 120 | 120 | - | 305 | 305 |
| | \$ 18,023 | \$ 25,353 | \$ 43,376 | \$ 18,887 | \$ 22,302 | \$ 41,189 |
| Major Product Lines | | | | | | |
| Casino Gaming Revenue | \$ 13,316 | \$ - | \$ 13,316 | \$ 14,098 | \$ - | \$ 14,098 |
| Sports Wagering Revenue | 2,845 | - | 2,845 | 2,443 | - | 2,443 |
| Casino Non-Gaming Revenue | 1,862 | - | 1,862 | 2,346 | - | 2,346 |
| Aircraft Modification | - | 14,056 | 14,056 | - | 14,276 | 14,276 |
| Aircraft Avionics | - | 2,289 | 2,289 | - | 1,285 | 1,285 |
| Special Mission Electronics | - | 9,008 | 9,008 | - | 6,741 | 6,741 |
| | \$ 18,023 | \$ 25,353 | \$ 43,376 | \$ 18,887 | \$ 22,302 | \$ 41,189 |
| Contract Types / Revenue Recognition Timing | | | | | | |
| Percentage of completion contracts | \$ - | \$ 11,872 | \$ 11,872 | \$ - | \$ 12,619 | \$ 12,619 |
| Goods or services transferred at a point of sale | 18,023 | 13,481 | 31,504 | 18,887 | 9,683 | 28,570 |
| | \$ 18,023 | \$ 25,353 | \$ 43,376 | \$ 18,887 | \$ 22,302 | \$ 41,189 |

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

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

| | October 31, 2025 | April 30, 2025 |
|--------------------------|---------------------|-------------------|
| Accounts Receivable, net | \$ 7,517 | \$ 5,867 |
| Contract Asset | 1,915 | 2,993 |
| Contract Liability | 5,893 | 5,530 |

Accounts receivable, net consist of \$7,517 and \$5,867 from customers as of October 31, 2025 and April 30, 2025, respectively. At October 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 \$1,915 and \$2,993 as of October 31, 2025 and April 30, 2025, respectively. Contract assets decreased \$1,078 during the six months ended October 31, 2025, primarily due to the recognition of revenue related to the satisfaction or partial satisfaction of performance obligations during the six months ended October 31, 2025. There were no significant impairment losses related to our contract assets during the six months ended October 31, 2025. We expect to bill our customers for the majority of the October 31, 2025 contract assets during fiscal year 2026.

Contract liabilities increased \$363 during the six months ended October 31, 2025, primarily due to the revenue recognized on these performance obligations being less than the payments received.

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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 \$532 at October 31, 2025 and \$558 at April 30, 2025.

| | October 31, 2025 | April 30, 2025 |
|-----------------------------------|-------------------------|-------------------------|
| Parts and raw material | \$ 6,290 | \$ 6,238 |
| Work in process | 5,099 | 4,610 |
| Finished goods | 76 | 76 |
| Total Inventory, net of allowance | <u><u>\$ 11,465</u></u> | <u><u>\$ 10,924</u></u> |

8. Property, Plant and Equipment

Property, plant and equipment is comprised of the following:

| | October 31, 2025 | April 30, 2025 |
|-------------------------------------|-------------------------|-------------------------|
| Land | \$ 3,447 | \$ 3,447 |
| Building and improvements | 48,734 | 49,753 |
| Aircraft | 6,846 | 8,122 |
| Machinery and equipment | 7,114 | 6,356 |
| Office furniture and fixtures | 16,535 | 15,599 |
| Leasehold improvements | <u>4,032</u> | <u>4,032</u> |
| | 86,708 | 87,309 |
| Accumulated depreciation | (27,844) | (27,053) |
| Total property, plant and equipment | <u><u>\$ 58,864</u></u> | <u><u>\$ 60,256</u></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 \$2,423 for the six months ended October 31, 2025 and \$2,190 for the six months ended October 31, 2024. Depreciation expense is included in cost of sales and general and administrative costs. During the six months ended October 31, 2025, the Company sold an administration building associated with the Professional Services segment for \$2.4 million, and recognized a \$1.5 million gain on the sale. Of the \$2.4 million related to the building sale, \$1.2 million is recorded in accounts receivable at October 31, 2025.

| 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.

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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 six months ended October 31, 2025 and 2024 was \$526 and \$721, respectively.

11. Debt:

At October 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 October 31, 2025 is \$2.0 million. There were no advances or payments made on the line of credit during the six months ended October 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 October 31, 2025, the loan balance of \$1.8 million is secured by a single aircraft with a net book value of \$2.24 million.

The first note with Academy Bank, N.A. for \$26.5 million is 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, and a balloon payment of \$20.70 million in December 2027. The second note with Academy Bank, N.A. for \$3.1 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 October 31, 2025, there is a note payable with Bank of America, N.A. with a balance of \$547. The interest rate on this note is SOFR plus 1.75%. The loan is secured by buildings and improvements having a net book value of \$461. This note matures in March 2029.

At October 31, 2025, there is a note payable with Patriots Bank with an interest rate of 4.35% totaling \$484. This loan is secured by aircraft security agreements with a net book value of \$414. This note matures in March 2029.

At October 31, 2025, there is a note payable with an interest rate of 8.13% totaling \$18 secured by equipment with a net book value of \$15. This note matures in April 2027.

The Company is compliant with the covenants and obligations of each of our notes as of October 31, 2025, and December 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, \$8.2 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 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 for 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 thousand 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 as employee compensation. 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 as a component of regular board compensation. 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 as employee compensation. 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 as a component of regular board compensation. 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.

In September 2025, the Company granted 81,818 shares under the plan as employee compensation. 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 \$1.65 per share for a total of \$135. The deferred compensation related to these grants will be expensed on the financial statements over the remaining two-year vesting period.

In September 2025, the Company granted four board members a total of 30,300 shares under the plan as a component of regular board compensation. These shares were fully vested and non-forfeitable on the date of the grant. These shares were valued at \$1.65 for a total of \$50. The compensation related to this grant was expensed in the quarter ended October 31, 2025.

During the six months ended October 31, 2025, 5,780 shares were forfeited. During the six months ended October 31, 2024, no shares were forfeited. For the six months ended October 31, 2025 the Company expensed \$113, and for the six months ended October 31, 2024 the Company expensed \$137.

| | Number of Shares | Weighted Average Grant Date Fair Value |
|---|------------------|---|
| Total shares issued | 8,532,491 | \$ 0.46 |
| Forfeited, in prior periods | (2,500,000) | \$ 0.40 |
| Forfeited, during the year ended April 30, 2025 | - | \$ - |
| Forfeited, during the six months ended October 31, 2025 | (5,780) | \$ 1.73 |
| Total | 6,026,711 | \$ 0.49 |
| Vested shares | 5,868,418 | \$ 0.47 |
| Non-vested shares | 158,293 | \$ 0.43 |

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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. 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.

The table below provides information with respect to common stock purchases by the Company through October 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 |
| Closure of 2016 program and increase from 2025 program authorization in August 2025 | - | | - | \$ 5,000 |
| Quarter ended October 31, 2025 (a) | 687,852 | \$ 1.69 | 687,852 | \$ 3,846 |
| Total | <u>15,093,920</u> | <u>\$ 0.69</u> | <u>15,093,920</u> | |

(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.

| | October 31, 2025 |
|-------------------------------|------------------------|
| Lease right-to-use assets | \$ 3,829 |
| Less accumulated depreciation | 561 |
| Total | <u>\$ 3,268</u> |

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

| | |
|--|-----------------|
| 2026 | \$ 275 |
| 2027 | 280 |
| 2028 | 285 |
| 2029 | 234 |
| 2030 | 127 |
| Thereafter | 12,516 |
| Total minimum lease payments | 13,717 |
| Less amount representing interest | 9,718 |
| Present value of net minimum lease payments | 3,999 |
| Less current maturities of lease liability | 126 |
| Lease liability, net of current maturities | \$ 3,873 |

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

| | October 31, 2025 | October 31, 2024 |
|---|---------------------|---------------------|
| Finance lease cost: | | |
| Amortization of right-of-use assets | \$ 99 | \$ 98 |
| Interest on lease liabilities | 113 | 107 |
| Total finance lease cost | \$ 212 | \$ 205 |
| | | |
| | October 31, 2025 | October 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. Our modifications are primarily to Learjets, Textron Beechcraft, and Textron Cessna aircraft. We also perform other specialized modifications to other unique aircraft. 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, collision avoidance, terrain awareness instruments, and sensor systems

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Butler Avionics is recognized for its troubleshooting and 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 October 31, 2025 | Gaming | Aircraft Modification | Aircraft Avionics | Special Mission Electronics | Other | Total |
|--|---------------|----------------------------------|------------------------------|--|--------------|--------------|
| Revenues from customers | \$ 9,212 | \$ 8,414 | \$ 852 | \$ 4,773 | \$ - | \$ 23,251 |
| Interest expense | 395 | 98 | - | 8 | - | 501 |
| Depreciation and amortization | 749 | 891 | 7 | 27 | 17 | 1,691 |
| Operating income (loss) | 1,676 | 1,703 | 657 | 2,665 | 376 | 7,077 |

| Three Months Ended October 31, 2024 | Gaming | Aircraft Modification | Aircraft Avionics | Special Mission Electronics | Other | Total |
|--|---------------|----------------------------------|------------------------------|--|--------------|--------------|
| Revenues from customers | \$ 9,650 | \$ 7,170 | \$ 824 | \$ 3,716 | \$ - | \$ 21,360 |
| Interest expense | 458 | 66 | - | 14 | - | 538 |
| Depreciation and amortization | 808 | 789 | 7 | 34 | 20 | 1,658 |
| Operating income (loss) | 3,096 | 1,191 | (24) | 1,903 | (1,312) | 4,854 |

| Six Months Ended October 31, 2025 | Gaming | Aircraft Modification | Aircraft Avionics | Special Mission Electronics | Other | Total |
|--|---------------|----------------------------------|------------------------------|--|--------------|--------------|
| Revenues from customers | \$ 18,023 | \$ 14,056 | \$ 2,289 | \$ 9,008 | \$ - | \$ 43,376 |
| Interest expense | 810 | 196 | - | 19 | - | 1,025 |
| Depreciation and amortization | 1,523 | 1,768 | 14 | 57 | 32 | 3,394 |
| Operating income (loss) | 3,458 | 2,417 | 1,155 | 4,622 | 92 | 11,744 |

| Six Months Ended October 31, 2024 | Gaming | Aircraft Modification | Aircraft Avionics | Special Mission Electronics | Other | Total |
|--|---------------|----------------------------------|------------------------------|--|--------------|--------------|
| Revenues from customers | \$ 18,887 | \$ 14,276 | \$ 1,285 | \$ 6,741 | \$ - | \$ 41,189 |
| Interest expense | 949 | 125 | - | 28 | 1 | 1,103 |
| Depreciation and amortization | 1,600 | 1,533 | 13 | 68 | 40 | 3,254 |
| Operating income (loss) | 5,850 | 1,746 | 10 | 3,287 | (2,503) | 8,390 |

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.

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

| | October 31, 2025 | | October 31, 2024 | |
|-----------------------|---------------------|---------------------------|---------------------|---------------------------|
| | Number of Customers | % of Consolidated Revenue | Number of Customers | % of Consolidated Revenue |
| Aerospace Products | 1 | 19.7% | 1 | 16.2% |
| Professional Services | - | - | - | - |

In the six months ended October 31, 2025 the Company derived 35.0% of total revenue from five Aerospace customers. The top customer provided 19.7% of total revenue while the next top four customers ranged from 2.0% to 6.9%. At October 31, 2025, we had one customer that accounted for 24.6% of our accounts receivable.

17. Subsequent Events:

The Company evaluated its October 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;
- government shutdown;
- 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.

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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
- Electrical systems integration

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 six months ended October 31, 2025 revenue increased 5% to \$43.4 million compared to \$41.2 million in the six months ended October 31, 2024. In the six months ended October 31, 2025 the Professional Services revenue was \$18.0 million compared to \$18.9 million in the six months ended October 31, 2024, a decrease of 5%. In the six months ended October 31, 2025 the Aerospace Products revenue was \$25.4 million compared to \$22.3 million in the six months ended October 31, 2024, an increase of 14%.

In the six months ended October 31, 2025 net income increased to \$9.7 million compared to a net income of \$5.8 million in the six months ended October 31, 2024, an increase of 66%. In the six months ended October 31, 2025, operating income increased to \$11.7 million from an operating income of \$8.4 million in the six months ended October 31, 2024, an increase of 40%.

RESULTS OF OPERATIONS

SIX MONTHS ENDED OCTOBER 31, 2025 COMPARED TO THE SIX MONTHS ENDED OCTOBER 31, 2024

| (dollars in thousands) | Six Months Ended October 31, 2025 | | Six Months Ended October 31, 2024 | | Percent Change 2024-2025 |
|-----------------------------------|--------------------------------------|-----------------------------|--------------------------------------|-----------------------------|--------------------------------|
| | | Percent of Total Revenue | | Percent of Total Revenue | |
| Revenue: | | | | | |
| Professional Services | \$ 18,023 | 42% | \$ 18,887 | 46% | -5% |
| Aerospace Products | 25,353 | 58% | 22,302 | 54% | 14% |
| Total revenue | 43,376 | 100% | 41,189 | 100% | 5% |
| Costs and expenses: | | | | | |
| Cost of Professional Services | 7,775 | 18% | 7,802 | 19% | —% |
| Cost of Aerospace Products | 14,064 | 32% | 14,998 | 36% | -6% |
| Marketing and advertising | 1,817 | 5% | 1,865 | 5% | -3% |
| General, administrative and other | 7,976 | 18% | 8,134 | 20% | -2% |
| Total costs and expenses | 31,632 | 73% | 32,799 | 80% | -4% |
| Operating income | \$ 11,744 | 27% | \$ 8,390 | 20% | 40% |

Revenue:

Revenue increased 5% to \$43.4 million in the six months ended October 31, 2025, compared to \$41.2 million in the six months ended October 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 BHCMD, LLC (“BHCMD”). Revenue from Professional Services decreased 5% to \$18.0 million for the six months ended October 31, 2025 compared to \$18.9 million for the six months ended October 31, 2024. Sports wagering through the DraftKings sports wagering platform brought in \$2.8 million for the six months ended October 31, 2025 compared to \$2.4 million in the six months ended October 31, 2024. Traditional casino gaming revenue decreased \$0.8 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 Casino.

- Aerospace Products derives its revenue by designing, engineering, manufacturing, installing, servicing and repairing products for aircraft and military vehicles. Aerospace Products revenue increased by 14% to \$25.4 million for the six months ended October 31, 2025 compared to \$22.3 million for the six months ended October 31, 2024. The increase in revenue is primarily due to an increase in special mission electronics business of \$2.3 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 4% to \$31.6 million in the six months ended October 31, 2025 compared to \$32.8 million in the six months ended October 31, 2024. Costs and expenses were 73% of total revenue in the six months ended October 31, 2025, as compared to 80% of total revenue in the six months ended October 31, 2024. This represents an operating margin of 27.1% in the six months ended October 31, 2025, compared to 20.4% in fiscal 2024 (operating income as a percentage of revenue), an increase of 6.7 percentage points.

Cost of Professional Services remained constant in the six months ended October 31, 2025 at \$7.8 million compared to \$7.8 million in the six months ended October 31, 2024. Costs were 18% of total revenue in the six months ended October 31, 2025, as compared to 19% of total revenue in the six months ended October 31, 2024.

Cost of Aerospace Products decreased 6% in the six months ended October 31, 2025 to \$14.1 million compared to \$15.0 million for the six months ended October 31, 2024. Costs were 32% of total revenue in the six months ended October 31, 2025, as compared to 36% of total revenue in the six months ended October 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. We also committed capital to upgrading operations and acquiring additional talent.

Marketing and advertising expenses decreased in the six months ended October 31, 2025 to \$1.8 million compared to \$1.9 million in the six months ended October 31, 2024. Expenses were 5% of total revenue in the six months ended October 31, 2025, as compared to 5% of total revenue in the six months ended October 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 were 18% in the six months ended October 31, 2025, compared to 20% in the six months ended October 31, 2024. These expenses decreased 2% to \$8.0 million in the six months ended October 31, 2025, from \$8.1 million in the six months ended October 31, 2024. The decrease is primarily attributable to lower insurance, travel, and utilities costs for the six months ended October 31, 2025 compared to the six months ended October 31, 2024.

Other income (expense):

Other income (expense) was \$1.4 million in the six months ended October 31, 2025 compared to (\$388) thousand in the six months ended October 31, 2024. Interest expense was \$1.0 million in the six months ended October 31, 2025, compared with interest expense of \$1.1 million in the six months ended October 31, 2024. The decrease in interest expense is due to the payoff of long-term debt. Interest income was \$507 thousand in the six months ended October 31, 2025 compared to \$206 thousand in the six months ended October 31, 2024. Gain on sale of assets was \$1.9 million in the six months ended October 31, 2025, compared to a \$509 thousand gain on sale of assets in the six months ended October 31, 2024. The gain on sale of assets for the six months ended October 31, 2025 was a result of selling two older model Learjets and the Professional Services administration building, which will be replaced by a newly constructed facility adjacent to the Boot Hill Casino.

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

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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 six months ended October 31, 2025 and October 31, 2024:

| | Six Months Ended October 31, 2025 | | Six Months Ended October 31, 2024 | | Percent Change 2024-2025 |
|--|--------------------------------------|-----------------------------|--------------------------------------|-----------------------------|--------------------------------|
| | (dollars in thousands) | Percent of Total Revenue | (dollars in thousands) | Percent of Total Revenue | |
| Professional Services | | | | | |
| Revenue - Boot Hill Casino | \$ 18,023 | 100% | \$ 18,887 | 100% | -5% |
| Cost of Professional Services | 7,775 | 43% | 7,802 | 41% | 0% |
| Expenses | 6,790 | 38% | 6,577 | 35% | 3% |
| Total costs and expenses | 14,565 | 81% | 14,379 | 76% | 1% |
| Professional Services operating income | \$ 3,458 | 19% | \$ 4,508 | 24% | -23% |
| | | | | | |
| | Six Months Ended October 31, 2025 | | Six Months Ended October 31, 2024 | | Percent Change 2024-2025 |
| | (dollars in thousands) | Percent of Total Revenue | (dollars in thousands) | Percent of Total Revenue | |
| Aerospace Products | | | | | |
| Revenue | \$ 25,353 | 100% | \$ 22,302 | 100% | 14% |
| Cost of Aerospace Products | 14,064 | 55% | 14,998 | 67% | -6% |
| Expenses | 3,003 | 12% | 3,422 | 15% | -12% |
| Total costs and expenses | 17,067 | 67% | 18,420 | 83% | -7% |
| Aerospace Products operating income | \$ 8,286 | 33% | \$ 3,882 | 17% | 113% |

Professional Services

- Revenue from Professional Services decreased 5% for the six months ended October 31, 2025 to \$18.0 million compared to \$18.9 million for the six months ended October 31, 2024. Sports wagering through the DraftKings sports wagering platform brought in \$2.8 million of revenue for the six months ended October 31, 2025 compared to \$2.4 million in the six months ended October 31, 2024. Furthermore, traditional casino gaming revenue decreased \$0.8 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 to \$1.9 million for the six months ended October 31, 2025, compared to \$2.3 million for the six months ended October 31, 2024, primarily due to the casino's temporary closure of its restaurant due to ongoing renovations. The restaurant renovations were completed on October 31, 2025.
- Costs of Professional Services decreased less than \$0.1 million to \$7.8 million in the six months ended October 31, 2025 compared to \$7.8 million compared to the six months ended October 31, 2024. Costs were 43% of

segment total revenue in the six months ended October 31, 2025, as compared to 41% of segment total revenue in the six months ended October 31, 2024. The increase is directly related to an increase in labor costs and a decline in segment revenue.

- Expenses increased 3% in the six months ended October 31, 2025 to \$6.8 million compared to \$6.6 million in the six months ended October 31, 2024. Expenses were 38% of segment total revenue in the six months ended October 31, 2025, as compared to 35% of segment total revenue for the six months ended October 31, 2024.

Aerospace Products

- Revenue increased 14% to \$25.4 million in the six months ended October 31, 2025, compared to \$22.3 million in the six months ended October 31, 2024. The increase in revenue is primarily due to a \$2.3 million increase in special missions electronics and a \$1.0 million increase in aircraft avionics, partially offset by a \$0.2 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. Our backlog as of October 31, 2025, totaled \$46.3 million for Aerospace Products. The backlog includes orders with signed contracts which may not be completed within the next fiscal year. There can be no assurance that all orders will be completed or that some may ever commence. During the six months ended October 31, 2025, the Aircraft Modifications business entered into two contracts for large airplanes. The move into larger airplanes opens new market opportunities for Avcon. 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 6% in the six months ended October 31, 2025 to \$14.1 million compared to \$15.0 million for the six months ended October 31, 2024. Costs were 55% of segment total revenue in the six months ended October 31, 2025, as compared to 67% of segment total revenue in the six months ended October 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 hanger has now been fully repaired and restored.
- Expenses decreased 12% in the six months ended October 31, 2025 to \$3.0 million compared to \$3.4 million for the six months ended October 31, 2024. Expenses were 12% of segment total revenue in the six months ended October 31, 2025, as compared to 15% of segment total revenue in the six months ended October 31, 2024. The decrease is primarily due to lower overhead labor and travel costs in fiscal 2026.

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

| (dollars in thousands) | Three Months Ended October 31, 2025 | | Three Months Ended October 31, 2024 | | Percent Change 2024-2025 |
|-----------------------------------|--|-------------------|--|-------------------|--------------------------------|
| | Percent of Total Revenue | | Percent of Total Revenue | | |
| Revenue: | | | | | |
| Professional Services | \$ 9,212 | 40% | \$ 9,650 | 45% | -5% |
| Aerospace Products | 14,039 | 60% | 11,710 | 55% | 20% |
| Total revenue | <u>23,251</u> | <u>100%</u> | <u>21,360</u> | <u>100%</u> | <u>9%</u> |
| Costs and expenses: | | | | | |
| Cost of Professional Services | 3,863 | 17% | 3,909 | 18% | -1% |
| Cost of Aerospace Products | 7,473 | 32% | 7,524 | 35% | -1% |
| Marketing and advertising | 896 | 5% | 951 | 7% | -6% |
| General, administrative and other | 3,942 | 17% | 4,122 | 19% | -4% |
| Total costs and expenses | <u>16,174</u> | <u>70%</u> | <u>16,506</u> | <u>77%</u> | <u>-2%</u> |
| Operating income | <u><u>\$ 7,077</u></u> | <u><u>30%</u></u> | <u><u>\$ 4,854</u></u> | <u><u>23%</u></u> | <u><u>46%</u></u> |

Revenue

Revenue increased 9% to \$23.3 million in the three months ended October 31, 2025, compared to \$21.4 million in the three months ended October 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 BNSC and BHCMC. Revenue from Professional Services decreased 5% to \$9.2 million for the three months ended October 31, 2025 compared to \$9.7 million for the three months ended October 31, 2024. Sports wagering through the DraftKings sports wagering platform brought in \$1.6 million for the three months ended October 31, 2025 compared to \$1.4 million in the three months ended October 31, 2024. Traditional casino gaming revenue decreased \$0.2 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 20% to \$14.0 million for the three months ended October 31, 2025 compared to \$11.7 million for the three months ended October 31, 2024. The increase in revenue is primarily due to an increase in special mission electronics business of \$1.0 million along with an increase in aircraft modification business of \$1.2 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 2% to \$16.2 million in the three months ended October 31, 2025 compared to \$16.5 million in the three months ended October 31, 2024. Costs and expenses were 70% of total revenue in the three months ended October 31, 2025, as compared to 77% of total revenue in the three months ended October 31, 2024. This represents an operating margin of 30.4% in the three months ended October 31, 2025, compared to 22.7% in fiscal 2024 (operating income as a percentage of revenue), an increase of 7.7 percentage points.

Cost of Professional Services remained flat in the three months ended October 31, 2025 at \$3.9 million compared to \$3.9 million in the three months ended October 31, 2024. Costs were 17% of total revenue in the three months ended October 31, 2025, as compared to 18% of total revenue in the three months ended October 31, 2024.

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Cost of Aerospace Products remained flat in the three months ended October 31, 2025 at \$7.5 million compared to \$7.5 million for the three months ended October 31, 2024. Costs were 32% of total revenue in the three months ended October 31, 2025, as compared to 35% of total revenue in the three months ended October 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 decreased 6% in the three months ended October 31, 2025, to \$896 thousand compared to \$951 thousand in the three months ended October 31, 2024. Expenses were 5% of total revenue in the three months ended October 31, 2025, as compared to 7% of total revenue in the three months ended October 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 were 17% in the three months ended October 31, 2025, compared to 19% in the three months ended October 31, 2024. These expenses decreased 4% to \$3.9 million in the three months ended October 31, 2025, from \$4.1 million in the three months ended October 31, 2024.

Other income (expense):

Other income (expense) was \$1.7 million in the three months ended October 31, 2025 compared to \$71 thousand in the three months ended October 31, 2024. Interest expense was (\$501) thousand in the three months ended October 31, 2025, compared with interest expense of (\$538) thousand in the three months ended October 31, 2024. The decrease in interest expense is due to the paydown of long-term debt. Interest income was \$335 thousand in the three months ended October 31, 2025 compared to \$100 thousand in the three months ended October 31, 2024. Gain on sale of assets was \$1.9 million in the three months ended October 31, 2025 and \$509 thousand in the three months ended October 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 October 31, 2025 and October 31, 2024:

| (dollars in thousands) | Three Months Ended October 31, 2025 | | Three Months Ended October 31, 2024 | | Percent Change 2024-2025 |
|--|--|-----------------------------|--|------------|--------------------------------|
| | Percent of Total Revenue | Percent of Total Revenue | Percent Change 2024-2025 | | |
| Professional Services | | | | | |
| Revenue - Boot Hill Casino | \$ 9,212 | 100% | \$ 9,650 | 100% | -5% |
| Cost of Professional Services | 3,863 | 42% | 3,909 | 41% | -1% |
| Expenses | 3,673 | 40% | 3,363 | 35% | 9% |
| Total costs and expenses | 7,536 | 82% | 7,272 | 75% | 4% |
| Professional Services operating income | <u>\$ 1,676</u> | <u>18%</u> | <u>\$ 2,378</u> | <u>25%</u> | <u>-30%</u> |

| (dollars in thousands) | Three Months Ended October 31, 2025 | | Three Months Ended October 31, 2024 | | Percent Change 2024-2025 |
|-------------------------------------|-------------------------------------|--------------------------|-------------------------------------|--------------------------|--------------------------|
| | | Percent of Total Revenue | | Percent of Total Revenue | |
| Aerospace Products | | | | | |
| Revenue | \$ 14,039 | 100% | \$ 11,710 | 100% | 20% |
| Cost of Aerospace Products | 7,473 | 53% | 7,524 | 64% | -1% |
| Expenses | 1,165 | 8% | 1,710 | 15% | -32% |
| Total costs and expenses | <u>8,638</u> | <u>62%</u> | <u>9,234</u> | <u>79%</u> | <u>-6%</u> |
| Aerospace Products operating income | <u><u>\$ 5,401</u></u> | <u><u>38%</u></u> | <u><u>\$ 2,476</u></u> | <u><u>21%</u></u> | <u><u>118%</u></u> |

Professional Services

- Revenue from Professional Services decreased 5% for the three months ended October 31, 2025 to \$9.2 million compared to \$9.7 million for the three months ended October 31, 2024. Sports wagering through the DraftKings sports wagering platform brought in \$1.6 million of revenue for the three months ended October 31, 2025 compared to \$1.4 million in the three months ended October 31, 2024. Furthermore, traditional casino gaming revenue decreased \$0.2 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 to \$0.8 million for the three months ended October 31, 2025, compared to \$1.2 million for the three months ended October 31, 2024, primarily due to the casino's temporary closure of its restaurant due to ongoing renovations.
- Costs of Professional Services decreased less than \$0.1 million to \$3.9 million in the three months ended October 31, 2025 compared to \$3.9 million compared to the three months ended October 31, 2024. Costs were 42% of segment total revenue in the three months ended October 31, 2025, as compared to 41% of segment total revenue in the three months ended October 31, 2024.
- Expenses increased 9% in the three months ended October 31, 2025 to \$3.7 million compared to \$3.4 million in the three months ended October 31, 2024, primarily due to higher allocation of corporate overhead costs. Expenses were 40% of segment total revenue in the three months ended October 31, 2025, as compared to 35% of segment total revenue in the three months ended October 31, 2024.

Aerospace Products

- Revenue increased 20% to \$14.0 million in the three months ended October 31, 2025, compared to \$11.7 million in the three months ended October 31, 2024. The increase in revenue is primarily due to a \$1.0 million increase in special missions electronics and a \$1.2 million increase 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. During the three months ended October 31, 2025, the Aircraft Modifications business entered into two contracts for large airplanes. The move into larger airplanes opens new market opportunities for Avcon. 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

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completion is reflected in the quarter revenue compared to the previous year. Avionics revenue was up slightly due to revenues associated with a multi-airplane avionics upgrade contract.

- Cost of Aerospace Products decreased less than 1% in the three months ended October 31, 2025 to \$7.5 million compared to \$7.5 million for the three months ended October 31, 2024. Costs were 53% of segment total revenue in the three months ended October 31, 2025, as compared to 64% of segment total revenue in the three months ended October 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.
- Expenses decreased 7% in the three months ended October 31, 2025 to \$1.2 million compared to \$1.7 million for the three months ended October 31, 2024. Expenses were 8% of segment total revenue in the three months ended October 31, 2025, as compared to 15% of segment total revenue in the three months ended October 31, 2024. The decrease is primarily due to lower overhead labor and travel costs in fiscal 2026.

Employees

Other than persons employed by our gaming subsidiaries, there were 153 full time and 6 part time employees on October 31, 2025, compared to 140 full time and 2 part time employees on October 31, 2024. Our staffing at Boot Hill Casino & Resort on October 31, 2025 was 187 full time and 44 part time employees compared to 200 full time and 41 part time employees on October 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 six months ended October 31, 2025 our cash position increased by \$4.4 million. Net income was \$9.7 million for the six months ended October 31, 2025. Cash flow provided by operating activities was \$13.9 million for the six months ended October 31, 2025. Non-cash activities consisting of depreciation and amortization provided \$3.4 million, deferred compensation added \$0.1 million, stock awarded to directors added \$0.1 million, and gain on sale of assets used \$1.9 million. Contract assets increased our cash position by \$1.1 million and contract liability increased our cash position by \$0.4 million. Inventories decreased our cash position by \$0.5 million and accounts receivable decreased our cash position by \$0.5 million. Gaming facility mandated payments increased our cash position by \$61 thousand. Prepaid expenses and other assets decreased our cash by \$0.8 million. Accounts payable increased our cash position by \$1.2 million and lease liabilities increased our cash position by \$0.1 million. Accrued liabilities decreased our cash position by \$0.6 million and other current liabilities decreased our cash by \$69 thousand. Income tax payable increased our cash position by \$2.1 million.

Investing Activities

Cash used in investing activities was \$1.7 million for the six months ended October 31, 2025. We invested \$1.2 million towards STCs, \$0.9 million on buildings and improvements, and \$1.2 million on machinery and equipment. For the six

months ended October 31, 2025, proceeds from the sale of assets provided \$1.6 million, including \$1.2 million for the sale of Boot Hill Casino's administrative building and \$0.4 million on the sale of two airplanes. Of the \$1.2 million related to the building sale, approximately \$1.2 million was received in cash and the remaining \$1.2 million is recorded in accounts receivable at October 31, 2025. The Company plans to construct a more efficient facility for storage and training adjacent to the casino.

Financing Activities

Cash used by financing activities was \$7.7 million for the six months ended October 31, 2025. We made repayments of \$2.8 million on our long-term debt and we made repayments on lease right-to-use of \$135 thousand. We purchased Company stock of \$4.8 million. The stock acquired was placed in treasury.

Capital Expenditures

The Company anticipates remaining capital expenditures in fiscal 2026 to be approximately \$9.2 million, consisting of \$3.8 million on STC's, \$2.4 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 October 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 October 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 six months ended October 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 October 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 October 31, 2025.

Internal Control Over Financial Reporting

Limitations on Controls

Our management, including the Chief Executive Officer and 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 October 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 October 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 second 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 |
|---|---|------------------------------|--|--|
| Closure of 2016 program and increase from 2025 program authorization in August 2024 | - | \$ - | - | \$ 5,000,000 |
| August 1, 2025 - August 30, 2025 | - | \$ - | - | \$ 5,000,000 |
| September 1, 2025 - September 30, 2025 | 687,852 | \$ 1.69 | 687,852 | \$ 3,846,173 |
| October 1, 2025 - October 31, 2025 | - | \$ - | - | \$ 3,846,173 |
| Total | 687,852 | | 687,852 | |

(a) 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. The timing and amount of any share repurchases will be determined by Butler National's management based on market conditions and other factors.

| | |
|----------------|---|
| 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 October 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 105b-1 trading arrangement” (as those terms are defined in Item 408 of Regulation S-K). |
| Item 6. | EXHIBITS. |
| 3.1 | <u>Articles of Incorporation, as amended and restated are incorporated by reference to Exhibit A of our Form DEF 14A filed on December 26, 2001.</u> |
| 3.2 | <u>Bylaws, as amended, are incorporated by reference to Exhibit 3.1 of our Form 8-K filed on August 20, 2024.</u> |
| 31.1 | <u>Certificate of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a).</u> |
| 31.2 | <u>Certificate of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a).</u> |
| 32.1 | <u>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.</u> |
| 32.2 | <u>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.</u> |
| 101 | The following financial information from the Company’s Quarterly Report on Form 10-Q for the quarter ended October 31, 2025, formatted in Inline XBRL (Extensible Business Reporting Language) includes: (i) Condensed Consolidated Balance Sheets as of October 31, 2025 and April 30, 2025, (ii) Condensed Consolidated Statements of Operations for the three and six months ended October 31, 2025 and 2024, (iii) Condensed Consolidated Statements of Stockholders’ Equity for the six months ended October 31, 2025 and 2024, (iv) Condensed Consolidated Statements of Cash Flows for the six months ended October 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 October 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)

December 11, 2025

Date

/s/ Christopher J. Reedy

Christopher J. Reedy

(President, Chief Executive Officer and Secretary)

December 11, 2025

Date

/s/ Adam B. Sefchick

Adam B. Sefchick

(Vice President and Chief Financial Officer)